

## LISTING PARTICULARS DATED 15 NOVEMBER 2019

### HEIMSTADEN BOSTAD AB (PUBL)

(incorporated in the Kingdom of Sweden as a public company with limited liability)

#### EUR 800,000,000 Subordinated Fixed to Reset Rate 5.25 Year Non-Call Undated Capital Securities

Issue price: 100.00 per cent.

Heimstaden Bostad AB (publ), a public limited company with limited liability incorporated under the laws of the Kingdom of Sweden (the "**Issuer**") is offering EUR 800,000,000 Subordinated Fixed to Reset Rate 5.25 Year Non-Call Undated Capital Securities (the "**Capital Securities**"). References herein to the "**Conditions**" shall be construed as references to the Terms and Conditions of the Capital Securities and references to a numbered "**Condition**" shall be construed accordingly.

Interest will accrue on the Capital Securities from (and including) 19 November 2019 (the "**Issue Date**") to (but excluding) 19 February 2025 (the "**First Reset Date**") at a rate of 3.248 per cent. per annum, and thereafter at the relevant Reset Interest Rate (as defined in Condition 4(d) (*Reset Interest Rates*) of the Capital Securities). Interest on the Capital Securities will (subject to the option of the Issuer to defer payments, as provided below) be payable annually in arrear on 19 February in each year from (and including) 19 February 2020. The first payment of interest will be made on 19 February 2020 in respect of the period from (and including) the Issue Date to (but excluding) 19 February 2020.

Payments of interest on the Capital Securities may, at the option of the Issuer, be deferred, as set out in Condition 5(a) (*Deferral of Interest Payments*). Deferred interest, which shall itself bear interest, may be paid at any time at the option of the Issuer (upon notice to the holders of the Capital Securities), and must be paid in the circumstances provided in Condition 5(b)(ii) (*Mandatory Settlement*).

If the Issuer does not elect to redeem the Capital Securities in accordance with Condition 6(e) (*Redemption for Change of Control Event*) following the occurrence of a Change of Control Event (as defined in the Conditions), the then prevailing interest rate per annum (and each subsequent interest rate per annum otherwise determined in accordance with the Conditions) for the Capital Securities shall be increased by an additional five percentage points per annum with effect from (and including) the day immediately following the Change of Control Step-up Date, as set out in Condition 4(i) (*Step-Up after Change of Control Event*).

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Issuer will have the right to redeem the Capital Securities in whole, but not in part, on (a) any date in the three months up to and including the First Reset Date or (b) any Interest Payment Date thereafter. The Issuer may also redeem the Capital Securities upon the occurrence of a Change of Control Event, a Tax Deductibility Event, a Substantial Repurchase Event, a Capital Event, an Accounting Event or a Withholding Tax Event, and may in certain circumstances vary the terms of, or substitute, the Capital Securities, all as set out in the Conditions.

The Capital Securities have not been and will not be registered under the United States Securities Act of 1933 (as amended, the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Capital Securities are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered and sold or delivered within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

These Listing Particulars have been approved by the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**"). Application has been made to Euronext Dublin for the Capital Securities to be admitted to Euronext Dublin's official list (the "**Official List**") and to trading on its Global Exchange Market (the "**GEM**").

These Listing Particulars constitute a "Listing Particulars" for the purposes of the admission of the Capital Securities to the Official List and to trading on the GEM and, for such purposes, do not comprise a "prospectus" for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").

References in these Listing Particulars to the Capital Securities being listed (and all related references) shall mean that the Capital Securities have been admitted to the Official List and have been admitted to trading on the GEM. The GEM is the exchange regulated market of Euronext Dublin and is not a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**").

**MiFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Capital Securities has led to the conclusion that: (i) the target market for the Capital Securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Capital Securities (a "**distributor**") should take into consideration the manufacturers' target market

assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**PRIIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Capital Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Capital Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Capital Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Regulation 3(b) of the Securities and Futures (Capital Markets Products) Regulations 2018 (the "**SF (CMP) Regulations**") that the Capital Securities are "prescribed capital markets products" (as defined in the SF (CMP) Regulations).

The Issuer has been rated BBB- (outlook positive) by S&P Global Ratings Europe Limited ("**S&P**"). The Capital Securities are expected to be rated BB by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended, the "**CRA Regulation**"). As such, S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation.

The Capital Securities will initially be represented by a temporary global capital security (the "**Temporary Global Capital Security**"), without interest coupons, which will be deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Capital Security will be exchangeable for interests in a permanent global capital security (the "**Permanent Global Capital Security**" and, together with the Temporary Global Capital Security, the "**Global Capital Securities**"), without interest coupons not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Capital Security will be exchangeable for definitive Capital Securities only in certain limited circumstances. See "*Summary of Provisions relating to the Capital Securities while represented by the Global Capital Securities*".

An investment in Capital Securities involves certain risks. Prospective investors should have regard to the factors described under the heading "*Risk Factors*" on page 2.

#### ***Structuring Agents to the Issuer and Joint Bookrunners***

**DANSKE BANK**

**DEUTSCHE BANK**

**J.P. MORGAN**

**NORDEA**

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars are to be read in conjunction with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*" below) and shall be read and construed on the basis that such documents are incorporated and form part of these Listing Particulars.

References to the "**Issuer**" are to Heimstaden Bostad AB (publ). References to the "**Group**" are to Heimstaden Bostad AB (publ) and its subsidiaries taken as a whole.

The Issuer, having made all reasonable enquiries, confirms that these Listing Particulars contain all material information with respect to the Issuer and the Capital Securities (including all information which, according to the particular nature of the Issuer and of the Capital Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Capital Securities), that the information contained or incorporated in these Listing Particulars is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in these Listing Particulars are honestly held and that there are no other facts known to the Issuer, the omission of which would make these Listing Particulars or any of such information or the expression of any such opinions or intentions misleading.

These Listing Particulars contain certain market, historical and forward looking economic and industry data, including information in "*Risk Factors*" and "*Description of the Issuer*" which have been obtained from publicly available information, independent industry publications and reports prepared by industry consultants. The Issuer has relied on the accuracy of such information without an independent verification thereof, however, the Issuer believes the information to be reliable. Where information in these Listing Particulars has been sourced from a third party, this information has been accurately reproduced and, so far as the Issuer is aware, and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information, data and statistics may be approximations or estimates or use rounded numbers. Information in these Listing Particulars which has been sourced from a third party is identified as such with the name of the third party source. None of the Issuer or the Joint Bookrunners or the Trustee (each as defined below) represent that such information is accurate.

Save for the Issuer, no party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Danske Bank A/S, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc or Nordea Bank Abp as joint bookrunners (the "**Joint Bookrunners**") or Deutsche Trustee Company Limited (the "**Trustee**") as to the accuracy or completeness of the information contained or incorporated in these Listing Particulars or any other information provided by the Issuer in connection with the offering of the Capital Securities. None of the Joint Bookrunners or the Trustee accepts any liability in relation to the information contained in these Listing Particulars or any other information provided by the Issuer in connection with the offering of the Capital Securities or their distribution.

No person is or has been authorised by the Issuer, any Joint Bookrunner or the Trustee to give any information or to make any representation not contained in or not consistent with these Listing Particulars or any other information supplied in connection with the offering of the Capital Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Joint Bookrunners or the Trustee.

Neither these Listing Particulars nor any other information supplied in connection with the offering of the Capital Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Joint Bookrunners or the Trustee that any recipient of these Listing Particulars or any other information supplied in connection with the offering of the Capital Securities should purchase any Capital Securities. Each investor contemplating purchasing any Capital Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither these Listing Particulars nor any other information supplied in connection with the offering of the Capital Securities constitutes an offer or invitation by or on

behalf of the Issuer, any of the Joint Bookrunners or the Trustee to any person to subscribe for or to purchase any Capital Securities.

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of the Capital Securities shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Capital Securities is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Bookrunners and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Capital Securities or to advise any investor in the Capital Securities of any information coming to their attention. The Capital Securities have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Capital Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Capital Securities and on distribution of these Listing Particulars, see "*Subscription and Sale*" below.

None of the Issuer, the Joint Bookrunners or the Trustee, or any of their respective representatives, is making any representation to any offeree or purchaser of the Capital Securities regarding the legality of an investment in the Capital Securities by such offeree or purchaser under the laws applicable to such offeree or purchaser. Prospective investors should not construe anything in these Listing Particulars as legal, tax, business or financial advice. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Capital Securities.

#### **IMPORTANT INFORMATION RELATING TO THE USE OF THESE LISTING PARTICULARS AND OFFERS OF CAPITAL SECURITIES GENERALLY**

These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to buy the Capital Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Listing Particulars and the offer or sale of the Capital Securities may be restricted by law in certain jurisdictions. The Issuer, the Joint Bookrunners and the Trustee do not represent that these Listing Particulars may be lawfully distributed, or that the Capital Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Joint Bookrunners and the Trustee which is intended to permit a public offering of the Capital Securities or the distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Capital Securities may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars or any Capital Securities may come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars and the offering and sale of Capital Securities. In particular, there are restrictions on the distribution of these Listing Particulars and the offer or sale of Capital Securities in the United States, the EEA (including the Kingdom of Sweden and the United Kingdom) and Singapore; see "*Subscription and Sale*".

#### **PRESENTATION OF INFORMATION**

The language of these Listing Particulars is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of these Listing Particulars.

All references in these Listing Particulars to "**euro**" and "**€**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended and references to "**Swedish Krona**" and "**SEK**" are to the lawful currency for the time being of the Kingdom of Sweden.

#### **SUITABILITY OF INVESTMENT**

The Capital Securities are complex financial instruments and may not be a suitable investment for all investors. Each potential investor in the Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Capital Securities, the merits and risks of investing in the Capital Securities and the information contained in these Listing Particulars or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Capital Securities and the impact the Capital Securities will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Capital Securities, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Capital Securities and be familiar with the behaviour of any relevant financial markets; and
- (v) is 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.

Prospective investors should consult their tax advisers as to the tax consequences of the purchase, ownership and disposition of the Capital Securities.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Capital Securities are legal investments for it, (2) Capital Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Capital Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Capital Securities under any applicable risk-based capital or similar rules.

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## **RISK FACTORS**

Before making an investment decision, prospective investors should carefully review the specific risk factors described below, in addition to the other information contained in these Listing Particulars. The Issuer believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Capital Securities. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. The Issuer's business, financial condition and results of operations could be materially affected by each of these risks presented. Also other risks and uncertainties not described herein could affect the Issuer's ability to fulfil its obligations under the Capital Securities. Additional risks and uncertainties not presently known to the Issuer, or that the Issuer currently believes are immaterial, could impair the ability of the Issuer to fulfil its obligations under the Capital Securities. Certain other matters regarding the operations of the Issuer that should be considered before making an investment in the Capital Securities are set out, in the section "*Description of the Issuer*", amongst other places. The order of presentation of the risk factors in these Listing Particulars is not intended to be an indication of the probability of their occurrence or of their potential effect on the Issuer's ability to fulfil its obligations under the Capital Securities.

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

Factors that may affect the Issuer's ability to fulfil its obligations under the Capital Securities

### **Risks Relating to Macroeconomic Conditions**

#### ***The on-going uncertainty and volatility in the financial markets and the state of the global economic recovery may adversely affect the Issuer'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. This has raised concerns regarding the financial condition of financial institutions and other corporates located in these countries, having direct or indirect exposure to these countries, and/or whose banks, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. 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 Issuer operates and the businesses and economic condition and prospects of the Issuer's counterparties or customers, directly or indirectly, in ways which are difficult to predict. Additionally, the developments surrounding the United Kingdom's intention to exit 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 Issuer. The impact of these conditions could be detrimental to the Issuer and could adversely affect its business, results of operations, financial condition and/or prospects; its solvency and the solvency of its counterparties and customers; the value and liquidity of its assets and liabilities; the value and liquidity of the Capital Securities and/or the ability of the Issuer to meet its obligations under the Capital Securities and under its debt obligations more generally.

#### ***Negative economic developments and conditions in Scandinavia and the Netherlands may affect the Issuer's operations and customers, as well as the prices of the Issuer's real property and tenant-owned apartments***

The Swedish, Danish, Norwegian and/or Dutch 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 Issuer's business in a number of ways, including, among other things, the income, wealth, liquidity, business and/or financial condition of the Issuer, its customers and other business partners. The Issuer 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 Issuer 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 can be no assurance that the Group will not 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 and/or the Netherlands. Materialisation of any of the above risks could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

### **Risks Relating to the Issuer's Business 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 Issuer's business. The Group aims to secure a high occupancy rate by, among other things, actively developing its property portfolio to meet the demand for residential and commercial premises. 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 Issuer's business, financial condition, result of operations and future projects.

#### ***Property valuation is subjective and uncertain to a certain extent***

Although the Group's properties are internally revalued each calendar quarter based on methods that the Issuer's management believes to be generally accepted and used throughout the residential market in Sweden, Denmark, Norway and/or the Netherlands, and although the Issuer allows the whole portfolio to be externally valued on annual basis, the appropriateness of sources of information used and the credibility of the valuations are, to a certain extent, subjective and, thus, subject to uncertainty. 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. Non-realised value changes do not affect the cash flow. For valuations in Sweden, Denmark and the Netherlands, 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 Issuer 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 Swedish, Danish, Norwegian and Dutch 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 since the date when such assumptions were made 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 can be no assurance that the valuations accurately reflect the current market value of the Group's properties and property-related assets as at the date of valuation or any other date. Incorrect assumptions or flawed assessments underlying the valuations, or materialisation of any of the above risks, could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

#### ***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 Issuer 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 there can, therefore, be no assurance that the amount spent on refurbishment and maintenance repair by the Group could not significantly increase from the level currently expected by the Issuer.

If such risk materialises, 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 Issuer's business, financial condition, results of operations and future prospects.

***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. 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 have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***Heimstaden AB (publ) could fail in the management of the "Heimstaden" brand***

The Issuer's success is partially dependent on the value of the "Heimstaden" brand. The "Heimstaden" trademark is owned by Heimstaden AB (publ) and licensed to the Issuer. The "Heimstaden" brand holds a great significance for both the Issuer's business operations and the implementation of its strategies. The integrity of the "Heimstaden" brand is important in all parts of its business (both for residential and commercial properties) and to the Group's business partners, such as municipalities, construction companies and lenders. In addition, corporate social responsibility forms part of the Issuer's customary long-term activities. 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. This, in turn, could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***The Issuer is a holding company; it is reliant on dividend and group contribution upstreaming***

The Issuer is a holding company. As is common with property groups, its material assets are its shareholdings in its subsidiaries and its associated companies. The Issuer may use some of the proceeds of the sale of the Capital Securities to repay certain of its own debts, and may on-lend proceeds under intercompany loans to its subsidiaries for them to repay or refinance certain of their indebtedness. Other than the receivables under intercompany loans and any other intra-group loans of proceeds made in connection with other financing transactions, the Issuer depends on the distribution of dividends and group contributions and other payments from its subsidiaries. In meeting its payment obligations under the Capital Securities, the Issuer is dependent on the profitability and cash flow of its subsidiaries, whose ability to make dividend or similar distributions may be subject to restrictions as a result of factors such as low profitability, restrictive covenants contained in loan agreements and ancillary agreements such as pledge agreements, foreign exchange limitations, regulatory, fiscal or other restrictions.

***Heimstaden AB (publ)***

The Issuer is dependent on Heimstaden AB (publ) to provide it with head office functions such as legal, group accounting, group treasury, transaction team, human resources and public relations and senior management. Wholly owned subsidiaries of Heimstaden AB (Heimstaden Förvaltning AB in Sweden, Heimstaden A/S in Denmark, Heimstaden AS in Norway and Heimstaden Nederland B.V. in the Netherlands) are responsible for providing property management and technical management to the Group.

The Issuer's success is, to a large extent, dependent on Heimstaden AB (publ) and certain of its subsidiaries continuing to provide services at an acceptable cost and with a satisfactory level of quality. Any changes to the cost or quality of these services or any interruption of these services could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

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

The Issuer's financial performance is dependent on the contribution of Heimstaden AB (publ)'s key personnel. Key personnel include Heimstaden AB (publ)'s senior management and a number of other employees in key positions. The Issuer's success is, to a large extent, dependent on Heimstaden AB (publ)'s ability to recruit, motivate and retain highly skilled staff at every level of its organisation. Heimstaden AB (publ) may fail in retaining key personnel and recruiting skilled staff. Any loss of senior management or other employees with special expertise could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***Ivar Tollefsen***

The ultimate majority shareholder of Heimstaden AB (publ) (the majority shareholder of the Issuer) is Ivar Tollefsen, who owns, through his wholly owned company, Fredensborg AS, indirectly 86 per cent. of the share capital and 98 per cent. of votes in Heimstaden AB (publ), which in turn owns 65 per cent. of the common shares and 65 per cent. of the votes in the Issuer. Ivar Tollefsen may, therefore, be able to prevent or delay a change of control in respect of the Issuer, or take other actions that may be contrary to the interests of the Issuer's other stakeholders. Further, the personal connections and business relationships of Ivar Tollefsen are important to the conduct of the Issuer's business. No assurance can be given that he will continue to make his services available to the Issuer indefinitely. The Issuer does not maintain any 'key-man' insurance on Ivar Tollefsen.

***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 and the Netherlands, the rental levels are in addition affected by applicable rent regulations (please 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 Scandinavia and the Netherlands 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 Sweden, Denmark, Norway and the Netherlands, 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 the Swedish, Danish, Norwegian and Dutch residential markets.

In addition, 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. A decrease in the prices of apartments and commercial properties is likely to have a direct impact on the fair value of the Group's property portfolio. The required return may increase in the future, which could lead to a reduction in the value of the Group's property portfolio.

Materialisation of any of the above risks could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

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

The ability of the Group to increase rents under its tenancy agreements may be limited by applicable rent regulations in the 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 impact on the Group's ability to recover the costs and expenses associated with the upgrade of those residential units and this could, in turn, have a material impact on the Group's operations, earnings and/or financial condition.

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 impact on the growth and financial prospects of the Group.

***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. Unrealised changes in value do not affect the cash flow. 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. Decreases in the fair value of the Group's properties could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects. In addition, decreases in the fair value of the Group's properties would have negative effects on the Issuer's performance indicators, particularly the net asset value, which could have a negative influence on the rating of the Issuer.

***Changes in legislation may adversely affect the value of the Group's properties or results, 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 is not 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 could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

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

Tax laws and regulations or their interpretation and application practices may be subject to change in the countries in which the Issuer operates, namely, Sweden, Denmark, Norway and the Netherlands. Historically, the Issuer has used tax optimisation arrangements, such as utilising tax losses from companies it purchases for this purpose, to reduce its tax burden; however there can be no assurance that the Issuer will 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 Issuer could be liable to pay additional tax which could have a material adverse effect on the Issuer's business, financial condition and cash flow.

EU Directive 2016/1164 of 12 July 2016 has been passed regarding, *inter alia*, new interest deduction limitation rules. 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 and Denmark based on the EU Directive 2016/1164 has been or may be implemented.

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 result of the review was presented on 30 March 2017. 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 proposals by the committee have been circulated for formal consultation and the consultation period ended on 15 September 2017. The rules were initially proposed to enter into force 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.

Materialisation of any of the above risks could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***Legal or regulatory proceedings or claims could have a material adverse effect on the Issuer***

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 there can be no assurance as to the outcome of such proceedings or claims, whether existing or arising in the future. In the normal course of its business operations, the Group could be involved in legal proceedings relating, for example, to alleged breaches of contract by the Group and employers' liabilities and be 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 its business, financial condition, results of operations and future prospects.

***Apartment renting and construction are highly competitive businesses***

Renting apartments is a highly competitive business in Sweden, Denmark, Norway and the Netherlands. The Issuer'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. There can be no assurance that the Issuer can meet the intensifying competition on the apartment renting market. Increasing competition could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***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. Any such event or material decrease in the value of the properties, or environmental issues that are not known or not recognisable at the time of the purchase or occurring at a later date, could have a material adverse effect on the business and financial condition of the Group.

The Group has established an environmental policy and works actively to address environmental issues. Under Swedish, Danish and Norwegian 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 property on which polluting activities were carried out). An acquirer may be required to observe restrictions on the use of land laid out in any "after-care plan" agreed pursuant to the Dutch legislation.

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 can be no assurance that the Group could not become liable for material environmental damage or other environmental liabilities in the future. Materialisation of any of the above risks could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***Risks posed by the Group's geographically diverse property portfolio***

The supply and demand for properties and the return on property investments varies between different geographical markets and may develop differently within such markets. The Group has a diversified property portfolio, with its properties located in different geographical markets. The demand for premises to rent could decline in one or all of such markets, which could adversely affect the Issuer's operations, results and financial condition.

***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 many factors beyond the Group's control, such as 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, there can be no assurance that such divestments will be profitable or that such divestments will be possible at all, if the market functions inadequately or is illiquid. Unsuccessful divestments of properties could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***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***

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. It is possible 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 Group cannot guarantee that its due diligence when acquiring a real estate asset will uncover all the potential liabilities and risks related to the property (such as construction defects) or that it will 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.

Additionally, material acquisitions for the Group, such as the acquisition of the Dutch property portfolio described in "*Description of the Issuer – Recent Developments*", may exacerbate any of the above risks given the large scale of the acquisitions relative to the size of the Group.

Materialisation of any of the above risks could have a material adverse effect on the Issuer's business, financial condition, results of operations 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. Such information systems include 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. Material interruptions or serious malfunctions in the operation of the information systems may impair and weaken the Group's business, financial condition and the profitability of its operations. The Group may also face difficulties when developing new systems and maintaining or updating current systems in order to maintain its competitiveness. In particular, malfunctions in its IT systems could delay the Group in issuing rental invoices to its customers and/or prevent the Group from renting available apartments. Materialisation of any of the above risks could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

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

Actual losses suffered by the Group could exceed its insurance coverage and could be material. The realisation of one or more damaging events for which the Group has no insurance coverage or for which the Group's insurance coverage is insufficient could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***Interests of the Issuer's shareholders may conflict with those of the holders of the Capital Securities***

The interests of the Issuer's shareholders, in certain circumstances, may conflict with those of the Holders, particularly if the Issuer encounters financial difficulties or is unable to pay its debts when due. In addition, the Issuer's shareholders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to the Holders. Any of these actions could have an adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

**Financial Risks**

***The Issuer 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 Issuer's business, in particular its growth strategy (see "*Description of the Issuer - Goals and Strategy*"), will increase and that such financing will be less readily available. As a result of the Issuer's intentions to raise additional debt from the capital markets, the Issuer is exposed to future adverse changes in those markets. The level of the Issuer'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 Issuer's target equity/assets ratio is at least 30 per cent. calculated on the basis of the fair value of its properties. From the unaudited figures, as at 30 September 2019, the Issuer's equity/assets ratio was 41 per cent. based on the fair value of the properties. The Issuer conducts continual discussions with banks and credit institutions aimed at securing its long-term financing. The Issuer cooperates closely with a handful of lenders in order to secure its long-term capital requirements. However, no assurance can be given that the Issuer may not have difficulty 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 Issuer'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 Issuer's business, financial condition, results of operations and future prospects.

***Risks posed by the Issuer's financing model***

The Issuer is financed through equity and interest-bearing debt as well as its cashflows. Most of the interest-bearing debt is borrowed by the Issuer's property-owning subsidiaries, which means that the financial risks in the Issuer are 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 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 position. For further information see "*Description of the Issuer – Finance and Capital Structure – Funding Strategy*".

***Issuer is dependent on obtaining its expected long-term credit rating to pursue its financing strategy***

The Issuer intends to raise additional debt from the capital markets in the future. To facilitate the issuance of unsecured bonds and notes, the Issuer sought a rating from S&P. S&P have confirmed an expected long-term Issuer credit rating of BBB- (outlook positive), subject to a bond issuance with a maturity longer than the existing loan debt of the Issuer. Once this rating has been attained, if the Issuer's long-term credit rating were to be downgraded, future issuances of unsecured bonds and notes may become significantly more expensive or may not be possible in the targeted amounts. S&P could downgrade the Issuer's long-term Issuer credit rating if, for example, the Issuer's secured leverage (secured debt divided by total assets) were to exceed certain levels, or the Issuer'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 the Issuer 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 the Issuer to pursue its current financing strategy, which could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***The Issuer's financings/insurance arrangements involve counterparty risk***

Financial institutions are counterparties to the Issuer's long-term bank loans and insurance arrangements. During the financial crisis, many banks and insurance companies in the United States and Europe experienced financial difficulties, resulting in numerous mergers, acquisitions and bankruptcies among financial institutions, including government takeovers of certain financial institutions. The Issuer's principal counterparties in financing transactions are financial institutions which have avoided serious financial problems. However, there is no assurance that the Issuer's financing or insurance counterparties will not experience any financial difficulties in the future. If the Issuer's counterparties were to experience financial difficulties it could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***Fluctuations in interest rates may adversely affect the Issuer's business***

Interest rate fluctuations affect the Issuer's profit through changes in interest expenses and the market values of interest rate hedging. From the unaudited figures, as at 30 September 2019, approximately 57 per cent. of the Issuer'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 Issuer's current financing expenses. There can be no assurance that the Issuer could not fail in managing its interest rate risk properly. This could, in turn, have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

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

The Issuer is exposed to indirect foreign exchange translation risk due to its investment in Denmark, Norway and the Netherlands. The Issuer's most significant exchange rate risk relates currently to non SEK-denominated rental income, maintenance costs and property valuation. The Issuer's reporting currency is Swedish Krona, and all balance sheet items for foreign properties as well as all income and expenses

generated by them are converted to Swedish Krona. Materialisation of the translation risk could have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects.

***The Issuer's historical earnings and other historical financial data are not necessarily predictive of earnings or other key financial figures of the Issuer going forward***

The financial information provided for and discussed in these Listing Particulars and the financial statements of the Issuer included in these Listing Particulars relate to the past performance of the Issuer and the Group. The future development of the Issuer could deviate significantly from past results due to a large number of internal and external factors. The historical earnings, historical dividends and other historical financial data of the Group are, therefore, not necessarily predictive of earnings or other key financial figures for the Issuer going forward.

**Factors which are material for the purpose of assessing the market risks associated with the Capital Securities**

**Risks related to the Capital Securities generally**

Set out below is a brief description of certain risks relating to the Capital Securities generally.

***The claims of holders of the Capital Securities are structurally subordinated***

As is usual for property companies, the Issuer's operations are principally conducted through subsidiaries. Accordingly, the Issuer is, and will be, dependent on its subsidiaries' operations to service its payment obligations in respect of the Capital Securities. The Capital Securities are structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Issuer's subsidiaries, and structurally and/or effectively subordinated to the extent of the value of collateral to all the Issuer's and its subsidiaries' secured creditors. The Capital Securities will not be guaranteed by any of the Issuer's subsidiaries or any other company or person. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any of the Issuer's subsidiaries, unsecured creditors of such subsidiaries, secured creditors and obligations that may be preferred by provisions of law that are mandatory and of general application will generally have the right to be paid in full before any distribution is made to the Issuer. From the unaudited figures, as at 30 September 2019, the book value of interest-bearing debt of the Group was SEK 51,326 million.

***The market price of the Capital Securities may be volatile***

The market price of the Capital Securities could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of the Capital Securities, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Capital Securities without regard to the Issuer's results of operations, prospects or financial condition. Factors including increased competition or the Issuer's operating results, the regulatory environment, general market conditions, natural disasters, terrorist attacks and war may have an adverse effect on the market price of the Capital Securities.

***Laws and practices applicable to the Capital Securities may change***

The Conditions are based on and governed by English law (other than the Conditions relating to subordination of the Capital Securities, which are based on and governed by Swedish law) in force on the Issue Date. Any new statutes, ordinances and regulations, amendments to the legislation or changes in application of the law (including any amendments to or changes in application of tax laws or regulations) after the Issue Date may affect the Capital Securities and/or have a material adverse effect on the Issuer's business, financial condition, results of operations and future prospects, and, thereby, on the Issuer's ability to fulfil its obligations under the Capital Securities as well as the market price and value of the Capital Securities.



### ***Enforceability of judgments***

The United Kingdom served notice under Article 50 of the Treaty on European Union on 29 March 2017 of its intention to exit the European Union ("**Brexit**"). Negotiations are ongoing to determine the future terms of the United Kingdom's relationship with the European Union, including the terms of trade between the United Kingdom and the European Union. There is uncertainty concerning the enforcement of English court judgments in Sweden following Brexit. The published text of the draft withdrawal agreement proposes a transitional period, from the date of the withdrawal of the UK from the EU to 31 December 2020 during which EU law would continue to apply to the UK. If no new reciprocal agreement on civil justice is agreed at the end of such a transition period (or if no such transition period is agreed), there will be a period of uncertainty concerning the enforcement of English court judgments in Sweden as the current regulation concerning the recognition and enforcement of judgments that apply between the UK and EU Member States, namely the Recast Brussels Regulation (Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 (the "**Recast Regulation**")) would cease to apply to the UK (and UK judgments). Further the UK would no longer be a party to the Lugano Convention under which judgments from the courts of contracting states (currently the EU, plus Switzerland, Iceland and Norway) are recognised and enforced in other contracting states. As a result, a judgment entered against the Issuer in an English court may not be recognised or enforceable in Sweden as a matter of law without a re-trial on its merits.

The draft withdrawal agreement provides that judgments issued by English courts in proceedings instituted before the end of the transition period will continue to be recognised and enforced in the EU pursuant to the Recast Regulation. Further, in its White Paper from July 2018, the UK Government states that it will seek to participate in the Lugano Convention on leaving the EU, which would mean English judgments would continue to be recognised and enforced in Sweden (and other contracting states). In the same White Paper, the UK Government also stated it will seek a new bilateral agreement with the EU27 concerning cooperation in the area of civil justice including arrangements for the continued mutual recognition and enforcement of judgments.

### ***Denominations involve integral multiples; definitive Capital Securities***

The Capital Securities have denominations consisting of a minimum of EUR 100,000 plus integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000.

It is possible that the Capital Securities may be traded in amounts that are not integral multiples of EUR 100,000. In such a case a holder who, as a result of trading such amounts, holds a principal amount which is less than EUR 100,000 in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Capital Securities at or in excess of EUR 100,000 such that its holding amounts to EUR 100,000 or a higher integral multiple of EUR 1,000. Further, a holder of the Capital Securities (each a "**Holder**") who, as a result of trading such amounts, holds a principal amount which is less than EUR 100,000 in its account with the relevant clearing system at the relevant time may not receive a definitive Capital Security in respect of such holding (should definitive Capital Securities be printed) and would need to purchase a principal amount of Capital Securities such that its holding amounts to EUR 100,000.

If definitive Capital Securities are issued, holders should be aware that definitive Capital Securities which have a denomination that is not an integral multiple of EUR 100,000 may be illiquid and difficult to trade.

### ***Modification, Waivers and Substitution***

The Conditions contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Holders, agree to (i) any modification of any of the provisions of Capital Securities, the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, the provisions of the Capital Securities, the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests

of the Holders or (iii) the substitution of another company as principal debtor under the Capital Securities in place of the Issuer, in the circumstances described in Condition 17 (*Issuer Substitution*).

In addition, pursuant to Condition 4(j) (*Benchmark Event*), certain modifications may be made to the interest calculation provisions of the Capital Securities in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Trustee or the Holders.

***Investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg***

The Capital Securities will be represented by the applicable Global Capital Security except in certain limited circumstances described in the Global Capital Securities. The Global Capital Security will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Capital Security, investors will not be entitled to receive Capital Securities in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Capital Securities. While the Capital Securities are represented by the Global Capital Security, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. The Issuer will discharge its payment obligations under the Capital Securities by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Capital Security must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Capital Securities. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Capital Security.

Holders of beneficial interests in the Global Capital Security will not have a direct right to vote in respect of the Capital Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Capital Security will not have a direct right under the Global Capital Security to take enforcement action against the Issuer in the event of a default under the Capital Securities, but will have to rely upon their rights under the Trust Deed.

***Holders of Capital Securities have no voting rights***

The Capital Securities are non-voting with respect to general meetings of the Issuer. Consequently, the holders of the Capital Securities cannot influence, *inter alia*, any decisions by the Issuer to defer payments or to optionally settle outstanding payments or any other decisions by the Issuer's shareholders concerning the capital structure of the Issuer.

**Risks Related to the Market Generally**

***An active trading market for the Capital Securities may not develop***

The Capital Securities may have no established trading market when issued, and the Issuer cannot assure investors that an active trading market for the Capital Securities will develop or be maintained. If a market does develop, it may not be liquid. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Therefore, investors may not be able to sell their Capital Securities at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. A lack of liquidity may have a material adverse effect on the market value of the Capital Securities.

***Exchange rate risks and exchange controls exist to the extent payments in respect of the Capital Securities are made in a currency other than the currency in which an investor's activities are denominated***

The Issuer will pay principal and interest on the Capital Securities in euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than in euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euros or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euros would decrease (1) the Investor's Currency-equivalent yield on the Capital Securities, (2) the Investor's Currency-equivalent value of the principal payable on the Capital Securities and (3) the Investor's Currency equivalent market value of the Capital Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Capital Securities. As a result, investors may receive less interest or principal than expected, or no interest or principal. Changes in market interest rates may adversely affect the value of the Capital Securities. Investment in the Capital Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Capital Securities, since the Capital Securities have a fixed rate of interest and prevailing interest rates in the future may be higher than that fixed rate of interest.

***Credit ratings may not reflect all risks***

The Issuer's credit ratings are an assessment by the relevant rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in its credit ratings will generally affect the market value of the Capital Securities. One or more independent credit rating agencies may assign credit ratings to the Capital Securities. The ratings may not reflect the potential impact of all risks related to the structure and marketing of the Capital Securities and additional factors discussed in these Listing Particulars or any other factors that may affect the value of the Capital Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In addition, S&P may change its methodology or its application for rating securities with features similar to the Capital Securities in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Capital Securities, sometimes called "notching". If S&P was to change its practices or their application for rating such securities in the future and the ratings of the Capital Securities were to be subsequently lowered, this may have a negative impact on the trading price of the Capital Securities. If as a consequence of an amendment, clarification or change in the equity credit criteria of the Capital Rating Agency, the Capital Securities are no longer eligible for the same or higher category of equity credit attributed to the Capital Securities at the date of their issue (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time), the Issuer may redeem the Capital Securities in whole, but not in part, as further described in the Conditions. For a description of the risks related to the early redemption of the Capital Securities, see the Risk Factor entitled "*The Issuer may redeem the Capital Securities early; investors should consider reinvestment risk*".

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

**Risks related to the structure of the Capital Securities**

***The Capital Securities are subordinated obligations; accordingly, claims in respect of the Capital Securities would rank junior to claims in respect of unsubordinated obligations of the Issuer in the event of an Issuer Winding-up or Issuer Re-construction***

The Capital Securities are direct, unsecured and subordinated obligations of the Issuer. In the event of a Winding-up, the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d) (*Default and Enforcement – Right of Holders*), the Holders will have a claim ranking behind claims of unsubordinated creditors of the Issuer and creditors of the Issuer in respect of all Subordinated Indebtedness, *pari passu* without any preference among themselves and with any present and future claims in respect of obligations of the Issuer in respect of Parity Securities and in priority to any present and future claims in respect of (i) any class of Share Capital of the Issuer and (ii) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security.

In the event of an Issuer Re-construction, the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d) (*Default and Enforcement – Right of Holders*), the Holders will have a statutory claim ranking *pari passu* among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities, but junior to any present or future claims in respect of all unsubordinated obligations of the Issuer and all Subordinated Indebtedness.

In the event of an Issuer Re-construction, unsecured debt could be subject to a mandatory write-down provided that a qualified majority of the unsecured creditors has approved such write-down. All unsecured debt will then be written down pro rata. A debt composition proposal, which involves at least 50 per cent. of the amount of the unsecured debt, shall be deemed to be accepted by the creditors, where three-fifths of the creditors voting have accepted the proposal and their claims amount to three-fifths of the total amount of claims held by the creditors entitled to vote. Where the debt composition percentage is lower, the debt composition proposal shall be deemed to be accepted where three-fourths of the creditors voting have approved the proposal and their claims amount to three-fourths of the total amount of the claims held by the creditors entitled to vote. If a debt composition is approved, all subordinated debt of the Issuer, including the Capital Securities, will be completely written-off. In respect of subordinated debt it is important to note that subordinated creditors may only take part in the creditors' meeting voting on a proposed debt composition provided the unsubordinated creditors consent to such participation. Potential investors should note that claims in respect of the Share Capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-construction.

In the event of an Issuer Winding-up or an Issuer Re-construction, Holders (or the Trustee on their behalf) will only be eligible to recover any amounts in respect of their Capital Securities if all claims in respect of more senior-ranking obligations of the Issuer (whether secured or unsecured) have first been paid in full. If on an Issuer Winding-up or Issuer Re-construction, the assets of the Issuer are insufficient to repay the claims of all senior-ranking creditors in full, the Holders will lose their entire investment in the Capital Securities. If there are sufficient assets to repay the claims of senior-ranking creditors in full but insufficient assets to enable it to pay claims in respect of the Capital Securities and all other obligations of the Issuer ranking *pari passu* with the Capital Securities, Holders will lose some or substantially all of their investment in the Capital Securities. The Holders therefore face a higher recovery risk than holders of unsubordinated obligations and Subordinated Indebtedness of the Issuer. Furthermore, the Conditions do not limit the amount of the liabilities ranking senior to or *pari passu* with the Capital Securities which may be incurred or assumed by the Issuer from time to time, whether before or after the Issue Date of the Capital Securities.

Furthermore, subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Capital Securities and each Holder shall, by virtue of their holding, be deemed to have waived all such rights of set-off, compensation or retention.

In addition, if the financial condition of the Issuer deteriorates such that Issuer Winding-up may be anticipated, the market price of the Capital Securities can be expected to fall, and such fall may be significant. A Holder that sells its Capital Securities in such an event may lose some or substantially all of its initial investment in the Capital Securities (whether or not an Issuer Winding-up subsequently occurs).

***The Capital Securities are undated securities and therefore an investment in the Capital Securities constitutes a financial risk for an indefinite period***

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date. The Issuer is under no obligation to redeem the Capital Securities at any time and Holders have no right to call for redemption of the Capital Securities.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Capital Securities for a long period and may not recover their investment before the end of this period.

***The Issuer may redeem the Capital Securities early; investors should consider reinvestment risk***

The Issuer will have the right to redeem the Capital Securities in whole, but not in part, on (a) any date in the three months up to and including the First Reset Date or (b) any Interest Payment Date thereafter, at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the date of redemption.

The Issuer may also, at its option, redeem the Capital Securities in whole, but not in part, upon the occurrence of a Tax Deductibility Event, a Capital Event, a Change of Control Event, a Withholding Tax Event, an Accounting Event or a Substantial Repurchase Event with respect to the Capital Securities, as further described in the Conditions.

In the case of a Tax Deductibility Event, an Accounting Event or a Capital Event, such redemption will be at (i) 101 per cent. of the principal amount of the Capital Securities, where such redemption occurs before 19 November 2024, or (ii) 100 per cent. of the principal amount of the Capital Securities, where such redemption occurs on or after 19 November 2024, together in each case with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

In the case of a Withholding Tax Event, a Change of Control Event or a Substantial Repurchase Event, such redemption will be at 100 per cent. of the principal amount of the Capital Securities, together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

During any period when the Issuer may elect to redeem the Capital Securities or is perceived to be able to redeem the Capital Securities, the market value of the Capital Securities generally will not rise substantially above the price at which they can be redeemed.

The Issuer might redeem the Capital Securities when its cost of borrowing is lower than the interest rate on the Capital Securities. There can be no assurance that, at the relevant time, Holders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Capital Securities. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The current IFRS accounting classification of financial instruments such as the Capital Securities as equity instruments may change, which may result in the occurrence of an Accounting Event***

In June 2018, the IASB (International Accounting Standards Board) published the discussion paper DP/2018/1 on "Financial Instruments with Characteristics of Equity", (the "**DP/2018/1 Paper**"). While the final timing and outcome are uncertain, if the proposals set out in the DP/2018/1 Paper are implemented in their current form, the current IFRS accounting classification of financial instruments such as the Capital Securities as equity instruments may change and this may result in the occurrence of an Accounting Event. In such an event, the Issuer may have the option to redeem, in whole but not in part, the Capital Securities (pursuant to Condition 6(c)). The implementation of any of the proposals set out in the DP/2018/1 Paper or any other similar such proposals that may be made in the future, including the extent and timing of any such implementation, if at all, is uncertain. Accordingly, no assurance can be given as to the future classification of the Capital Securities from an accounting perspective or whether any such change may result in the occurrence of an Accounting Event, thereby providing the Issuer with the option to redeem the Capital Securities or substitute or vary the terms of the Capital Securities pursuant to the Conditions.

For a description of the risks related to the early redemption of the Capital Securities, see the Risk Factor entitled "*The Issuer may redeem the Capital Securities early; investors should consider reinvestment risk*".

***Substitution or variation of the Capital Securities***

There is a risk that, after the issue of the Capital Securities, a Tax Deductibility Event, a Capital Event, an Accounting Event or a Withholding Tax Event may occur which would entitle the Issuer, without any requirement for the consent or approval of the Holders, to substitute all, but not some only, of the Capital Securities for, or vary the terms of the Capital Securities so that they become or remain, Qualifying Capital Securities.

Whilst Qualifying Capital Securities are required to have terms which are not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing), there can be no assurance that the Qualifying Capital Securities will not have a significant adverse impact on the price of, and/or the market for, the Capital Securities, nor that there will not be any adverse tax consequences for any Holders of the Capital Securities arising from such substitution or variation.

### ***The Issuer may defer interest payments***

The Issuer may, under the Conditions, at any time and in its sole discretion (except on any Interest Payment Date on which the Capital Securities are to be redeemed), elect to defer payment of all (but not some only) of the interest which would otherwise be paid on any Interest Payment Date, and the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose.

Any interest not paid on an applicable Interest Payment Date and deferred shall constitute Deferred Interest and shall be paid in whole, but not in part, at any time, at the option of the Issuer or on the occurrence of certain mandatory settlement events described in the Conditions.

Any deferral of interest payments will be likely to have an adverse effect on the market price of the Capital Securities. In addition, as a result of such interest deferral provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.

### ***Fixed rate securities have a market risk***

The Capital Securities will bear interest at a fixed rate, reset by reference to the 5 Year EUR Mid-Swap Rate plus a margin on the First Reset Date for the Capital Securities and on each fifth anniversary of such first reset date.

A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the "**Market Interest Rate**"). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. A change of the Market Interest Rate may cause the price of such security to change. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Potential investors should be aware that movements of the Market Interest Rate can adversely affect the price of the Capital Securities and can lead to losses for the Holders if they sell the Capital Securities.

Each Reset Interest Rate may be different from the initial interest rate of the Capital Securities and may adversely affect the yield of the Capital Securities.

### ***Reform and Regulation of "benchmarks"***

The Euro Interbank Offer Rate ("**EURIBOR**") (which is the floating leg of the 5 Year EUR Mid-Swap Rate used in the reset provisions for the Capital Securities) and other indices which are deemed "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**"), to which the interest on the Capital Securities during any Reset Period is linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value of and the amount payable under the Capital Securities. International proposals for reform of Benchmarks include Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**Benchmark Regulation**").

Any changes to a Benchmark as a result of the Benchmark Regulation or other initiatives, could have a material adverse effect on the costs of refinancing a Benchmark or the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks. Although it is uncertain whether or to what extent any of the abovementioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of the Capital Securities, investors should be aware that they face the risk that any changes to the relevant Benchmark may have a material adverse effect on the value of and the amount payable under the Capital Securities.

The Conditions provide that, if a Benchmark Event (which, amongst other events, includes the Original Reference Rate ceasing to exist, be administered or be published) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Issuer and the Independent Adviser shall endeavour to determine a Successor Rate or an Alternative Rate and, in either case, an Adjustment Spread (which could be positive, negative or zero) to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate with the application of an Adjustment Spread to determine the Reset Interest Rate for a Reset Period may result in the Capital Securities performing differently (which may include payment of a lower Reset Interest Rate for such Reset Period) than they would do if the Original Reference Rate were to continue to apply.

The use of any Successor Rate or Alternative Rate with the application of an Adjustment Spread may still result in the Capital Securities performing differently (which may include payment of a lower Reset Interest Rate for such Reset Period) than they would if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate, Alternative Rate and/or Adjustment Spread, as applicable, is determined by the Issuer and the Independent Adviser, the Conditions provide that the Issuer and the Independent Adviser may agree to vary the Conditions, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, as applicable, without any requirement for consent or approval of the Holders or the Trustee, in the circumstances and as otherwise set out in the Conditions.

Notwithstanding the occurrence of a Benchmark Event, the Issuer may be unable to appoint an Independent Adviser in accordance with the Conditions, or the Issuer and the Independent Adviser may not be able to determine, or may not agree on the selection of, a Successor Rate or Alternative Rate or, in either case, the applicable Adjustment Spread in accordance with the Conditions before the Reset Interest Determination Date in respect of a Reset Period. In such circumstances, the Conditions provide for certain additional fall-back provisions which may result in (i) the 5 Year EUR Mid-Swap Rate being set by reference to offered quotations from banks communicated to the Calculation Agent or (ii) the last 5 Year EUR Mid-Swap Rate that was available on the Reset Screen Page being used to determine the Reset Interest Rate for a Reset Period.

If the Issuer is unable to appoint an Independent Adviser or the Issuer and the Independent Adviser fail to determine, or do not agree on the selection of, a Successor Rate or Alternative Rate or, in either case, the applicable Adjustment Spread for the life of the Capital Securities, this could result in the Capital Securities, in effect, becoming fixed rate securities.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on the Capital Securities.

***Holders of the Capital Securities have very limited rights in relation to the enforcement of payments on the Capital Securities***

If a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, the rights of the Holders in respect of the Capital Securities are limited to instituting proceedings for an Issuer Winding-up, and the Holders (or the Trustee on their behalf) may prove and/or claim in respect of the Capital Securities in an Issuer Winding-up.

Whilst the claims of the Holders (or the Trustee on their behalf) in an Issuer Winding-up are for the principal amount of their Capital Securities together with any Deferred Interest and any other accrued and unpaid interest, such claims will be subordinated as provided above under "*The Capital Securities are subordinated obligations; accordingly, claims in respect of the Capital Securities would rank junior to claims in respect of unsubordinated obligations of the Issuer in the event of an Issuer Winding-up*". The Holders (or the Trustee on their behalf) shall not be entitled to accelerate payments of interest or principal under the Capital Securities in any circumstances outside an Issuer Winding-up. Furthermore, whilst the Trustee (if so directed by the Holders in accordance with the provisions of the Conditions and the Trust Deed) may institute other proceedings against the Issuer to enforce the terms of the Capital Securities, the Issuer shall not, by virtue of such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Accordingly, the Holders' rights of enforcement in respect of payments under the Capital Securities are very limited.

***No limitation on issuing or guaranteeing debt ranking senior to or pari passu with the Capital Securities***

There is no restriction in the Conditions on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness or guarantees of third parties, including indebtedness that ranks *pari passu* with or senior to the Capital Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on an Issuer Winding-up and/or may increase the likelihood of a deferral of interest payments under the Capital Securities.



## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have previously been published or are published simultaneously with these Listing Particulars and have been filed with Euronext Dublin and shall be deemed to be incorporated in, and to form part of, these Listing Particulars:

1. the independent auditor's report and audited consolidated annual financial statements of the Issuer which are contained in the annual report of the Issuer in respect of the financial year ended 31 December 2017. This document is available for viewing on the following website:

<https://vp289.alertir.com/afw/files/press/heimstadenbostad/HSTB%20-%20Annual%20Report%202017.pdf>

2. the independent auditor's report and audited consolidated annual financial statements of the Issuer which are contained in the annual report of the Issuer in respect of the financial year ended 31 December 2018. This document is available for viewing on the following website:

<https://vp289.alertir.com/afw/files/press/heimstadenbostad/201904308377-1.pdf>

3. the Interim Report of the Issuer for the nine months ended 30 September 2019 (which contains the unaudited reviewed consolidated financial statements of the Issuer for the nine months ended 30 September 2019). This document is available for viewing on the following website:

<https://vp289.alertir.com/afw/files/press/heimstadenbostad/201910240678-1.pdf>

save, that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of these Listing Particulars.

Copies of the documents incorporated by reference in these Listing Particulars may be inspected, free of charge, during usual business hours at the specified offices of the Principal Paying Agent. Any documents themselves incorporated by reference in the documents incorporated by reference in these Listing Particulars shall not form part of these Listing Particulars. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in these Listing Particulars.

## FORWARD-LOOKING STATEMENTS

Certain statements included in these Listing Particulars may constitute "forward-looking statements". Forward-looking statements are all statements in these Listing Particulars that do not relate to historical facts and events, and include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer uses the words "may", "will", "could", "believes", "assumes", "intends", "estimates", "expects", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions, or the negative thereof, to generally identify forward- looking statements.

Forward-looking statements are set forth in a number of places in these Listing Particulars, including (without limitation) in the sections "*Risk Factors*" and "*Description of the Issuer*". The Issuer has based these forward-looking statements on the current view with respect to future events and financial performance. These views 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 contained in these Listing Particulars and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in these Listing Particulars, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of these Listing Particulars. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in these Listing Particulars whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout these Listing Particulars. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Capital Securities should not place undue reliance on these forward-looking statements.

## TERMS AND CONDITIONS OF THE CAPITAL SECURITIES

*The following, except for paragraphs in italics, is the text of the terms and conditions of the Capital Securities which, subject to modification, will be endorsed on each Capital Security in definitive form (if issued):*

The EUR 800,000,000 Subordinated Fixed to Reset Rate 5.25 Year Non-Call Undated Capital Securities (the "**Capital Securities**", which expression includes any Further Capital Securities issued pursuant to Condition 18 (*Further Issues*)) of Heimstaden Bostad AB (publ) (the "**Issuer**") are constituted by a trust deed dated 19 November 2019 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Deutsche Trustee Company Limited, (the "**Trustee**") as trustee for the holders of the Capital Securities (the "**Holders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively, which expression shall, unless the context require, include the talons for further coupons ("**Talons**")). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 19 November 2019 (the "**Agency Agreement**") made between the Issuer, Deutsche Bank AG, London Branch as initial principal paying agent and calculation agent (the "**Principal Paying Agent**", which expression shall include any successor thereto, and together with any further paying agents as may be appointed under the Agency Agreement from time to time, the "**Paying Agents**", and each a "**Paying Agent**" and the "**Calculation Agent**", which expression shall include any successor thereto) and the Trustee are available for inspection by Holders during normal business hours at the registered office for the time being of the Trustee, being at the Issue Date (as defined below) Winchester House 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Any capitalised terms not defined herein shall be given the meaning attributed in the Trust Deed.

### 1. **Form, Denomination and Title**

#### (a) ***Form and Denomination***

The Capital Securities are serially numbered and in bearer form in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000, each with Coupons and a Talon attached at the time of issue. No definitive Capital Securities will be issued with a denomination above EUR 199,000. Capital Securities of one denomination may not be exchanged for Capital Securities of any other denomination.

#### (b) ***Title***

Title to the Capital Securities, Coupons and Talons will pass by delivery. The Issuer, the Trustee and any Paying Agent will (except as ordered by a court of competent jurisdiction or as otherwise required by law) deem and treat the bearer of any Capital Security, Coupon or Talon as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

### 2. **Status**

The Capital Securities and the Coupons constitute direct, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities and the Couponholders in respect of the Coupons, in each case against the Issuer, are subordinated as described in Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*).

### 3. **Subordination and Rights on a Winding-Up**

#### (a) ***Rights on a Winding-Up or Company Re-Construction***

In the event of the voluntary or involuntary liquidation (Sw. *likvidation*) or bankruptcy (Sw. *konkurs*) of the Issuer (each an "**Issuer Winding-up**"), the Trustee on behalf of the Holders and the Couponholders or, in the limited circumstances described in Condition 12(d), the Holders, shall, in respect of their Capital Securities, have a claim (in lieu of any other amount) for the

principal amount of the Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities;
- (ii) in priority to all present or future claims in respect of (A) any Share Capital of the Issuer and (B) any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Security; and
- (iii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

In the event of a company re-construction (Sw. *företagsrekonstruktion*) of the Issuer under the Swedish Company Reorganisation Act (Sw. *lag (1996:764) om företagsrekonstruktion*) (an "**Issuer Re-construction**"), the Trustee on behalf of the Holders or, in the limited circumstances described in Condition 12(d), the Holders, shall, in respect of the Capital Securities and Coupons, have a statutory claim (in lieu of any other amount) for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities; and
- (ii) junior to any present or future claims in respect of (A) all unsubordinated obligations of the Issuer and (B) all Subordinated Indebtedness.

*Claims in respect of the Share Capital of the Issuer, including the Outstanding Preference Shares, are not subject to loss absorbing measures under an Issuer Re-construction.*

Nothing in this Condition 3(a) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or Agents or the rights and remedies of the Trustee or the Agents in respect thereof.

(b) ***Set-Off***

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities, the Coupons or the Trust Deed and each Holder and Couponholder shall, by virtue of its holding of any Capital Security or Coupon, be deemed to have waived all such rights of set-off, compensation or retention.

4. **Interest**

(a) ***Interest Accrual***

The Capital Securities bear interest on their principal amount at the applicable Interest Rate from (and including) 19 November 2019 (the "**Issue Date**") in accordance with the provisions of this Condition 4 (*Interest*).

The Capital Securities (and any unpaid amounts thereon) will cease to bear interest from (and including) the date of redemption thereof pursuant to the relevant paragraph of Condition 6 (*Redemption*) or the date of substitution thereof pursuant to Condition 7 (*Substitution or Variation*), as the case may be, unless, upon due presentation, payment of all unpaid amounts in respect of the Capital Securities is not made, in which event interest shall continue to accrue in respect of the principal amount of, and any other unpaid amounts on, the Capital Securities, both before and after judgment, and shall be payable as provided in these Conditions up to (but excluding) the Relevant Date.

When interest is required to be calculated in respect of a period of less than a full year, such interest shall be calculated on the basis of the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the relevant

payment date divided by the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to (but excluding) the next (or, as the case may be, the first) scheduled Interest Payment Date (the "**day-count fraction**"). Where it is necessary to compute an amount of interest in respect of any Capital Security for a period of more than an Interest Period, such interest shall be the aggregate of the interest computed in respect of a full year plus the interest computed in respect of the period exceeding the full year calculated in the manner as aforesaid.

Interest in respect of any Capital Security shall be calculated per EUR1,000 in principal amount thereof (the "**Calculation Amount**"). The amount of interest calculated per Calculation Amount for any period shall be equal to the product of the relevant Interest Rate, the Calculation Amount and the day-count fraction for the relevant period and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable in respect of a Capital Security shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the denomination of such Capital Security without any further rounding.

(b) ***Interest Payment Dates***

Subject to Condition 5 (*Optional Interest Deferral*), interest shall be payable on the Capital Securities annually in arrear on 19 February in each year (each an "**Interest Payment Date**") from (and including) 19 February 2020 (the "**First Interest Payment Date**").

(c) ***Initial Interest Rate***

The Interest Rate in respect of each Interest Period commencing prior to the First Reset Date is 3.248 per cent. per annum (the "**Initial Interest Rate**").

The first payment of interest, to be made on the First Interest Payment Date, will be in respect of the short first period from (and including) the Issue Date to (but excluding) the First Interest Payment Date and will amount to EUR 8.19 per Calculation Amount. The Interest Payment in respect of each Interest Period commencing on or after the First Interest Payment Date and before the First Reset Date will amount to EUR 32.48 per Calculation Amount (and any such Interest Payment may be deferred in accordance with Condition 5 (*Optional Interest Deferral*)).

(d) ***Reset Interest Rates***

The Interest Rate in respect of each Interest Period falling in a Reset Period shall be the aggregate of the applicable Margin and the applicable 5 Year EUR Mid-Swap Rate for such Reset Period, all as determined by the Calculation Agent (each a "**Reset Interest Rate**").

(e) ***Determination of Reset Interest Rates and Calculation of Interest Amounts***

The Calculation Agent shall, at or as soon as practicable after 11.00 a.m. (Central European Time) on each Reset Interest Determination Date, determine the Reset Interest Rate in respect of the Reset Period commencing immediately following such Reset Interest Determination Date and shall calculate the amount of interest which will (subject to deferral in accordance with Condition 5 (*Optional Interest Deferral*)) be payable per Calculation Amount in respect of each such Interest Period (the "**Interest Amount**").

(f) ***Publication of Reset Interest Rates and Interest Amounts***

Unless the Capital Securities are to be redeemed, the Issuer shall cause notice of each Reset Interest Rate and each related Interest Amount to be given to the Trustee, the Paying Agents, any stock exchange on which the Capital Securities are for the time being listed or admitted to trading and, in accordance with Condition 19 (*Notices*), the Holders, in each case as soon as practicable after its determination but in any event not later than the first Business Day of the relevant Reset Period.

(g) ***Calculation Agent***

The Issuer may (with prior notification to the Trustee), from time to time replace the Calculation Agent with another reputable independent financial institution of good standing. If the Calculation

Agent is unable or unwilling to continue to act as the Calculation Agent or fails to determine a Reset Interest Rate or calculate the related Interest Amount or effect the required publication thereof (in each case as required pursuant to these Conditions), the Issuer shall forthwith appoint another reputable independent financial institution of good standing engaged in the inter-bank market that is closely connected with the calculation or determination to be made by the Calculation Agent to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid. If the Issuer fails to appoint a successor Calculation Agent in a timely manner, then the Calculation Agent shall be entitled to appoint as its successor a reputable independent financial institution of good standing engaged in the inter-bank market that is closely connected with the calculation or determination to be made by the Calculation Agent which the Issuer shall approve.

(h) ***Determinations of Calculation Agent Binding***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Interest*) by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default, gross negligence and fraud) no liability to the Holders, the Couponholders or the Issuer shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of any of its powers, duties and discretions.

(i) ***Step-Up after Change of Control Event***

Notwithstanding any other provision of this Condition 4 (*Interest*), if the Issuer does not elect to redeem the Capital Securities in accordance with Condition 6(e) (*Redemption for Change of Control Event*) following the occurrence of the first Change of Control Event to occur on or after the Issue Date, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Condition 4 (*Interest*), in respect of the Capital Securities shall be increased by an additional 5 percentage points per annum with effect from (and including) the day immediately following the Change of Control Step-up Date.

(j) ***Benchmark Event***

(i) Notwithstanding the provisions above in this Condition 4 (*Interest*), if, (on or after 19 August 2024), the Issuer (in consultation with the Calculation Agent) determines that a Benchmark Event has occurred in relation to the Original Reference Rate (whether such occurrence is before, on or after 19 August 2024) when any Reset Interest Rate (or any component part thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply:

(A) The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer and the Independent Adviser determining, no later than three Business Days prior to the relevant Reset Interest Determination Date, a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(j)(i)(B) below) and, in either case, an Adjustment Spread if any (in accordance with Condition 4(j)(i)(C) below) and any Benchmark Amendments (in accordance with Condition 4(j)(i)(D) below).

An Independent Adviser appointed pursuant to this Condition shall act in good faith as an expert and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Calculation Agent, any Paying Agent, the Trustee or the Holders, or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with to the operation of this Condition 4(j).

(B) If:

(1) the Issuer and the Independent Adviser agree that there is a Successor Rate, then such Successor Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 4(j)(i)(C) below) shall subsequently be

used in place of the Original Reference Rate as a component part of determining the relevant Reset Interest Rate(s) for all future payments of interest on the Capital Securities (subject to the subsequent further operation of this Condition 4(j)); or

- (2) the Issuer and the Independent Adviser agree that there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate (as adjusted by the applicable Adjustment Spread as provided in Condition 4(j)(i)(C) below) shall subsequently be used in place of the Original Reference Rate as a component part of determining the relevant Reset Interest Rate(s) for all future payments of interest on the Capital Securities (subject to the subsequent further operation of this Condition 4(j)); or
  - (3) either (I) the Issuer is unable to appoint an Independent Adviser or (II) the Issuer and the Independent Adviser do not agree on the selection of a Successor Rate or an Alternative Rate or, in either case, no applicable Adjustment Spread is determined pursuant to Condition 4(j)(i)(C) below, three Business Days prior to the Reset Interest Determination Date relating to any applicable Reset Period, the fallback provisions set out in the definitions of 5 Year EUR Mid-Swap Rate and Reset Reference Bank Rate in Condition 23 (*Definitions*) will continue to apply. For the avoidance of doubt, this Condition 4(j)(i)(B)(3) shall apply to the determination of the Reset Interest Rate on the relevant Reset Interest Determination Date only, and the Reset Interest Rate applicable to any subsequent Reset Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 4(j).
- (C) If a Successor Rate or Alternative Rate is determined in accordance with Condition 4(j)(i)(B), the Independent Adviser acting in good faith and in a commercially reasonable manner shall determine an Adjustment Spread (which may be expressed as a specified quantum or a formula or methodology for determining the applicable Adjustment Spread (and, for the avoidance of doubt, an Adjustment Spread may be positive, negative or zero)) which shall be applied to the Successor Rate or the Alternative Rate (as the case may be). for each subsequent determination of a relevant Reset Interest Rate by reference to such Successor Rate or Alternative Rate (as applicable), subject to the subsequent further operation and adjustment as provided in this Condition 4(j).
- (D) If any Successor Rate, Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 4(j) and the Issuer and the Independent Adviser agree: (I) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (II) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4(j)(i)(E) below, without any requirement for the consent or approval of the Holders or the Trustee, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4(j)(i)(D), the Issuer shall comply with the rules of any stock exchange or other relevant authority on or by which the Capital Securities are for the time being listed or admitted to trading.

- (E) The Issuer shall promptly notify the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 19 (*Notices*), the Holders of any Successor Rate, Alternative Rate, the applicable Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition

4(j). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer:

- (1) confirming (x) that a Benchmark Event has occurred; (y) the Successor Rate or, as the case may be, the Alternative Rate; and (z) the applicable Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4(j);
- (2) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) Adjustment Spread; and
- (3) certifying that the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above.

The Trustee shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and (in either case) the Adjustment Spread, the Benchmark Amendments (if any) and any such other relevant changes pursuant to this Condition 4(j) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and (in either case) the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Paying Agents, the Calculation Agent, the Holders and the Couponholders.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to this Condition 4(j)(i)(E), the Trustee, the Principal Paying Agent, the Paying Agents and the Calculation Agent shall, (at the Issuer's expense and direction), without any requirement for the consent or approval of the Holders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments required to the Trust Deed (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), the Agency Agreement and these Conditions and the Trustee, the Principal Paying Agent, the Paying Agents and the Calculation Agent shall not be liable to any party for any consequences thereof, provided that none of the Trustee, the Principal Paying Agent, the Paying Agents and the Calculation Agent shall be obliged so to concur if in its sole opinion doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to it in the Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

- (F) Without prejudice to the obligations of the Issuer under this Condition 4(j)(i), the Original Reference Rate and the fallback provisions provided for in the definitions of 5 Year EUR Mid-Swap Rate and Reset Reference Bank Rate in Condition 23 (*Definitions*) will continue to apply unless and until the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), the applicable Adjustment Spread and Benchmark Amendments, in accordance with this Condition 4(j).
- (G) If, in the case of any Benchmark Event, any Successor Rate, Alternative Rate and/or Adjustment Spread is notified to the Calculation Agent and the Paying Agents pursuant to Condition (j)(i)(E), and the Calculation Agent or the Paying Agents, as applicable, is in any way uncertain as to the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Reset Interest Rate, it shall promptly notify the Issuer



thereof and the Issuer shall direct the Calculation Agent or the Paying Agents, as applicable, in writing (which direction may be by way of a written determination of an Independent Adviser) as to which course of action to adopt in the application of such Successor Rate, Alternative Rate and/or Adjustment Spread in the determination of such Reset Interest Rate. If the Calculation Agent or Paying Agents, as applicable, is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent or Paying Agents, as applicable shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so. For the avoidance of doubt, for the period that the Calculation Agent or the Paying Agents, as applicable remains uncertain of the application of the Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Reset Interest Rate, the Original Reference Rate and the fallback provisions provided for in Condition definitions of 5 Year EUR Mid-Swap Rate and Reset Reference Bank Rate in Condition 23 (*Definitions*) shall continue to apply.

(ii) As used in this Condition 4(j):

**"Adjustment Spread"** means either a spread (which may be positive or negative or zero), or the formula or methodology for calculating a spread, in either case, which is to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) in the case of an Alternative Rate, or (where (A) above does not apply) in the case of a Successor Rate, is in customary market usage in the international debt capital markets for transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (C) (if the Independent Adviser determines that neither (A) nor (B) above applies) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Adviser and the Issuer agree in accordance with this Condition 4(j) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for resetting 5 year periods in euro or, if the Independent Adviser determines there is no such rate, such other rate as the Independent Adviser acting in good faith and in a commercially reasonable manner determines is most comparable to the Original Reference Rate;

**"Benchmark Amendments"** has the meaning specified in Condition 4(j)(i)(D);

**"Benchmark Event"** means:

- (A) the Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered;
- (B) the later of (I) the making of a public statement by the administrator or an insolvency official with jurisdiction over the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the

Original Reference Rate) and (II) the date falling six months prior to the specified date referred to in (B)(I) above;

- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;
- (D) the later of (I) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (II) the date falling six months prior to the specified date referred to in (D)(I) above;
- (E) the later of (I) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (II) the date falling six months prior to the specified date referred to in (E)(I) above;
- (F) it has, or will prior to the next Reset Interest Determination Date, become unlawful for the Issuer, the Calculation Agent, any Paying Agent or any other party to calculate any payments due to be made to any Holder using the Original Reference Rate; and/or
- (G) the making of a public statement by the supervisor of the administrator of the Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

**"Independent Adviser"** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4(j)(i) at its own expense and with prior notification to the Trustee;

**"Original Reference Rate"** means the rate described in the first paragraph of the definition of 5 Year EUR Mid-Swap Rate in Condition 23 (*Definitions*) (provided that if, following one or more Benchmark Events, such 5 Year EUR Mid-Swap Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate, the term "Original Reference Rate" shall include any such Successor Rate or Alternative Rate);

**"Relevant Nominating Body"** means, in respect of the Original Reference Rate:

- (A) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (I) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, (II) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (III) a group of the aforementioned central banks or other supervisory authorities, or (IV) the Financial Stability Board or any part thereof; and

**"Successor Rate"** means a successor to or replacement of the Original Reference Rate which is provided by law or regulation applicable to indebtedness denominated in the currency to which the Original Reference Rate relates and/or formally recommended by any Relevant Nominating Body.

## 5. **Optional Interest Deferral**

### (a) ***Deferral of Interest Payments***

The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole but not in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on any Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice (a "**Deferral Notice**") of such election to the Holders in accordance with Condition 19 (*Notices*), the Trustee and to the Principal Paying Agent not less than seven Business Days prior to the relevant Interest Payment Date.

Any Interest Payment so deferred pursuant to this Condition 5(a) (*Deferral of Interest Payments*) shall, from (and including) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (but excluding) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each subsequent Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute "**Deferred Interest**".

The deferral of an Interest Payment in accordance with this Condition 5(a) (*Deferral of Interest Payments*) shall not constitute a default by the Issuer under the Capital Securities or the Trust Deed or for any other purpose.

(b) ***Settlement of Deferred Interest***

(i) ***Optional Settlement***

Deferred Interest may be paid (in whole but not in part) at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders in accordance with Condition 19 (*Notices*), the Trustee and the Principal Paying Agent not less than seven Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

(ii) ***Mandatory Settlement***

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (A) the 10th Business Day following the date on which a Deferred Interest Payment Event occurs;
- (B) any Interest Payment Date in respect of which the Issuer does not elect to defer the interest accrued in respect of the relevant Interest Period; and
- (C) the date on which the Capital Securities are redeemed or repaid in accordance with Condition 6 (*Redemption*) or Condition 12 (*Default and Enforcement*).

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders in accordance with Condition 19 (*Notices*), the Trustee and to the Principal Paying Agent within three Business Days of such event.

6. **Redemption**

(a) ***No Final Redemption Date***

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3(a) (*Rights on a Winding-Up or Company Re-construction*)) only have the right to repay them in accordance with the following provisions of this Condition 6 (*Redemption*).

(b) ***Issuer's Call Option***

The Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the Capital Securities on (a) any date from 19 November 2024 up to and including the First Reset Date or (b) on any Interest Payment Date thereafter at their principal amount together with

any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(c) ***Redemption upon a Tax Deductibility Event, a Capital Event or an Accounting Event***

If a Tax Deductibility Event, a Capital Event or an Accounting Event has occurred and is continuing, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution or Variation*), redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (i) 101 per cent. of their principal amount, where such redemption occurs before 19 November 2024; or
- (ii) 100 per cent. of their principal amount, where such redemption occurs on or after 19 November 2024,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(d) ***Redemption upon a Withholding Tax Event or a Substantial Repurchase Event***

If a Withholding Tax Event has occurred and is continuing, or if a Substantial Repurchase Event has occurred, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Trustee and the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption) and subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution or Variation*), redeem all, but not some only, of the Capital Securities at any time at their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

(e) ***Redemption for Change of Control Event***

If on or after the Issue Date a Change of Control Event occurs, the Issuer may, at the earliest on the date following the expiry of the Exercise Period, and upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all, but not some only, of the Capital Securities at an amount equal to 100 per cent. of their principal amount together with any Deferred Interest and any other accrued and unpaid interest up to (but excluding) the redemption date.

Upon the expiry of such notice, the Issuer shall redeem the Capital Securities.

Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a "**Change of Control Notice**") to the Trustee and the Holders in accordance with Condition 19 (*Notices*) specifying the nature of the Change of Control Event.

7. **Substitution or Variation**

If at any time a Tax Deductibility Event, a Capital Event, a Withholding Tax Event or an Accounting Event has occurred and is continuing, then the Issuer may, subject to Condition 8 (*Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution or Variation*) (without any requirement for the consent or approval of the Holders or Couponholders) subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to herein that the provisions of this Condition 7 (*Substitution or Variation*) have

been complied with, and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 19 (*Notices*), to the Holders (which notice shall be irrevocable), at any time either:

- (i) substitute all, but not some only, of the Capital Securities for Qualifying Capital Securities; or
- (ii) vary the terms of the Capital Securities with the effect that they remain or become, as the case may be, Qualifying Capital Securities,

and the Trustee shall (subject to the following provisions of this Condition 7 (*Substitution or Variation*)) and subject to the receipt by it of the certificate by two authorised signatories of the Issuer referred to in Condition 8 (*Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution or Variation*)) agree to such substitution or variation.

Upon expiry of such notice, the Issuer shall either vary the terms of or, as the case may be, substitute the Capital Securities in accordance with this Condition 7 (*Substitution or Variation*).

The Trustee shall (at the expense of the Issuer) use reasonable endeavours to assist the Issuer in the substitution of the Capital Securities for, or the variation of the terms of the Capital Securities so that they remain or, as the case may be, become, Qualifying Capital Securities, provided that the Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the terms of the proposed Qualifying Capital Securities, or the participation in or assistance with such substitution or variation, would expose the Trustee to any liability or impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Capital Securities as provided in Condition 6 (*Redemption*).

In connection with any substitution or variation in accordance with this Condition 7 (*Substitution or Variation*), the Issuer shall comply with the rules of any stock exchange on which the Capital Securities are for the time being listed or admitted to trading.

**8. Preconditions to Special Event Redemption, Change of Control Event Redemption, Substitution or Variation**

Prior to the publication of any notice of redemption pursuant to Condition 6 (*Redemption*) (other than redemption pursuant to Condition 6(b) (*Issuer's Call Option*)) or any notice of substitution or variation pursuant to Condition 7 (*Substitution or Variation*), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating:

- (i) that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary (as the case may be) the Capital Securities is satisfied;
- (ii) in the case of a Withholding Tax Event, that the Issuer is unable to avoid paying additional amounts by taking measures reasonably available to it;
- (iii) in the case of an Accounting Event only, a copy of a letter or report from a recognised international accounting firm confirming that an Accounting Event has occurred; and
- (iv) in the case of a substitution or variation pursuant to Condition 7 (*Substitution or Variation*), that:
  - (A) the Issuer has determined that the terms of the Qualifying Capital Securities are not materially less favourable to Holders than the terms of the Capital Securities and that determination was reasonably reached by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing;
  - (B) the criteria specified in paragraphs (a) to (h) of the definition of Qualifying Capital Securities will be satisfied by the Qualifying Capital Securities upon issue; and
  - (C) the relevant substitution or variation (as the case may be) will not result in the occurrence of a Special Event.

In addition, (i) in the case of a Tax Deductibility Event or a Withholding Tax Event, the Issuer shall deliver to the Trustee an opinion of independent legal or other tax advisers to the effect that the relevant requirement or circumstance giving rise to the right to redeem, substitute or vary is satisfied (save, in the case of a Withholding Tax Event, as to whether reasonable measures to avoid paying additional amounts are available to the Issuer) and (ii) in the case of a Tax Deductibility Event only, the Issuer shall deliver to the Trustee a tax ruling from the Swedish tax authorities, issued prior to the Tax Law Change, which confirms that the Issuer was entitled to claim a Tax Deduction on or after the Issue Date.

The Trustee may rely absolutely upon and shall be entitled to accept such letter, report or certificate and any such opinion without any liability to any person for so doing and without any further inquiry as sufficient evidence of the satisfaction of the criteria set out in such paragraphs, in which event it shall be conclusive and binding on the Holders and the Couponholders.

Any redemption of the Capital Securities in accordance with Condition 6 (*Redemption*) shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Condition 5(b)(ii) (*Mandatory Settlement*) on or prior to the date of such redemption.

The Trustee is under no obligation to ascertain whether any Special Event, Change of Control Event or any event which could lead to the occurrence of, or could constitute, any such Special Event or Change of Control Event has occurred and, until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no such Special Event or Change of Control Event or such other event has occurred.

9. **Purchases and Cancellation**

(a) ***Purchase***

Each of the Issuer and any of its Subsidiaries may at any time purchase or procure others to purchase beneficially for its account any or all Capital Securities in the open market or otherwise and at any price. The Capital Securities so purchased may be held or resold (**provided that** such resale is outside the United States and is otherwise in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be in compliance with Condition 9(b) (*Cancellation of Capital Securities*) below. Any purchases of Capital Securities will be made together with all unmatured Coupons and Talons appertaining thereto.

The Capital Securities so purchased, while held by or on behalf of the Issuer or any such Subsidiary shall not entitle the Holder to vote at any meeting of the Holders and shall not be deemed to be outstanding for the purposes of, *inter alia*, calculating quorums at meetings of the Holders or for the purposes of Condition 16 (*Meetings of Holders; Modification and Waiver; Issuer Substitution*).

(b) ***Cancellation of Capital Securities***

All Capital Securities which are redeemed pursuant to Condition 6 (*Redemption*) or substituted pursuant to Condition 7 (*Substitution or Variation*) and all Capital Securities purchased and surrendered for cancellation pursuant to Condition 9(a) (*Purchase*) (in each case, together with all unmatured Coupons and unexchanged Talons relating thereto) will be cancelled and may not be reissued or resold. For so long as the Capital Securities are admitted to trading on the Global Exchange Market ("GEM") of the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and the rules of such exchange so require, the Issuer shall promptly inform Euronext Dublin of the cancellation of any Capital Securities under this Condition 9(b) (*Cancellation of Capital Securities*).

10. **Payments**

(a) ***Method of Payment***

(i) ***Principal, Premium and Interest***

Payments of principal, premium and interest will be made against presentation and surrender of Capital Securities or the appropriate Coupons (as the case may be) at the

specified office of any of the Paying Agents except that payments of interest in respect of any period not ending on an Interest Payment Date will only be made against presentation and either surrender or endorsement (as appropriate) of the relevant Capital Securities. Such payments will be made by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(ii) *Unmatured Coupons*

Upon the due date for redemption of any Capital Security, unmatured Coupons relating to such Capital Security (whether or not attached) shall become void and no payment shall be made in respect of them. Where any Capital Security is presented for redemption without all unmatured Coupons relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iii) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Capital Securities, the Talon forming part of such Coupon sheet may be surrendered at the specified office of any of the Paying Agents in exchange for a further Coupon sheet (to include another Talon for a further Coupon sheet, if appropriate) (but excluding any Coupons that may have become void pursuant to Condition 13 (*Prescription*)).

(b) *Payments on Business Days*

If the due date for payment of any amount in respect of any Capital Security or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, is a day on which the TARGET System is operating.

(c) *Payments subject to Fiscal Laws*

All payments in respect of the Capital Securities are subject in all cases to any (i) applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto ("**FATCA Withholding**").

(d) *Interpretation of Principal, Premium and Interest*

References in these Conditions to principal, premium, Interest Payments, Deferred Interest and/or any other amount in respect of interest shall be deemed to include any additional amounts which may become payable pursuant to Condition 11 (*Taxation*).

11. **Taxation**

All payments of principal, premium and interest (including Deferred Interest) in respect of the Capital Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges ("**Taxes**") of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Sweden or any political subdivision thereof or any authority therein or thereof having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal, premium and interest (including Deferred Interest) on the Capital

Securities and Coupons, unless the withholding or deduction of such Taxes is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Holders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Capital Security or Coupon:

- (a) presented for payment in Sweden; or
- (b) held by or on behalf of, a Holder who is liable for the Taxes in respect of such Capital Security or Coupon by reason of having some connection with Sweden other than the mere holding of such Capital Security or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder or Couponholder would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 10(b) (*Payments on business days*)).

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Capital Securities by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to any FATCA Withholding. Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

Any reference in these Conditions to principal or interest (including Deferred Interest) shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 11 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 11 (*Taxation*).

## 12. **Default and Enforcement**

### (a) ***Proceedings***

Without prejudice to the Issuer's right to defer the payment of interest under Condition 5(a) (*Deferral of Interest Payments*), if a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, then the Issuer shall, without notice from the Trustee, be deemed to be in default under the Trust Deed, the Capital Securities and the Coupons and the Trustee at its discretion may, and if so requested in writing by the Holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 12(c) (*Entitlement of the Trustee*)), institute proceedings for an Issuer Winding-up.

In the event of an Issuer Winding-up, (whether instituted by the Trustee as aforesaid or otherwise), the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding or if so directed by an Extraordinary Resolution shall (subject to Condition 12(c) (*Entitlement of the Trustee*)) prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Condition 3(a) (*Rights on a Winding-Up or Company Re-construction*).

### (b) ***Enforcement***

The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Capital Securities or the Coupons but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

### (c) ***Entitlement of the Trustee***

The Trustee shall not be bound to take any of the actions referred to in Condition 12(a) (*Proceedings*) or Condition 12(b) (*Enforcement*) above to enforce the terms of the Trust Deed, the Capital Securities or the Coupons or any other action, step or proceeding under or pursuant to the



Trust Deed or the Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(d) ***Right of Holders***

No Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for an Issuer Winding-up and/or prove and/or claim in an Issuer Winding-up unless the Trustee, having become so bound to proceed or prove and/or claim in such Issuer Winding-up, fails or is unable to do so within 60 days and such failure or inability shall be continuing. In that case, each Holder and Couponholder shall have only such rights against the Issuer in respect of such Holder's or Couponholder's Capital Securities or Coupons (as the case may be) as those which the Trustee is entitled to exercise on behalf of such Holder or Couponholder, as set out in this Condition 12 (*Default and Enforcement*).

(e) ***Extent of Holders' Remedy***

No remedy against the Issuer, other than as referred to in this Condition 12 (*Default and Enforcement*), shall be available to the Trustee or the Holders or Couponholders, whether for the recovery of amounts owing in respect of the Capital Securities, the Coupons or under the Trust Deed or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities, the Coupons or the Trust Deed.

13. **Prescription**

Claims for principal and premium shall become void unless the relevant Capital Securities are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons (which for this purpose shall not include Talons) are presented for payment within five years of the appropriate Relevant Date. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition 13 (*Prescription*) or Condition 10(a)(iii) (*Talons*).

14. **Replacement of Capital Securities, Coupons and Talons**

If any Capital Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Paying Agent, subject to all applicable laws, regulations and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require.

Mutilated or defaced Capital Securities, Coupons or Talons must be surrendered before replacements will be issued.

15. **Agents**

The initial Paying Agent and its initial specified office is listed in the Agency Agreement. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents; **provided, however, that**

- (a) the Issuer shall at all times maintain a paying agent;
- (b) so long as the Capital Securities are listed on any stock exchange, there will at all times be a Paying Agent having a specified office outside Sweden in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and
- (c) a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents shall promptly be given to the Holders in accordance with Condition 19 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

If the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Conditions or the Agency Agreement (as the case may be), the Issuer shall appoint, on terms acceptable to the Trustee, an independent financial institution acceptable to the Trustee to act as such in its place.

**16. Meetings of Holders; Modification and Waiver; Issuer Substitution**

**(a) *Meetings of Holders***

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Capital Securities, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Holders holding not less than five per cent. in nominal amount of the Capital Securities for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Capital Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Capital Securities or the Coupons or the Trust Deed (including, *inter alia*, the provisions regarding subordination referred to in Condition 3 (*Subordination and Rights on a Winding-Up*), modifying the date of maturity of the Capital Securities or any date for payment of interest thereon (including Deferred Interest), reducing or cancelling the amount of principal or the rate of interest payable in respect of the Capital Securities or altering the currency of payment of the Capital Securities or the Coupons in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Capital Securities for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Capital Securities for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Capital Securities for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in nominal amount of the Capital Securities for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Holders. An Extraordinary Resolution passed by the Holders will be binding on all Holders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

**(b) *Modification and Waiver***

The Trustee may, without the consent of the Holders agree to (i) any modification of any of the provisions of these Conditions or any provision of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification to (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach by the Issuer of, any of these Conditions or of the provisions of the Trust Deed or the Agency Agreement which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Holders (which will not include, for the avoidance of doubt, any provision entitling the Holders to institute proceedings for an Issuer Winding-up in circumstances which are more extensive than those set out in Condition 12 (*Default*

*and Enforcement*)). Any such modification, authorisation or waiver shall be binding on the Holders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Holders in accordance with Condition 19 (*Notices*), as soon as practicable.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution pursuant to Condition 17 (*Issuer Substitution*)), the Trustee shall have regard to the interests of the Holders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise of its trusts, powers, authorities or discretions for individual Holders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders, except to the extent already provided in Condition 11 (*Taxation*) and/or any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

In addition the Trustee shall be obliged in certain circumstances to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments on the basis set out in Condition 4(j)(i)(E) without the consent or approval of the Holders of the relevant Capital Securities or Coupons subject to the provisions therewith.

The agreement or approval of the Holders shall not be required in the case of any variation of these Conditions required to be made in the circumstances described in Condition 7 (*Substitution or Variation*) in connection with the substitution or variation of the terms of the Capital Securities so that they remain or become Qualifying Capital Securities.

**17. Issuer Substitution**

The Trustee may, without the consent of the Holders or the Couponholders, agree with the Issuer to the substitution on a subordinated basis equivalent to that referred to in Conditions 2 (*Status*) and 3 (*Subordination and Rights on a Winding-Up*) in place of the Issuer (or of any previous substitute under this Condition 17 (*Issuer Substitution*)) as the principal debtor under the Capital Securities, the Coupons and the Trust Deed of any company being a Subsidiary of the Issuer, subject to:

- (i) the Capital Securities being unconditionally and irrevocably guaranteed by the Issuer on the same subordinated basis as the Capital Securities under Condition 3 (*Subordination and Rights on a Winding-Up*); and
- (ii) certain other conditions set out in the Trust Deed being complied with.

The Trustee may, without the consent of the Holders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 17) as the principal debtor under the Capital Securities, the Coupons and the Trust Deed of any company being a Subsidiary of the Issuer, subject to:

- (i) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Holders; and
- (ii) certain other conditions set out in the Trust Deed being complied with.

Any substitution effected in accordance with this Condition 17 (*Issuer Substitution*) shall be binding on the Holders and the Couponholders.

The Issuer will give notice of any substitution pursuant to this Condition 17 (*Issuer Substitution*) to the Holders in accordance with Condition 19 (*Notices*) as soon as reasonably practicable (and in any event within 10 days) following such substitution.

**18. Further Issues**

The Issuer may from time to time, without the consent of the Holders or the Couponholders, create and issue further Capital Securities having the same terms and conditions as the Capital Securities in all respects (or in all respects except for the first payment of interest) so that the same shall be consolidated and form a single series with the Capital Securities ("**Further Capital Securities**").

19. **Notices**

Notices to the Holders shall be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe) and for so long as the Capital Securities are admitted to trading on Euronext Dublin and the rules of Euronext Dublin so require, publication will also be made in a leading daily newspaper approved by the Trustee with general circulation in the Republic of Ireland (which is expected to be the Irish Times). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Capital Securities are for the time being listed. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders.

20. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings or taking any other steps or actions to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction.

21. **Governing Law and Jurisdiction**

(a) ***Governing Law***

The Trust Deed, the Capital Securities, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with any of them, are governed by, and shall be construed in accordance with, English law, other than the provisions of Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*), Clause 2.3 of the Trust Deed and any non-contractual obligations arising out of or in connection with them which are governed by, and shall be construed in accordance with, the laws of Sweden.

(b) ***Jurisdiction***

The Issuer has, in the Trust Deed, agreed for the benefit of the Trustee, the Holders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes (a **Dispute**) which may arise out of or in connection with the Trust Deed, the Capital Securities, the Coupons or the Talons, or any non-contractual obligation arising out of or in connection with them, and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

To the extent allowed by law, the Trustee, the Holders and the Couponholders may in respect of any Dispute or Disputes take any suit, action or proceedings (together referred to as **Proceedings**) against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

(c) ***Appointment of Process Agent***

The Issuer has in the Trust Deed appointed The Swedish Trade & Invest Council at 5 Upper Montague Street, London W1H 2AG, as its agent for service of process, and has agreed that, in the event of the same being unable or unwilling for any reason so to act, it will immediately appoint another person with an address in England or Wales as the Issuer may specify by notice in writing to the Trustee and the Holders. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

22. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Capital Securities under the Contracts (Rights of Third Parties) Act 1999.

23. **Definitions**

In these Conditions:

**"5 Year EUR Mid-Swap Rate"** means, with respect to a Reset Period, the mid swap rate for euro swap transactions with a maturity of five years (**5 Year EUR Mid-Swap**), as published on Reuters screen **ICESWAP2** under **FIXED VS. 6M EURIBOR** (or such other page or service as may replace it for the purposes of displaying European swap rates of leading reference banks for swaps in Euro) (in each case, the **Reset Screen Page**), as at approximately 11.00 a.m. (Central European time) on the Reset Interest Determination Date applicable to such Reset Period.

In the event that the relevant 5 Year EUR Mid-Swap Rate does not appear on the Reset Screen Page on the relevant Reset Interest Determination Date, the 5 Year EUR Mid-Swap Rate will be the Reset Reference Bank Rate on such Reset Interest Determination Date. If (a) at least three quotations are provided, the 5 Year EUR Mid-Swap Rate will be calculated by the Calculation Agent on the basis of the arithmetic mean (or, if only three quotations are provided, the median) of the quotations provided, eliminating the highest quotation (or, in the event of equality one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (b) only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided; (c) only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided; and (d) no quotations are provided, the Reset Reference Bank Rate for the relevant period will be: (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the Reset Reference Bank Rate in respect of the immediately preceding Reset Period, or (ii) in the case of the Reset Period commencing on the First Reset Date, -0.184 per cent. which represents the 5 Year EUR Mid-Swap Rate at pricing.

The **"5 year Swap Rate Quotations"** means, in relation to any Reset Period, the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 Day Count Basis) of a fixed-for-floating euro interest rate swap which (i) has a term of 5 years commencing on the relevant Reset Date, (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on the basis of the actual number of days elapsed and a year of 360 days).

an **"Accounting Event"** shall be deemed to occur if, as a result of a change in accounting principles which becomes effective on or after the Issue Date, but not otherwise, the obligations of the Issuer under the Capital Securities must not or may no longer be recorded as "equity" in the next following audited annual consolidated financial statements of the Issuer prepared in accordance with IFRS or any other accounting standards that the Issuer may adopt in the future for the preparation of its audited annual consolidated financial statements in accordance with Swedish company law;

**"Agency Agreement"** has the meaning given in the preamble of the Conditions;

**"Business Day"** means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in London and Stockholm and on which the TARGET System is open;

**"Calculation Agent"** means Deutsche Bank AG, London Branch, or any successor appointed in accordance with the Agency Agreement;

**"Calculation Amount"** has the meaning given to it in Condition 4(a) (*Interest accrual*);

a **"Capital Event"** shall be deemed to occur if the Issuer has received confirmation from the Capital Rating Agency, providing a solicited rating at the invitation of the Issuer, either directly or via a publication by such Capital Rating Agency, that an amendment, clarification or change has occurred in the equity credit criteria of such Capital Rating Agency effective after the Issue Date (or effective after the date when the equity credit is assigned for the first time, as applicable) and

this has resulted in lower equity credit (or such other nomenclature that the Capital Rating Agency may then use to describe the degree to which an instrument exhibits the characteristics of an ordinary share) for the Capital Securities than the equity credit assigned on the Issue Date (or if equity credit is not assigned on the Issue Date, at the date when the equity credit is assigned for the first time);

"**Capital Rating Agency**" means S&P or any of its subsidiaries and its successors;

"**Capital Securities**" has the meaning given in the preamble to the Conditions;

"**Change of Control**" occurs when any person or any persons acting in concert (other than Heimstaden AB (publ) or Alecta pensionsförsäkring ömsesidigt) shall acquire: (A) shares in the issued or allotted Share Capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or (B) the power to appoint or remove the majority of the members of the board of directors of the Issuer;

a "**Change of Control Event**" will be deemed to occur if:

- (a) a Change of Control occurs; and
- (b) on the date (the "**Relevant Announcement Date**") that is the earlier of (1) the date of the earliest Potential Change of Control Announcement (as defined below) (if any) and (2) the date of the first public announcement of the relevant Change of Control, the Issuer's long-term senior unsecured debt obligations carry:
  - (i) an investment grade credit rating (Baa3/BBB-/BBB-, or equivalent, or better) (an "**Investment Grade Rating**") from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Issuer) and, within the Change of Control Period, any such Rating Agency downgrades its rating of the Issuer's long-term senior unsecured debt obligations to a non-investment grade credit rating (Ba1/BB+/BB+ or equivalent, or worse) or withdraws its rating of the Issuer's long-term senior unsecured debt obligations and such rating is not within the Change of Control Period (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an Investment Grade Rating by such Rating Agency; or
  - (ii) a non-investment grade credit rating (Ba1/BB+/BB+ or equivalent or worse) from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Issuer) and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (for illustration, Ba1/BB+/BB+ to Ba2/BB/BB being one notch) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
  - (iii) no credit rating from any Rating Agency (provided by such Rating Agency at the invitation or with the consent of the Issuer) and a Negative Rating Event also occurs within the Change of Control Period; and
- (c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such downgrading and/or withdrawal resulted, directly or indirectly, from the Change of Control or the Potential Change of Control Announcement (whether or not the Change of Control shall have occurred at the time such rating is downgraded and/or withdrawn).

If the rating designations employed by S&P, Moody's or Fitch are changed from those which are described in paragraph (b) above, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine the rating designations of S&P, Moody's or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of S&P, Moody's or Fitch and paragraph (b) shall be construed accordingly;

**"Change of Control Notice"** has the meaning given to it in Condition 6(e) (*Redemption for Change of Control Event*);

**"Change of Control Period"** means commencing on the Relevant Announcement Date and ending 120 days after the occurrence of the Change of Control or, where a Rating Agency has publicly announced that the Issuer's long-term senior unsecured debt obligations are under consideration for rating review or, as the case may be, rating (such public announcement being within the period ending 120 days after the Change of Control), the later of (i) such 120th day after the Change of Control and (ii) the date falling 60 days after such public announcement;

**"Change of Control Step-up Date"** shall be date which is 30 days after the date following the expiry of the Exercise Period;

**"Code"** has the meaning given to it in Condition 10(c) (*Payments subject to fiscal laws*);

**"Conditions"** means these terms and conditions of the Capital Securities, as amended from time to time;

**"Coupon"** has the meaning given in the preamble to the Conditions;

**"Couponholders"** has the meaning given in the preamble to the Conditions;

**"continuing"** is an event or failure that has not been waived or remedied;

**"Deferral Notice"** has the meaning given in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

**"Deferred Interest"** has the meaning given in Condition 5(a) (*Optional Interest Deferral - Deferral of Interest Payments*);

A **"Deferred Interest Payment Event"** means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its Share Capital or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Securities;
- (b) declaration or payment of any distribution or dividend or any other payment made by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities or the Capital Securities;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of its Share Capital or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Securities; and/or
- (d) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Securities or any Capital Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law;
- (ii) in the case of (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition that is executed in connection with, or for the purpose of (1) any reduction of the quota value of the Share Capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (2) any share buyback programme then in force and duly approved by the shareholders' general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan, in all cases of this (ii)(2), reserved for

directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction; and

- (iii) in the case of (d) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition executed in whole or in part in the form of a public tender offer or public exchange offer at a consideration per Capital Security or Parity Security below its par value;

"**EUR**" and/or "**euro**" means the lawful currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended;

"**Euronext Dublin**" has the meaning given to it in Condition 9(b) (*Cancellation of Capital Securities*);

"**EURIBOR**" means the month Euro Interbank Offered Rate;

"**Excluded Change**" means changes to the Swedish rules on tax deductibility of interest expenses that was introduced on 1 January 2019 following the Government Bill 2017/18:245 (*Nya skatteregler för företagssektorn*) that was adopted by Swedish Parliament on 14 June 2018;

"**Exercise Period**" means the period from the date on which the Change of Control Event occurred to the day which is the earlier of (a) 90 days after such date and (b) the last day on which holders of senior indebtedness of the Issuer, which have a right to put (a "**Put Option**") such senior indebtedness for redemption exercisable upon the occurrence of a Change of Control Event, and to the extent they have exercised such Put Option within any applicable put option redemption period (howsoever described), have received the redemption proceeds;

"**FATCA Withholding**" has the meaning given in Condition 10(c) (*Payments subject to fiscal laws*);

"**First Interest Payment Date**" has the meaning given to it in Condition 4(b) (*Interest Payment Dates*);

"**First Reset Date**" means 19 February 2025;

"**First Step-up Date**" means the First Reset Date;

"**Fitch**" means Fitch Ratings Ltd;

"**Further Capital Securities**" has the meaning given to it in Condition 18 (*Further Issues*);

"**GEM**" has the meaning given to it in Condition 9(b) (*Cancellation of Capital Securities*);

"**Group**" means the Issuer and its Subsidiaries taken as a whole;

"**Holders**" has the meaning given in the preamble to these Conditions;

"**IFRS**" means International Financial Reporting Standards, including International Accounting Standards and Interpretations, issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time) as adopted by the European Union;

"**Initial Interest Rate**" has the meaning given in Condition 4(c) (*Interest – Initial Interest Rate*);

"**Interest Amount**" has the meaning given in Condition 4(e) (*Interest - Determination of Reset Interest Rates and Calculation of Interest Amounts*);

"**Interest Payment**" means, in respect of the payment of interest on an Interest Payment Date, the amount of interest payable on the presentation and surrender of the Coupon for the relevant Interest Period in accordance with Condition 4 (*Interest*);

"**Interest Payment Date**" has the meaning given in Condition 4(b) (*Interest Payment Dates*);



**"Interest Period"** means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

**"Interest Rate"** means the Initial Interest Rate or the relevant Reset Interest Rate, as the case may be;

**"Investment Grade Rating Change"** means if any solicited rating previously assigned to the Issuer by any Rating Agency is changed from an investment grade rating (being at least Baa3 by Moody's, BBB- by Fitch or BBB- by S&P) to a non-investment grade rating (being Ba1 or lower by Moody's, or BB+ or lower by Fitch or BB+ or lower by S&P);

**"Issue Date"** has the meaning given in Condition 4(a) (*Interest Accrual*);

**"Issuer"** has the meaning given in the preamble to these Conditions;

**"Issuer Re-construction"** has the meaning given in Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*);

**"Issuer Winding-up"** has the meaning given in Condition 3(a) (*Rights on a Winding-Up or Company Re-Construction*);

**"Margin"** means:

- (a) in respect of the period from (and including) the First Step-up Date to (but excluding) the Second Step-up Date, 3.667 per cent.; and
- (b) in respect of the period from (and including) the Second Step-up Date, 4.417 per cent.;

**"Moody's"** means Moody's Investors Service Ltd;

**"Negative Rating Event"** shall be deemed to have occurred if (i) the Issuer does not, prior to or not later than 21 days after the occurrence of the relevant Change of Control, seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Issuer's long-term senior unsecured debt obligations or (ii) if the Issuer does so seek and use all such reasonable endeavours, it is unable to obtain such rating of at least investment grade (*Baa3/BBB-/BBB- or equivalent or better*) by the end of the Change of Control Period and the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that the failure to issue a rating of at least investment grade (*Baa3/BBB-/BBB- or equivalent or better*) was as a result, directly or indirectly, of the Change of Control or the Potential Change of Control Announcement (whether or not the Change of Control had occurred at such time);

**"Ordinary Shares"** means ordinary shares in the capital of the Issuer;

**"Outstanding Preferences Shares"** means preference shares in the capital of the Issuer;

**"Parity Securities"** or **"Parity Security"** means any obligations of:

- (i) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities; and
- (ii) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities;

**"Paying Agent"** has the meaning given in the preamble to these Conditions;

**"person"** means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government (or any agency or political subdivision thereof) or other entity;

**"Potential Change of Control Announcement"** means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any advisor acting on behalf of any

actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs;

**"Qualifying Capital Securities"** means securities that contain terms not materially less favourable to Holders than the terms of the Capital Securities (as reasonably determined by the Issuer in consultation with an independent investment bank, independent financial adviser or legal counsel of international standing) and **provided that** a certification to such effect shall have been delivered to the Trustee prior to the substitution or variation of the Capital Securities, **provided that**:

- (a) they shall be issued by the Issuer or by any wholly-owned direct or indirect finance Subsidiary of the Issuer with a guarantee of the Issuer; and
- (b) they (and/or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* on an Issuer Winding-up with the ranking of the Capital Securities; and
- (c) they shall contain terms which provide for the same interest rate from time to time applying to the Capital Securities and preserve the same Interest Payment Dates; and
- (d) they shall preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Capital Securities, including (without limitation) as to timing of, and amounts payable upon, such redemption; and
- (e) they shall preserve any existing rights under the Capital Securities to any accrued interest, any Deferred Interest and any other amounts payable under the Capital Securities which, in each case, has accrued to Holders and not been paid; and
- (f) they shall not contain terms providing for the mandatory deferral or cancellation of interest and shall not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and
- (g) they shall, immediately after such exchange or variation, be assigned at least the same credit rating(s) by the same Rating Agencies (at the invitation of the Issuer) as may have been assigned to the Capital Securities immediately prior to such exchange or variation (if any); and
- (h) they shall otherwise contain substantially identical terms (as reasonably determined by the Issuer) to the Capital Securities, save where any modifications to such terms are required to be made to avoid the occurrence or effect of, a Tax Deductibility Event, a Capital Event, an Accounting Event or, as the case may be, a Withholding Tax Event; and
- (i) they shall be (A) listed on Euronext Dublin and admitted to trading on the GEM or (B) admitted to trading on any other regulated market or multilateral trading facility for the purposes of Directive 2014/65/EU (as amended) as selected by the Issuer on, or as soon as reasonably practicable after issue and approved by the Trustee;

**"Rating Agency"** means each of Fitch, Moody's and S&P and any other rating agency (a **"Substitute Rating Agency"**) of equivalent international standing requested by the Issuer to grant a corporate credit rating to the Issuer and, in each case, their successors or affiliates;

**"Relevant Date"** means:

- (i) in respect of any payment other than a sum to be paid by the Issuer in an Issuer Winding-up, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been duly received by the Principal Paying Agent or the Trustee on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders by or on behalf of the Issuer or the Trustee in accordance with Condition 19 (*Notices*); and
- (ii) in respect of any sum to be paid by or on behalf of the Issuer in an Issuer Winding-up, the date which is one day prior to the date on which an order is made or a resolution is passed for such Issuer Winding-up;

**"Reset Date"** means the First Reset Date and each fifth anniversary thereof;

**"Reset Interest Determination Date"** means, with respect to a Reset Period, the day falling two Business Days prior to the Reset Date on which such Reset Period commences;

**"Reset Interest Rate"** has the meaning given in Condition 4(d) (*Interest – Reset Interest Rates*);

**"Reset Period"** means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date thereafter;

**"Reset Reference Bank Rate"** means the percentage rate calculated by the Calculation Agent in accordance with these Conditions on the basis of the 5 year Swap Rate Quotations provided by the Reset Reference Banks to the Issuer and the Calculation Agent at approximately 11:00 a.m. (Central European Time) on the relevant Reset Interest Determination Date.

**"Reset Reference Banks"** means five major banks in the European Interbank market selected by the Issuer;

**"S&P"** means S&P Global Ratings Europe Limited;

**"Second Step-up Date"** means 19 February 2045;

**"Share Capital"** means any Outstanding Preferences Shares and any Ordinary Shares;

**"Special Event"** means any of a Tax Deductibility Event, a Substantial Repurchase Event, a Capital Event, a Withholding Tax Event, an Accounting Event or any combination of the foregoing;

**"Subordinated Indebtedness"** means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities;

**"Subsidiary"** means in relation to any person (the **"first person"**) at any particular time, any other person (the **"second person"**):

- (i) which is a subsidiary (*Sw. dotterföretag*) to the first person, directly or indirectly, as defined in the Swedish Companies Act (*Sw. aktiebolagslagen 2005:551*); or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person, and includes any person that is a Subsidiary of a Subsidiary;

a **"Substantial Repurchase Event"** shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than 80 per cent. of the aggregate principal amount of the Capital Securities initially issued (which shall include, for these purposes, any Further Capital Securities);

**"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as **"TARGET2"**) payment system which utilises a single shared platform and which was launched on 19 November 2007 or any successor thereto;

**"Talons"** has the meaning given in the preamble to these Conditions;

**"Tax Deductibility Event"** means the receipt by the Issuer of an opinion of counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change (other than an Excluded Change), the Issuer is no longer able to claim a deduction to which it was entitled as at the Issue Date or at any time thereafter in respect of payments relating to the Capital Securities in computing its taxation liabilities for Swedish tax purposes (a **"Tax Deduction"**) or the amount of any Tax Deduction is materially reduced and, in either case, in circumstances where

unsubordinated debt obligations of the Issuer continue to be fully or partly tax deductible for such purposes;

**"Tax Law Change"** means (a) any amendment to, clarification of, or change in, the laws or treaties (or any regulations thereunder) of Sweden, or any political subdivision or any authority thereof or therein having the power to tax, affecting taxation, (b) any governmental action (c) or any amendment to, clarification of, or change in the application, official position or the official published interpretation of such law, treaty (or regulations thereunder) or governmental action or any official published interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the Issue Date;

**"Taxes"** has the meaning given in Condition 11 (*Taxation*); and

a **"Withholding Tax Event"** shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the Capital Securities pursuant to Condition 11 (*Taxation*) and the Issuer cannot avoid the foregoing by taking reasonable measures available to it.

The following text in italics does not form part of the Conditions:

*The Issuer intends (without thereby assuming any legal or contractual obligation whatsoever) that it will only redeem or repurchase Capital Securities to the extent that the equity credit of the Capital Securities to be redeemed or repurchased does not exceed the equity credit resulting from the sale or issuance prior to the date of such redemption or repurchase by the Issuer or any subsidiary of the Issuer of replacement hybrid securities to third party purchasers (other than subsidiaries of the Issuer).*

*The foregoing shall not apply if:*

- (a) *the issuer rating assigned by S&P to the Issuer is at least "BBB-" (or such similar nomenclature then used by S&P) and the Issuer is of the view that such rating would not fall below this level as a result of such redemption or repurchase; or*
- (b) *the Capital Securities are not even assigned "minimal equity content" (or such similar nomenclature then used by S&P) at the time of such redemption or repurchase; or*
- (c) *the Capital Securities are redeemed pursuant to Change of Control Event, Tax Deductibility Event, a Capital Event, a Substantial Repurchase Event, an Accounting Event or a Withholding Tax Event; or*
- (d) *less than (x) 10 per cent. of the aggregate principal amount of the Capital Securities originally issued is repurchased pursuant to Condition 9(a) in any period of 12 consecutive months or (y) 25 per cent. of the aggregate principal amount of the Capital Securities originally issued is repurchased in any period of 10 consecutive years; or*
- (e) *the relevant repurchase has followed an issuance of Ordinary Shares or other instruments which are granted on issuance high equity content where the amount of equity credit resulting from such issuance is equal to or more than the amount of equity credit assigned by S&P to the Capital Securities being repurchased at the time of their issuance; or*
- (f) *such replacement would cause the Issuer's outstanding hybrid capital which is assigned equity credit by S&P to exceed the maximum aggregate principal amount of hybrid capital which S&P, under its then prevailing methodology, would assign equity credit to, based on the Issuer's adjusted total capitalisation; or*
- (g) *if such redemption or repurchase occurs on or after the Second Step-up Date.*

*For the avoidance of doubt, the Issuer wishes to clarify that at any time, including during the period up to the fifth anniversary of the Issue Date, the Issuer shall not be required to replace the Capital Securities if paragraph (c), (e) or (f) above applies.*

*For the purposes of the foregoing, "equity credit" (or such similar nomenclature then used by S&P) describes:*

- (i) the part of the nominal amount of the Capital Securities that was assigned equity credit by S&P at the time of their issuance; and*
- (ii) the part of the net proceeds received from issuance of replacement hybrid securities or Ordinary Shares that was assigned equity credit by S&P at the time of their sale or issuance (or the equity credit S&P has confirmed will be assigned by it upon expiry or waiver of issuer call rights which prevent the assignment of equity credit by S&P on the issue date of such replacement hybrid securities).*

## SUMMARY OF PROVISIONS RELATING TO THE CAPITAL SECURITIES IN GLOBAL FORM

### Global Capital Securities and Definitive Capital Securities

The Capital Securities will initially be represented by a temporary global capital security (the "**Temporary Global Capital Security**") which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg.

The Temporary Global Capital Security will be exchangeable in whole or in part for interests in a permanent global capital security (the "**Permanent Global Capital Security**" and, together with the Temporary Global Capital Security, the "**Global Capital Securities**") not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Capital Security unless exchange for interests in the Permanent Global Capital Security is improperly withheld or refused. In addition, interest payments in respect of the Capital Securities while they are represented by the Temporary Global Capital Security cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Capital Security will become exchangeable in whole, but not in part, for Capital Securities in definitive form (the "**Definitive Capital Securities**") in the denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR 199,000 at the request of the bearer of the Permanent Global Capital Security against presentation and surrender of the Permanent Global Capital Security to the Fiscal Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 12 (*Default and Enforcement*) occurs.

So long as the Capital Securities are represented by a Temporary Global Capital Security or a Permanent Global Capital Security and the relevant clearing system(s) so permit, the Capital Securities will be tradeable only in the minimum authorised denomination of EUR100,000 and higher integral multiples of EUR1,000, notwithstanding that no Definitive Capital Securities will be issued with a denomination above EUR 199,000.

Whenever the Permanent Global Capital Security is to be exchanged for Definitive Capital Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Capital Securities, duly authenticated and with Coupons (and, if applicable a Talon) attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Capital Security to the bearer of the Permanent Global Capital Security against the surrender of the Permanent Global Capital Security to or to the order of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

### Modifications to the terms of the Capital Securities whilst in global form

In addition, the Temporary Global Capital Security and the Permanent Global Capital Security will contain provisions which modify the Conditions as they apply to the Capital Securities for so long as they are represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security. The following is a summary of certain of those provisions:

#### *Payments*

All payments in respect of the Temporary Global Capital Security and the Permanent Global Capital Security will be made to, or to the order of, the bearer of the same against presentation and (in the case of payment of principal in full with all Deferred Interest and any other interest accrued thereon) surrender of the Temporary Global Capital Security or (as the case may be) the Permanent Global Capital Security to or to any Paying Agent, and each payment so made will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the relevant amount so paid on the Capital Securities.

A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Capital Security by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Capital Securities.

#### *Calculation of interest*

For so long as all of the Capital Securities are represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security (as the case may be), interest shall be calculated in respect of the entire principal amount of Capital Securities represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security (as the case may be) and not per Calculation Amount as provided in Condition 4(a) (*Interest – Interest Accrual*).

#### *Transfers*

Transfers of book-entry interests in the Capital Securities will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

#### *Redemption and cancellation*

Any redemption or purchase and cancellation of any Capital Securities will be effected by a corresponding reduction in the nominal amount of the Temporary Global Capital Security or Permanent Global Capital Security representing such Capital Securities.

#### *Notices*

For so long as all of the Capital Securities are represented by the Temporary Global Capital Security and/or the Permanent Global Capital Security (as the case may be) and the same are deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Holders may be given, in lieu of publication as provided in Condition 19 (*Notices*), by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for onwards transmission to the Holders and, in any case, such notice shall be deemed to have been given to the Holders in accordance with Condition 19 (*Notices*) on the date of delivery of the notice to Euroclear and Clearstream, Luxembourg.

For so long as such Capital Securities are admitted to listing and/or trading on any market or stock exchange, notice shall also be given in such manner as may be required or permitted by the rules of such market or stock exchange.

#### *Clearing Systems*

References herein to Euroclear and Clearstream, Luxembourg shall include any successor or other clearing system approved by the Trustee in which the Capital Securities may be cleared and/or traded from time to time.

### **USE OF PROCEEDS**

The net proceeds of the issue of the Capital Securities will be used by the Issuer for general corporate purposes.



## DESCRIPTION OF THE ISSUER

### General Information

The Issuer's legal and commercial name is Heimstaden Bostad AB (publ) (the "**Issuer**"), its corporate registration number is 556864-0873 and it was incorporated on 12 September 2011.

The Issuer is incorporated in Sweden and registered with the Swedish Companies Registration Office (*Bolagsverket*). The Issuer is a public limited liability company (*publikt aktiebolag*) subject to the Swedish Companies Act (*aktiebolagslagen (2005:551)*) and the Swedish Annual Accounts Act (*årsredovisningslagen (1995:1554)*). The Issuer's registered office is Östra Promenaden 7A, SE-211 28 Malmö, Sweden. The telephone number of the Issuer is +46 (0)77-011 10 50.

The Issuer is a property company whose principal business is to invest in residential properties primarily in growth areas in Northern Europe, and may contemplate investments in other locations in the future.

In 2013, the Issuer was established and owned by Heimstaden AB (publ) (a Swedish residential company), Alecta pensionsförsäkring, ömsesidigt (with SEK 829 billion under management as at 31 December 2018 ([www.alecta.se](http://www.alecta.se))), and the pension funds of the two Swedish companies: Sandvik AB (publ) and Ericsson AB (publ). The partnership has enabled the Issuer to build up a large Nordic residential portfolio in areas with residential property shortages.

The Issuer benefits from having Heimstaden AB (publ) as an owner, given its operational experience in the residential property sector. The Group also benefits from a group-wide management agreement with Heimstaden AB (publ), whereby Heimstaden AB (publ) provides head office functions such as legal, group accounting, group treasury, transaction team, HR, communication and senior management. Wholly owned subsidiaries of Heimstaden AB (publ) (Heimstaden Förvaltning AB in Sweden, Heimstaden A/S in Denmark and Heimstaden AS in Norway) are responsible for providing property management and technical management to the Group.

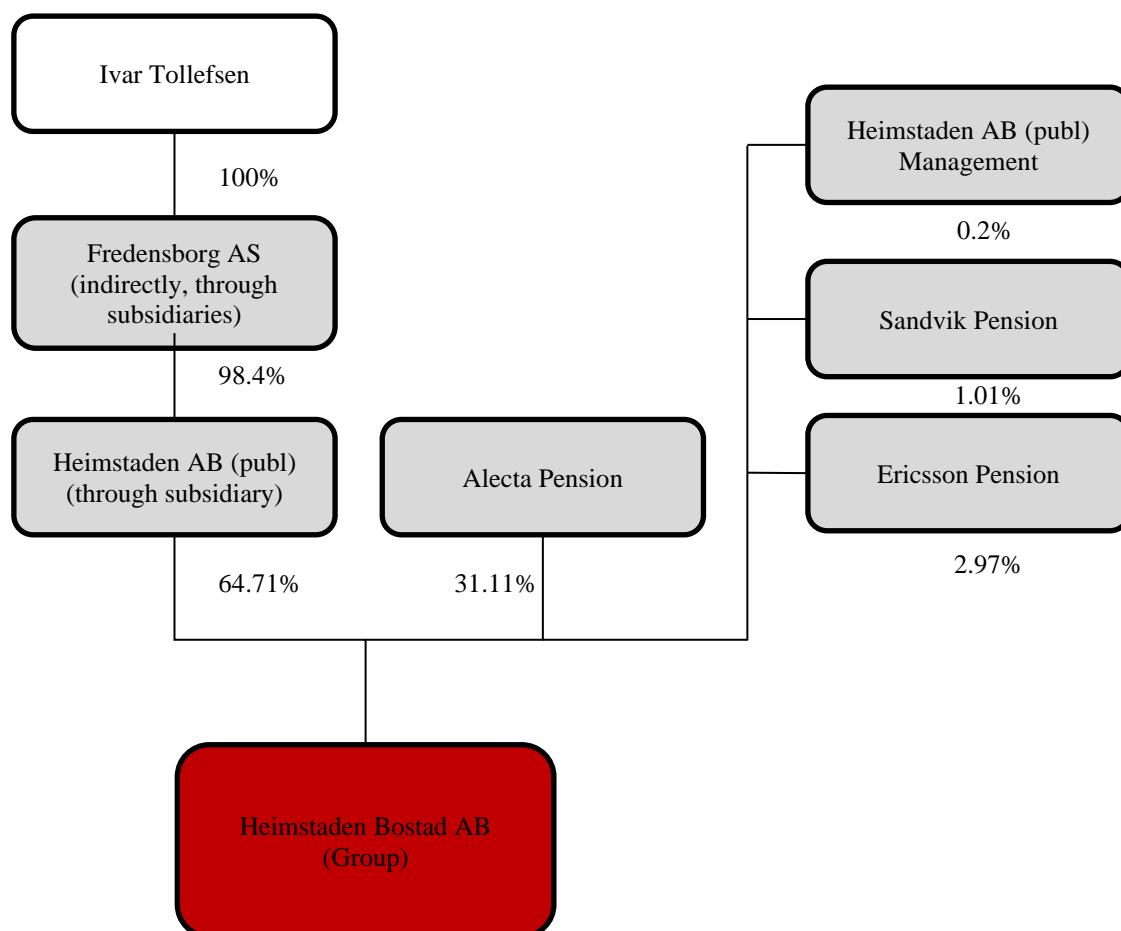
### Group Structure

The Issuer's ownership structure (based on voting rights) is as follows as at 30 September 2019 (see "*Recent Developments - New share issue*" for recent changes):

- Heimstaden AB (publ) (through subsidiary), 64.71 per cent;
- Alecta pensionsförsäkring, ömsesidigt, 31.11 per cent;
- Pension fund of Ericsson AB (publ), 2.97 per cent;
- Pension fund of Sandvik AB (publ), 1.01 per cent; and
- Heimstaden AB (publ) management, 0.2 per cent.

Heimstaden AB (publ)'s majority owner is Fredensborg AS, a Norwegian residential real estate group wholly owned by Ivar Tollefsen.

The diagram below shows the ownership structure of the Issuer based on voting rights as at 30 September 2019.



## The History of the Issuer

### 2013

The Issuer's first property portfolio was acquired from Heimstaden AB (publ). Initially, the strategy of the owners was to establish a "static" company with no growth ambitions.

Assets under management: SEK 3 billion.

### 2015

With decreasing interest rates the owners saw an opportunity to acquire additional real estate. Portfolios in Trelleborg, Skellefteå and Katrineholm in Sweden were acquired.

Assets under management: SEK 6.1 billion.

### 2016

The second substantial acquisition from Heimstaden AB (publ) was finalised on 31 August 2016. In addition, portfolios in Luleå and Växjö in Sweden were acquired from real estate companies owned by the local municipalities.

Assets under management: SEK 19.9 billion.

### 2017

The third substantial acquisition from Heimstaden AB (publ) was finalised on 10 October 2017, when the Issuer entered the Danish and Norwegian markets for the first time. The shareholder loans of the Issuer

were converted into equity on 10 October 2017. In addition, portfolios in Umeå and Stockholm in Sweden were acquired.

Assets under management: SEK 43.7 billion.

2018

In the fourth quarter of 2018, the Issuer secured an "investment grade" rating from S&P of "BBB-" and issued its first multi-tranche bond under its newly established Euro Medium Term Note Programme. Furthermore, the Issuer acquired complementary portfolios of residential properties primarily in Denmark and Sweden.

Assets under management: SEK 72.3 billion.

## Shareholders

### Equity

The Issuer has three classes of shares: Class A preference shares, Class B preference shares and common shares. The Issuer's total share capital as at 30 September 2019 (unaudited), amounted to SEK 26,669,270 distributed across SEK 1,000 of Class A preference shares, SEK 2,403,780 of Class B preference shares and SEK 24,294,490 of common shares. All shares are issued and fully paid for. Each Class A preference share and Class B preference share entitles the holder to one tenth of one vote and each common share entitles the holder to one vote.

The Issuer's shares are privately held and all shareholders have holdings in the common shares. Heimstaden AB (publ) (through its subsidiaries) is the only holder of the Class A preference shares. If a shareholder decides to dispose of a stake in the Issuer, the sale is required to include common shares and Class B shares. Heimstaden AB (publ) is not required to dispose of its Class A shares.

### Shareholders

The table below shows the number of shares held by shareholders of the Issuer from the unaudited figures as at 30 September 2019.

Shareholders	Common shares	Class B preference shares	Class A preference shares	Total	Share total (per cent.)	Allocation of common shares (per cent.)	Allocation of total votes (per cent.)
Heimstaden AB (publ) (through subsidiary) .....	1,579,141	84,143	100	1,663,384	62.30	65.00	64.71
Alecta .....	748,801	144,059	0	892,860	33.44	30.82	31.11
Ericsson .....	71,854	9,072	0	80,926	3.03	2.96	2.97
Sandvik .....	24,573	3,104	0	27,677	1.04	1.01	1.01
Patrik Hall .....	2.54	0	0	2.54	0.10	0.10	0.10
Magnus Nordholm .....	2.54	0	0	2.54	0.10	0.10	0.10
<b>Total number of shares ....</b>	<b>2,429,449</b>	<b>240,378</b>	<b>100</b>	<b>2,669,927</b>	<b>100</b>	<b>100</b>	<b>100</b>
Votes per share .....	1	0.1	0.1				
<b>Total number of votes .....</b>	<b>2,429,449</b>	<b>24,038</b>	<b>10</b>	<b>2,453,497</b>			
Votes (per cent.) .....	99.0199	0.9797	0.0004	100			

The table below shows the value of the shares held by shareholders of the Issuer from the unaudited figures as at 30 September 2019.

<b>Shareholders</b>	<b>Common shares (SEK)</b>	<b>Class B preference shares (SEK)</b>	<b>Class A preference shares (SEK)</b>	<b>Total (SEK)</b>
Heimstaden AB (publ) (through subsidiary).....	9,061,378,401	8,645,338,289	137,772,533	17,844,489,223
Alecta.....	4,296,746,907	14,798,443,055	-	19,095,189,962
Ericsson.....	412,310,417	934,348,301	-	1,346,658,717
Sandvik.....	141,004,034	319,689,147	-	460,693,181
Patrik Hall.....	14,574,950	-	-	14,574,950
Magnus Nordholm.....	14,574,950	-	-	14,574,950
<b>Total equity value.....</b>	<b>13,940,589,660</b>	<b>24,697,818,792</b>	<b>137,772,533</b>	<b>38,776,180,984</b>

## Goals and Strategy

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

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

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

## Management Strategy

### *Analysis and transaction*

The Issuer continuously develops its property portfolio by acquiring properties in line with its strategy and by selling non-strategic properties.

The Issuer's acquisition analysis is based on forces which generate long-term demand for residential premises, such as population growth, urbanisation and positive economic development. With this as a starting point, the Issuer has so far identified a number of locations in Northern Europe that it has considered attractive and chosen to invest in. For each location, an analysis is performed of local industry, infrastructure, proximity to universities and colleges, and the current residential property and population situation. If a location meets the Issuer's established criteria, the Issuer monitors the market to be prepared when appropriate projects appear on sale. The properties targeted should be centrally located and preferably adjacent to one another to facilitate efficient management. The management has a general objective to build a portfolio of at least 600 apartments in each location and, as a result, the management considers it cost-effective to have local management functions.

### *Project and property development*

The Group develops its existing property stock, while making use of land and building rights to develop new residential properties. The aim of this is to both benefit the local areas in which the Group operates and enhance the value of the properties in the Group's portfolio.

### *Property management*

Heimstaden AB (publ)'s locally-based property management organisation builds long-term relationships with customers. The Issuer aims to ensure that the focus of its property management is on providing high quality properties and attractive residential accommodation. The Issuer follows a maintenance and investment plan based on the technical inspection performed when properties are acquired by the Group. The asset management agreement between the Group and Heimstaden AB (publ) and the locally based

property management companies of Heimstaden AB (publ) is running until 10 October 2032. From 31 September 2026, the Issuer will have the sole discretion to terminate the agreement by giving 6 months' notice.

### ***Dividend Strategy***

The Issuer has been prioritising growth, capital structure and liquidity in recent years. Hence, the dividend historically distributed has either been low or not paid at all. Since 2013, the shareholders have injected SEK 30.4 billion into the Issuer and received SEK 1.8 billion as dividends up to 30 September 2019.

### ***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.

### ***Property Portfolio***

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

#### ***2019***

From the unaudited figures as at 30 September 2019, the Group's property portfolio had a fair value of investment properties (i.e. market value reflected in the Group's accounts) of SEK 89,629 million, split between SEK 38,774 million in Sweden, SEK 33,422 million in Denmark and SEK 17,433 million in Norway.

From the unaudited figures as at 30 September 2019, the Group's property portfolio comprised of 983 properties with a lettable area of 2,953,201 thousand square metres, of which 2,633,187 thousand square metres (89 per cent.) were residential.

From the unaudited figures, during the nine months ending 30 September 2019, 90 per cent. of the Group's total rental income derived from residential and 9 per cent. from commercial premises. The letting ratio for existing residential premises amounted to 97.6 per cent. at 30 September 2019.

From the unaudited figures, during the nine months ending 30 September 2019, properties were acquired at a fair value of SEK 10,163 million.

#### ***2018***

As at 31 December 2018, the Group's property portfolio had a fair value of investment properties of SEK 72,329 million, split between Sweden SEK 35,881 million, Denmark SEK 20,927 million and Norway SEK 15,521 million.

As at 31 December 2018, the Group's property portfolio comprised of 916 properties with a lettable area of 2,627,931 thousand square metres, of which 2,328,840 thousand square metres (88.6 per cent.) were residential.

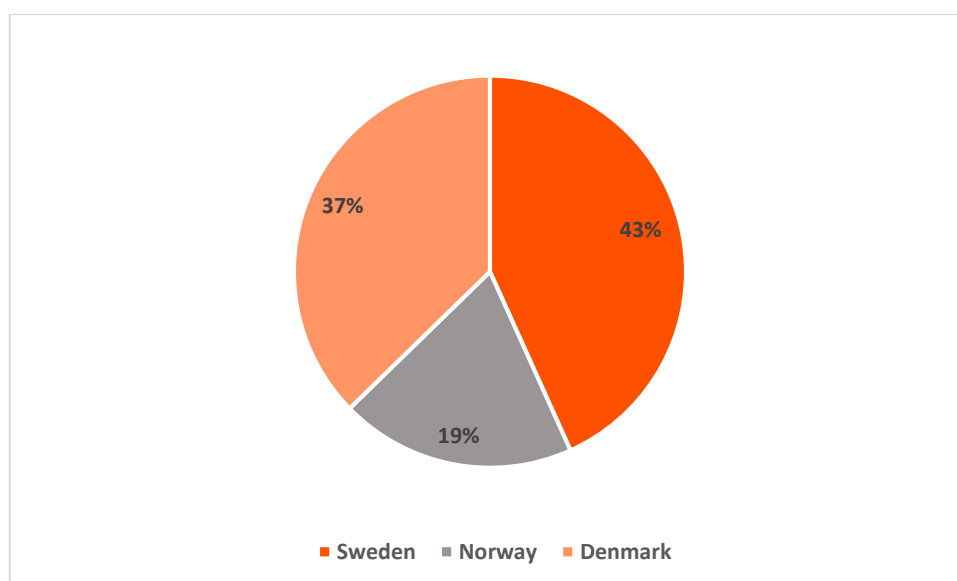
During the year ending 31 December 2018, 90 per cent. of the Group's total rental income derived from residential premises and 10 per cent. from commercial premises. The letting ratio for existing residential premises amounted to 97.4 per cent as at 31 December 2018.

During the year ending 31 December 2018, properties were acquired for a total property value of SEK 24,737 million, of which SEK 18,230 million was attributable to transactions with Heimstaden AB (publ) and Heimstaden AB (publ)'s parent company Fredensborg AS.

### ***Fair Value of Investment Properties***

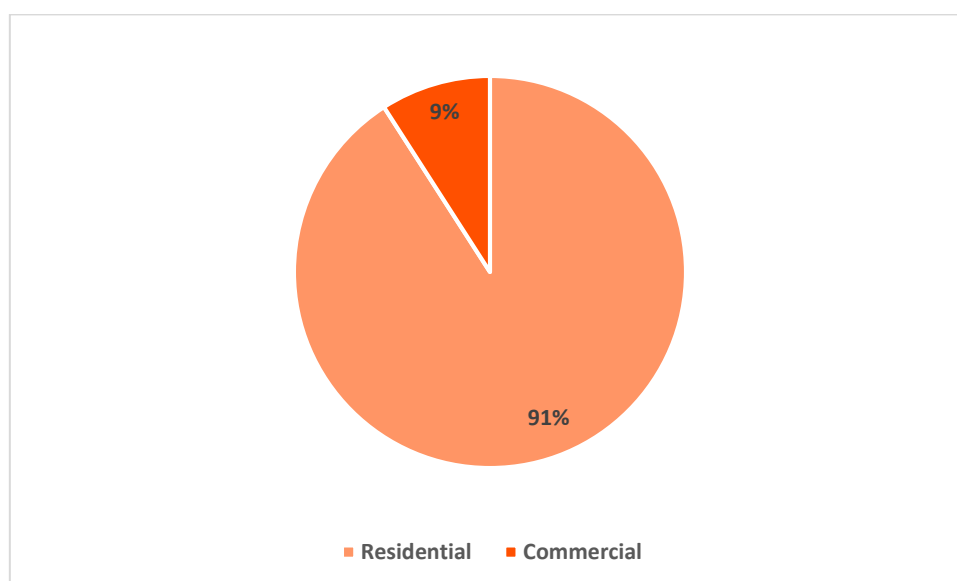
The chart below shows the unaudited fair value of investment properties of the Group in Sweden, Denmark and Norway as a percentage of the unaudited total fair value of investment properties of the Group as at 30 September 2019.

**Geographic distribution of fair value of investment properties (SEK 89,629 million) as at 30 September 2019 (unaudited) (*per cent.*)**



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

**Residential and commercial distribution as at 30 September 2019 (unaudited) (by lettable area)**



## Real Estate Portfolio

The table below shows the Group's property portfolio as at 30 September 2019 (unaudited).

Country	No. of Properties	No. of Apartments	Apartments	Commercial	Total	Average size per Apartment	Occupancy rate Apartment	Fair Value of Investment Properties	Average market value
			(square metres, thousands)			(square metres)	(per cent.)	(SEK millions)	(SEK thousands per square metre)
Sweden .....	763	28,151	1,716,291	225,290	1,941,581	61	98.0	38,774	20.0
Denmark .....	136	8,716	762,316	31,976	794,292	87	96.4	33,422	42.1
Norway .....	84	4,441	154,580	62,748	217,328	35	97.7	17,433	80.2
<b>Total .....</b>	<b>983</b>	<b>41,308</b>	<b>2,633,187</b>	<b>320,014</b>	<b>2,953,201</b>	<b>64</b>	<b>97.6</b>	<b>89,629</b>	<b>30.3</b>

The table below shows a comparison of the value and composition of the Group's property portfolio across Sweden, Norway and Denmark. As can be seen in the table, the Group has substantially increased its presence in Denmark, but Sweden remains its largest market. From the unaudited figures as at 30 September 2019, the portfolio is well diversified between the three Nordic markets.

	Year ending 31 December 2018				Nine months ending 30 September 2019 (unaudited)			
	Sweden	Norway	Denmark	Total	Sweden	Norway	Denmark	Total
Rental income (SEK millions)	2,014	601	616	3,231	1,648	516	866	3,030
Operating costs (SEK millions)	-1,029	-235	-216	-1,480	-840	-172	-279	-1,291
Rental income (per cent. of total)	62	19	19	100	54	17	29	100
Net operating income (SEK millions)	985	366	400	1,751	808	344	587	1,739
Surplus ratio (per cent.)	49	61	65	54	49	67	68	57

	As at 31 December 2018				As at 30 September 2019 (unaudited)			
	Sweden	Norway	Denmark	Total	Sweden	Norway	Denmark	Total
Fair value of investment properties (SEK millions)	35,881	15,521	20,927	72,329	38,774	17,433	33,422	89,629
Number of properties	751	82	83	916	763	84	136	983
Number of apartments	27,864	4,398	5,075	37,337	28,151	4,441	8,716	41,308
Number of commercial premises	1,813	99	83	1,995	2,311	106	175	2,592
Parking spaces	14,028	1,287	1,125	16,440	14,153	1,252	1,815	17,220
Apartment area (square metres)	1,694,497	151,523	482,820	2,328,840	1,716,291	154,580	762,316	2,633,187
Commercial area (square metres)	223,044	64,824	11,223	299,091	225,290	62,748	31,976	320,014
Total area (square metres)	1,917,541	216,347	494,043	2,627,931	1,941,581	217,328	794,292	2,953,201
Apartments	88	70	98	89	88	71	96	89
Commercial	12	30	2	11	12	29	4	11
Fair value of investment properties (per cent. of total)	50	21	29	100	43	19	37	100
Apartments (per cent. of total area)	73	6	21	100	65	6	29	100
Commercial (per cent. of total area)	74	22	4	100	70	20	10	100
Area total (per cent. of total)	73	8	19	100	66	7	27	100

### Sweden

The Group continues to expand its property portfolio in Sweden. In the nine months ending 30 September 2019, the Group acquired residential properties in existing locations where it perceived new opportunities.

### *Property stock*

From the unaudited figures as at 30 September 2019, the Swedish portfolio comprised 763 properties with a total lettable area of 1,941,581 square metres. Of the total stock, 88 per cent. consisted of residential premises and 12 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 September 2019, the Group was present in 28 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 September 2019, the Danish portfolio comprised 136 properties with a total lettable area of 794,292 square metres. Of the total stock, 96 per cent. consisted of residential premises and 4 per cent. consisted of commercial premises.

### *Choice of location*

While the Group continued to search for attractive stocks 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 nine months ending 30 September 2019, 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 September 2019, the Norwegian portfolio comprised 84 properties with a total lettable area of 217,328 square metres. Of the total stock, 71 per cent. consists of residential premises and 29 per cent. consisted of commercial premises.

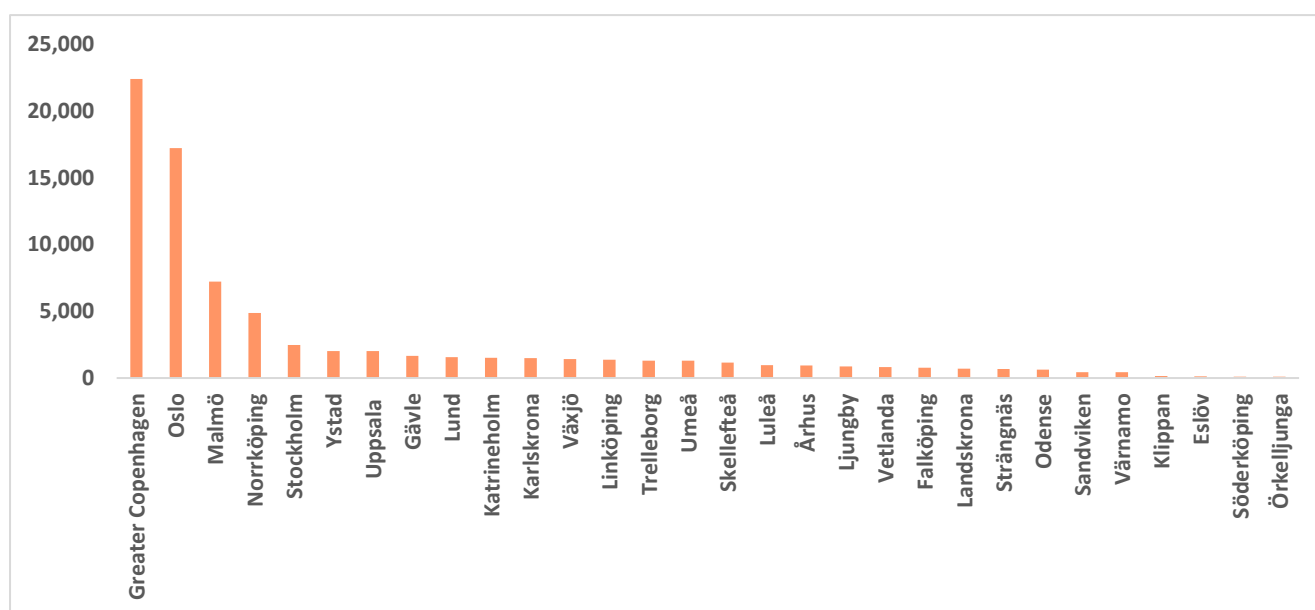
### *Choice of location*

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 Issuer 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.

The chart below shows the unaudited fair value of investment properties distribution across the cities in which the Group holds property as at 30 September 2019.



### Property value (SEK, million)



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

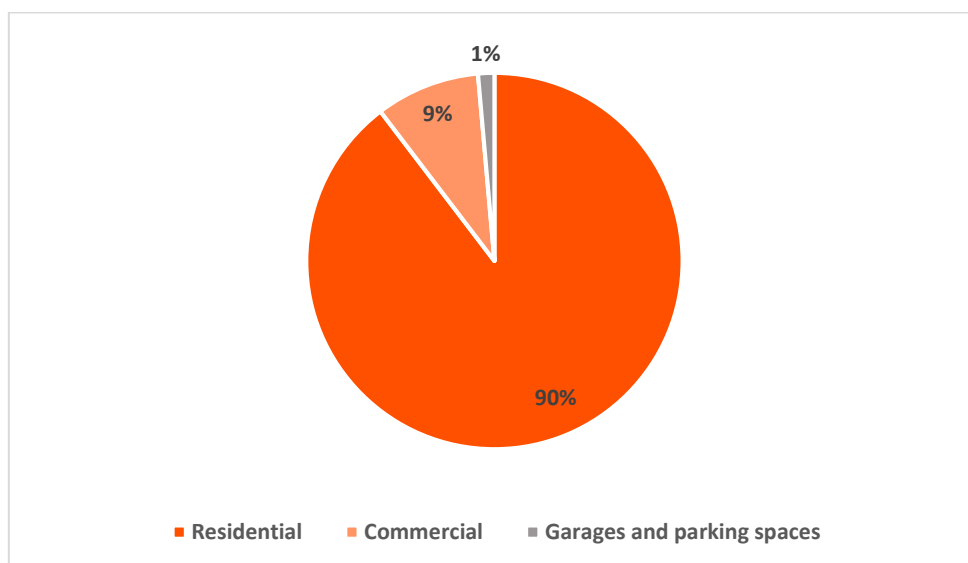
### Rental Income

The table below shows the Group's rental income by property type for the years ending 31 December 2017 and 31 December 2018 and for the nine months ending 30 September 2018 and 30 September 2019. As can be seen in the table and chart below, the Issuer has recently increased its rental income but remains focused on residential premises (according to the unaudited figures as at 30 September 2019, 90 per cent. of the rental income is generated from residential premises).

Rental income	Nine months ending 30 September		Year ending 31 December	
	2019 (unaudited)	2018 (unaudited)	2018	2017
	(SEK millions)			
Residential.....	2,712	2,107	2,969	1,427
Commercial.....	271	161	213	163
Garages and parking spaces.....	42	33	49	30
Other .....	5	2	-	-
<b>Total .....</b>	<b>3,030</b>	<b>2,303</b>	<b>3,231</b>	<b>1,620</b>

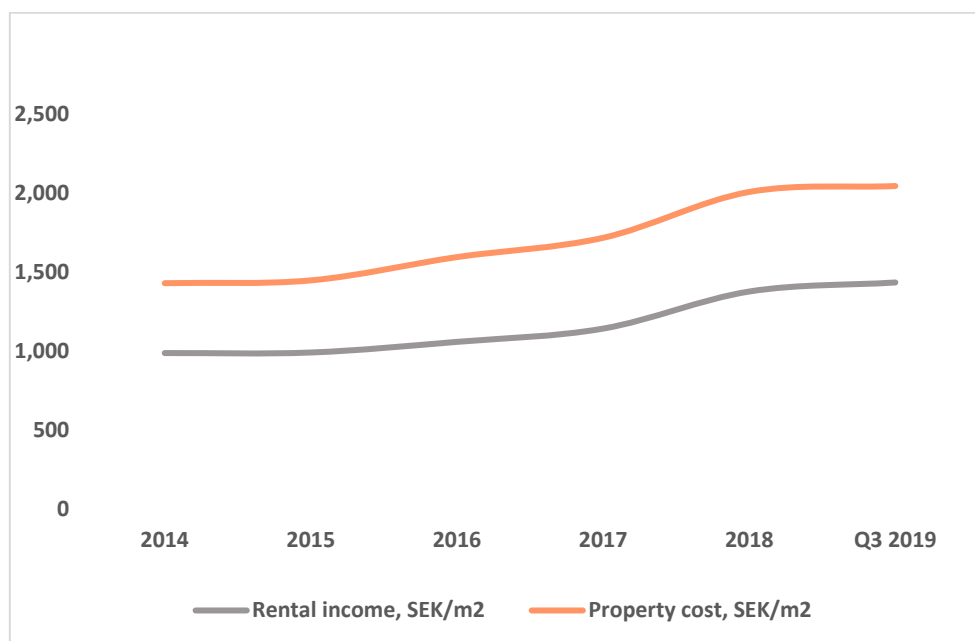
The chart below shows the percentage of the Group's rental income by type of property according to the unaudited figures in the nine months ending 30 September 2019. As can be seen in the chart, the rental income of the Issuer is primarily generated from rental apartments which are let out to private households. The rental income generated by commercial tenants is limited.

### Rental income distribution (nine months ending 30 September 2019, unaudited)



The chart below shows the Group's rental income per square metre and property costs per square metre from the year ending 31 December 2014 to the nine months ending 30 September 2019 (where the figures for the nine months ending 30 September 2018 and 2019 are unaudited).

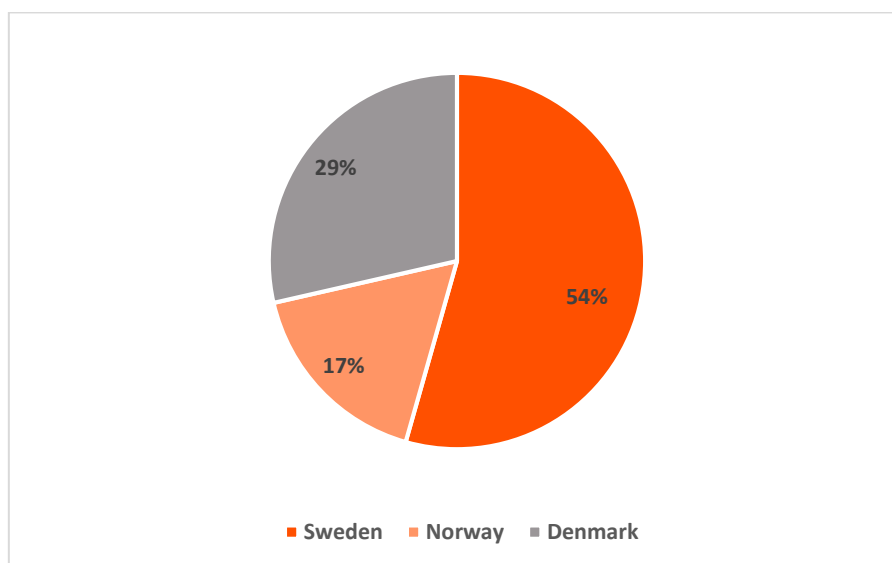
### Rental income per square metre (31 December 2014 – 30 September 2019)



The rental income per square metre has increased over the last two years, primarily due to acquisitions of properties in Copenhagen and Oslo.

The chart below shows the Group's unaudited rental income in Sweden, Denmark and Norway as a percentage of the Group's unaudited total rental income for the nine months ending 30 September 2019. As can be seen in the graph, despite substantial growth of the Issuer's Danish portfolio, Sweden remains its largest market.

### Rental income distribution (nine months ending 30 September 2019, unaudited)



## Operational Data

### 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. The Issuer uses this assessment to evaluate its current operations. Current earning 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 September 2019.

Earning capacity	As at 30 September 2019 (unaudited) (SEK millions)
<b>Current earning capacity</b>	
Rental income .....	4,377
Property costs .....	-1,781
<b>Net operating income .....</b>	<b>2,595</b>
Central administration .....	-155
Other operating income .....	10
Other operating costs .....	-
Profit from participations in associated companies .....	-
<b>Profit before financial items .....</b>	<b>2,450</b>
Financial income .....	-
Financial costs – interest on subordinated shareholder loans .....	-
Financial costs – interest-bearing liabilities .....	-985
<b>Profit from property management .....</b>	<b>1,465</b>
<b>Key data</b>	
Surplus ratio ( <i>per cent.</i> ) .....	59.3
Interest coverage ratio (ICR), multiple .....	2.5

## Operating Costs

The Group's operating costs have increased since 2016 due to substantial acquisitions. The Group's portfolio is highly diversified, ranging from newly built properties with very low operating costs to properties acquired for refurbishment with the potential of reduced operating costs.

The following table sets out the operating costs for the Group's portfolio in the nine months ending 30 September 2018 (unaudited), the nine months ending 30 September 2019 (unaudited) and for the year ending 31 December 2017 and the year ending 31 December 2018.

	Nine months ending 30 September		Year ending 31 December	
	2019	2018	2018	2017
	(unaudited)			
	(SEK millions)			
<b>Operating costs</b>				
Operation .....	719	621	941	479
Maintenance .....	303	174	280	185
Property tax .....	94	58	85	31
Property administration .....	175	145	174	121
Ground rent* .....	-	2	-	-
	<b>1,291</b>	<b>1,002</b>	<b>1,480</b>	<b>816</b>
	(SEK per square metre)			
<b>Operating costs</b>				
Operation .....	340	366	401	338
Maintenance .....	144	34	119	130
Property tax .....	44	86	36	22
Property administration .....	83	86	74	85
Ground rent* .....	-	1	-	-
	<b>611</b>	<b>591</b>	<b>631</b>	<b>575</b>

### Notes:

\* Due to IFRS 16, Ground rent is considered a financial cost from 2019

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

## 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 2018, external valuations were conducted by Newsec and Forum Fastighetsekonomi for Sweden, Colliers International for Denmark, and Eie Eiendomsmegling, Aktiv Eiendomsmegling and Nyverdi AS for Norway.

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.

The tables below shows the shares of regulated/unregulated net operating income and number of units of the total portfolio of the Group as at 30 September 2019 (unaudited). 51 per cent. of the total net operating income is generated from properties included in regulated rental systems.

### **Share of regulated/unregulated net operating income of Group's total portfolio, as at 30 September 2019 (unaudited)**

<b>Rental System</b>	<b>Market</b>	<b>Share of total net operating income</b> (per cent.)
Residential - unregulated.....	Norway and Denmark	49
Residential – regulated.....	Sweden and Denmark	51
<b>Total .....</b>		<b>100</b>

### **Share of regulated/unregulated units of Group's total portfolio, as at 30 September 2019 (unaudited)**

<b>Rental System</b>	<b>Market</b>	<b>Share of total number of units</b> (per cent.)
Residential - unregulated.....	Norway and Denmark	28
Residential – regulated.....	Sweden and Denmark	72
<b>Total .....</b>		<b>100</b>

### *Lease maturities*

The table below shows the value of the Group's leases by date of maturity.

<b>Lease maturities</b>	<b>Number of contracts</b>	<b>Estimated contract value, 2018</b> (SEK millions)	<b>Portion of value</b> (per cent.)
2019 .....	471	51	1
2020 .....	340	65	2
2021 .....	270	68	2
2022 .....	138	35	1
2023- .....	86	86	2

Lease maturities	Number of contracts	Estimated contract value, 2018	Portion of value
<b>Total, premises</b> .....	<b>1,305</b>	<b>305</b>	<b>8</b>
Vacant premises .....	827	30	1
Residential.....	36,683	3,141	89
Garages and parking spaces.....	15,444	57	2
<b>Total</b> .....	<b>54,259</b>	<b>3,533</b>	<b>100</b>

The table below shows the occupancy rates across the Group's property portfolio for the years ending 31 December 2017, 31 December 2018 and the nine months ending 30 September 2018 (unaudited) and 30 September 2019 (unaudited).

Occupancy rates apartments	Nine months ending 30 September		Year ending 31 December	
	2019 (unaudited)	2018 (unaudited)	2018	2017
Sweden.....	98.0	98.4	98.1	99.3
Denmark.....	96.4	94.3	94.1	91.3
Norway.....	97.7	97.3	96.6	95.4
<b>Total</b> .....	<b>97.6</b>	<b>97.8</b>	<b>97.4</b>	<b>98.6</b>

Moreover, by discounting vacant apartments currently under refurbishment, the occupancy rates as at 30 September 2019 would be 99.5 per cent. for Sweden, 98.4 per cent. for Denmark and 99.1 per cent. for Norway, resulting in an average occupancy rate of 99.2 per cent. across the three countries.

### Property Development and Refurbishment

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

#### Denmark

The majority of new build projects in Denmark are based on "turnkey" contracts, where buildings are constructed so that they can be sold to any buyer as a completed product (in contrast to "build to order" projects), hence the Group mitigates construction risk. Payment of the fixed price will be made to the developer on the completion and handover of each project.

The Issuer has in Denmark signed agreements relating to the construction of 1,033 apartments and seven commercial premises which are scheduled to be completed by the end of 2020. The residential apartments are expected to cover an aggregate area of approximately 78,210 square metres, with the commercial premises covering a further 2,045 square metres. Collectively, both commercial and residential premises are expected to have a fair value of approximately SEK 4,442 million, with each square metre being valued at approximately SEK 55,348.

The Group is responsible for and holds the occupancy risk. Heimstaden AB (publ)'s asset management team initiates the letting process 6-9 months before the project is completed.

#### Norway

In Norway, plans to redevelop existing properties mean that approximately 1,700 new apartments are currently in the pipeline (in the period from 2019 to 2027).

#### Sweden

In Sweden, the Group currently plans to refurbish approximately 1,200 apartments per year. With each apartment having an average size of 70 square metres and with calculated refurbishment costs of SEK 6,500 per square metre, the expected annual mean investment amounts to approximately SEK 491.4 million.

Based on negotiations with the Tenant Association, the refurbishment is expected to result in an average rental increase of SEK 350 per square metre, with an average decrease in running costs of SEK 100 per square metre.

Considering the relatively low yields of residential properties (as compared to other property types), an improvement in the operational cash flow would be expected to have a positive gearing effect on the yield, as illustrated below.

The table below shows the Group's refurbishment plans in Sweden over the period from 2019 to 2022.

Preconditions	Number
Total number of apartments relevant for refurbishment .....	>15,000
Yearly number of apartments to be refurbished ( <i>thousands</i> ) .....	1.2
Average size ( <i>square metres</i> ) .....	70
Renovation costs per square metre ( <i>SEK</i> ).....	6,500
Improved cash flow from operations due to refurbishment per square metre ( <i>SEK</i> ).....	400
Average yield ( <i>per cent.</i> ).....	3.7

The table below shows the cost of the Group's refurbishment plans in Sweden and the estimated impact of such plans on the Group's future rental income and operating costs.

	2019	2020	2021	2022
Apartments to be refurbished ( <i>thousands</i> ).....	1.2	1.2	1.2	1.2
Area to be refurbished ( <i>square metres, thousands</i> ) .....	84	84	84	84
Investment ( <i>SEK, millions</i> ).....	-546	-546	-546	-546
Rental income increase ( <i>SEK, millions</i> ) .....	33.6	33.6	33.6	33.6
Operating cost reduction ( <i>SEK, millions</i> ) .....	8.4	8.4	8.4	8.4
<b>Net operating income effect (<i>SEK, millions</i>) .....</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>42</b>
Gross value of investment ( <i>SEK, millions</i> ) .....	1135.1	1135.1	1135.1	1135.1
<b>Accumulated value increase (<i>SEK, millions</i>) .....</b>	<b>1135.1</b>	<b>2270.2</b>	<b>3405.3</b>	<b>4540.4</b>

The Group has signed a framework agreement with Magnolia (a Swedish project coordinator) to construct a total of 13 residential projects between 2019 and 2024. The terms of this framework agreement place a fixed price on each of the residential projects, meaning the Issuer has no cost overrun risk. The total value of the project is SEK 8.8 billion, of which 88 per cent. of the value is residential. A total number of 4,809 apartments is planned to be built, with the average size of each apartment being 44 square metres. The location of the residential projects is primarily in the Stockholm area, with each property being located close to public transportation. The Issuer has the right to withdraw from any project prior to the start of construction by paying a penalty fee of 3 per cent. of the project value. The Issuer will fund the construction of each of the projects based on individual payment plans. The Issuer will be responsible for letting each of the projects out and will subsequently bear risk for occupancy of the apartments.

### Future Acquisitions

The Issuer constantly looks for opportunities for potential acquisitions of residential properties and portfolios that fit with its existing business activities. Such acquisitions may in the future be purchased using a combination of available cash, equity injections from shareholders and future debt financing. The Issuer has entered into letters of intent with Heimstaden AB, its parent company, and Alecta, a shareholder in the Issuer, for the Issuer to acquire from Heimstaden AB and Alecta (as applicable) portfolios in Germany, Norway and Sweden with an aggregate market value of SEK 2,600 million. Negotiations are ongoing and the estimated closing date of the transaction is during December 2019. The Issuer is also considering viable investment opportunities in such countries and may in the future place bids to acquire properties and portfolios that fit with its existing business activities. Such bids are typically competitive in nature and there can be no assurance that the Issuer's bids will be accepted, or that acquisitions will be available at a price that is attractive to the Issuer. Furthermore, any bids or acquisitions are the subject of due diligence and may not be completed on time or at all. In order to continue to grow through acquisitions the Issuer will need to fund its activities through a combination of equity injections and debt raising. The ability of the Issuer to complete any acquisitions will therefore be dependent on the ability to attract and raise additional finance at commercially attractive rates, that maintain compliance with the Issuer's financial covenants.

### Finance and Capital Structure

#### Funding Strategy

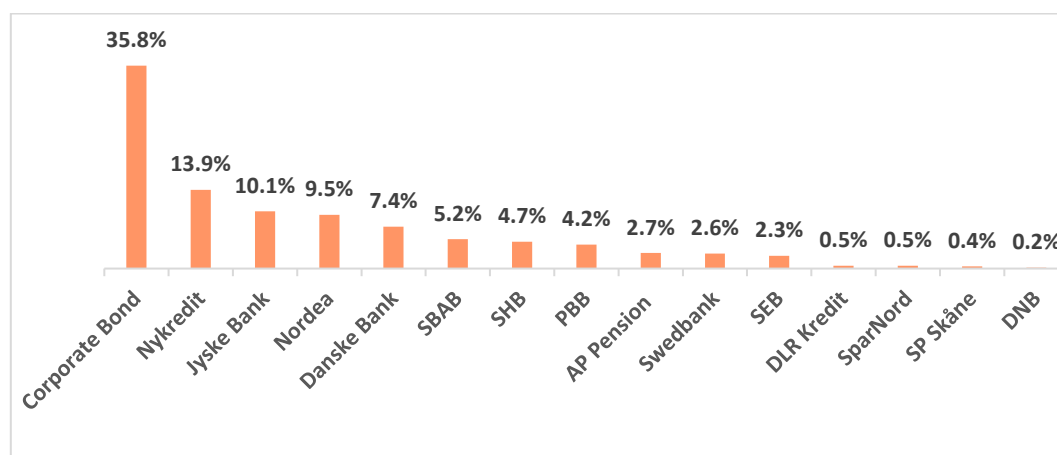
The Issuer pursues capital-intensive operations and access to capital is an essential prerequisite for the development of a successful property business. Operations are funded using a combination of shareholders' equity, interest-bearing liabilities and other liabilities. As at 30 September 2019, the Group had interest-bearing liabilities amounting to SEK 51,326 million (unaudited) (compared with SEK 41,593 million as at

31 December 2018). The external bank financing of SEK 32,951 million is secured entirely by property mortgages, and provided by Nordic commercial institutions, Nordic mortgage banks and one German mortgage bank. In total the interest-bearing debt was divided between 14 financial institutions. Existing financing has been and future financing may be entered into by subsidiaries of the Issuer.

### **Funding**

The chart below shows an overview of the Group's existing lenders as at 30 September 2019.

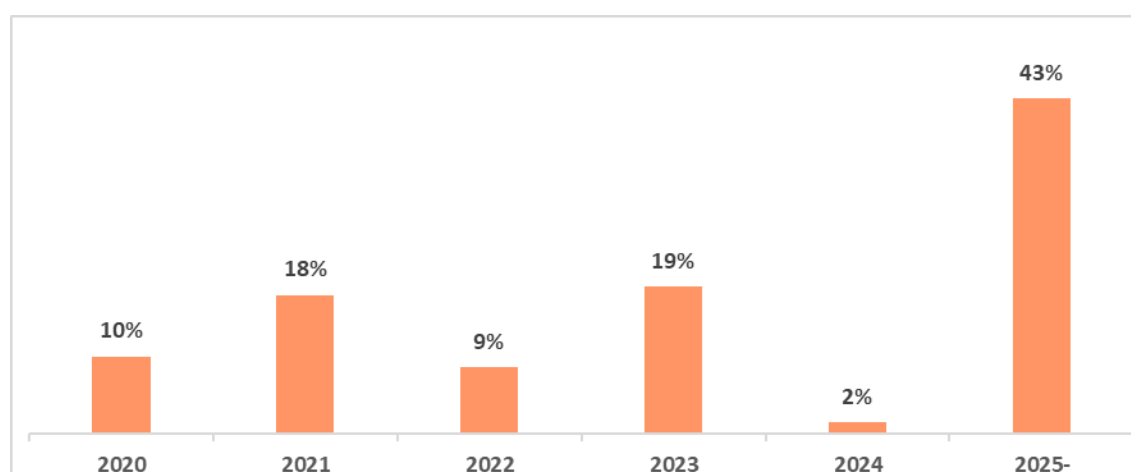
**Funding distribution by lender (as at 30 September 2019, unaudited)**



From the unaudited figures as at 30 September 2019, the average period for fixed interest-bearing loans, adjusted for derivative instruments was 2.4 years (compared to 2.6 years as at 31 December 2018) and the average period during which capital was tied up for the loans was 11.6 years (compared to 8.1 years as at 31 December 2018). From the unaudited figures as at 30 September 2019, the average interest rate was 1.9 per cent. (compared to 1.8 per cent. as at 31 December 2018).

The chart below shows an overview of the Group's loan tenors from the unaudited figures as at 30 September 2019.

**Loan tenors (as at 30 September 2019, 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 September 2019.

Financing source	Credit (SEK, millions)	Secured credit (per cent.)	Unutilised credit (SEK, millions)	Share of total (per cent.)
------------------	---------------------------	-------------------------------	--------------------------------------	-------------------------------



Financing source	Credit	Secured credit	Unutilised credit	Share of total
Corporate bonds .....	18,375	-	-	30
Mortgages .....	20,187	100	-	33
Bank loans.....	12,764	100	8,998	36
<b>Total .....</b>	<b>51,326</b>	<b>64</b>	<b>8,998</b>	<b>100.0</b>

The table below shows the Group's unencumbered assets by country as at 30 September 2019.

Country	Unencumbered Assets (per cent.)
Sweden.....	25.2
Denmark.....	0.6
Norway.....	90.2
<b>Total .....</b>	<b>28.3</b>

## Board of Directors, Management and Auditors

### Board of Directors

Brief biographies of the members of the board of directors of the Issuer, as at the date of these Listing Particulars, are set out below.

#### *Frans Heijbel*

Mr Heijbel is Head of International Real Assets at Alecta where he previously held the role Head of Investment, Real Estate Sweden. Prior to his seven years at Alecta, he held senior roles at Trinova Real Estate LLP, Bank of Ireland REIM and JLL. Mr Heijbel is responsible for Alecta's international real estate and infrastructure investments, with a combined portfolio value of around SEK 50 billion in equity including Heimstaden Bostad AB.

#### *Ramsay Brufer*

Mr Brufer has been the Head of Corporate Governance at Alecta for over 20 years. Mr Brufer is also a board member of several companies in the Swedish real estate and infrastructure sector where Alecta is shareholder.

#### *Magnus Nordholm*

Mr Nordholm is the acting CFO of the Issuer. He is also the CEO and a member of the board of Fredensborg AS. Mr Nordholm has been on the board of Heimstaden AB since 2008. Before that he was Head of Nordic Structured Real Estate Finance at HSH Nordbank AG, Copenhagen branch.

#### *Stefan Attefall*

From 2010 to 2014, Mr Attefall was the minister for Construction and Housing and a Civil minister of the Swedish government. Today, he is an active senior advisor and board member of several companies in the Nordic construction and residential property segment.

The business address of each of the members of the board is Östra Promenaden 7A, SE-211 28 Malmö, Sweden.

#### *Erik Glaesel Gullestad*

Mr Gullestad is director and co-head of the Investment Team in Fredensborg AS. Prior to his five years at Fredensborg, he worked at Arctic Securities and Arkwright.

#### *John Giverholt*

Mr Giverholt has been on the board of Issuer's majority shareholder, Heimstaden AB, since 2018. He was previously CEO at Ferd, Deputy CFO at NorskHydro, Executive VP at DnB, and VP at Orkla ASA amongst others.

#### *Christer Franzén*

Mr Franzén is the Chief Investment Officer at Ericsson Pensionsstiftelse, which has a broad investment portfolio with a capital preservation approach and focus on cash generating investments. Mr Franzén has held his role for more than ten years. He is also a board member of several other real estate companies with Nordic focus.

#### *Senior Management*

The Issuer has entered a group-wide management agreement (the "**Management Agreement**") with Heimstaden AB (publ) and has no direct contracts with senior management or any other personnel. Brief biographies of the Issuer's senior management team (acting under the Management Agreement) as at the date of these Listing Particulars, are set out below.

#### *Patrik Hall*

Mr Hall is registered as the Managing Director of the Issuer. He is also the CEO and a board member of Heimstaden AB (publ). Prior to this, he was a negotiation manager at the Tenant Association.

#### *Magnus Nordholm*

Please refer to "*Board of Directors*" above.

#### *Goran Bengtsson*

Mr Bengtsson has been the Chief Asset Management Officer of the Issuer since 2018. Mr Bengtsson has previously worked at Barings Real Estate Advisors, Aberdeen Asset Management and Ericsson.

#### *Christian Fladeland*

Mr Fladeland is the Chief Investment Officer of the Issuer, having joined in 2019. Mr Fladeland was previously a partner at Colliers International Denmark.

#### *Suzanna Malmgren*

Ms Malmgren is the Chief Human Resources Officer of the Issuer, having joined in 2017. Ms Malmgren was previously a partner at Alumni Harvey Nash Nordic EE and was a Manager at Impact Executives Nordic.

#### *Helge Krogsbol*

Mr Krogsbol has been the Chief Operating Officer of the Issuer since 2018. Mr Krogsbol has previously worked as SVP at Pandox AB, and as GM/RDO at Benelux Thon Hotels. Mr Krogsbol was also a Managing Partner at Room2Room and the VPO/CEO at First Hotels.

#### *Conflicts of Interest*

Other than as set out below, to the Issuer's knowledge, there are no potential conflicts of interest between any duties owed to the Issuer by members of the board or the management of the Issuer and their private interests and/or other duties. Although the Issuer is not currently aware of any potential conflicts of interest, it cannot be excluded that conflicts of interest may come to arise between companies in which members of the board and members of the management have duties, and the Issuer.

As at the date of these Listing Particulars:

- Magnus Nordholm and Patrik Hall are direct shareholders in Heimstaden Bostad AB (publ) (each holding 0.1 per cent. of the share total) and are employed by one of the majority shareholders.
- Frans Heijbel, Ramsay Brufer, Erik Glaesel Gullestad and Christer Franzén are employed by one of the shareholders.
- John Giverholt is a board member of one of the shareholders.

- Stefan Attefall works as a consultant to the majority shareholder.

### ***Auditors***

At the Issuer's annual general meeting, held on 15 May 2019, Ernst & Young AB and Moore Stephens Malmö AB were appointed as the Issuer's auditors and Peter von Knorring from Ernst & Young AB, an authorised auditor, was appointed as the auditor in charge, each to serve until the end of the next annual general meeting.

Peter von Knorring has been the auditor in charge of the Issuer since 2015. Peter von Knorring is member of FAR (*Föreningen Auktoriserade Revisorer*), which is the professional institute for the accountancy sector in Sweden.

Ernst & Young AB's address is Drottninggatan 24, Norrköping 602 24, Sweden. Moore Stephens' address is Stortorget 8, 211 34 Malmö, Sweden

### ***Employees***

The Issuer has no employees as its properties and property-owning companies are instead managed by Heimstaden Förvaltnings AB in Sweden, Heimstaden A/S in Denmark and Heimstaden AS in Norway. Group-wide management is provided by Heimstaden AB.

### **Recent Developments**

#### ***Capital Contribution***

On 30 August 2019, the Issuer received a capital contribution of SEK 3,000 million from its existing owners, following an issue of 30,000 Class B shares with a quota value of SEK 100,000 each. The capital contribution was prorated amongst Heimstaden AB and Alecta to their existing holdings of Class B shares with Heimstaden AB and Alecta being issued 10,500 and 19,500 Class B shares respectively. The Class B shares issued are perpetual and do not contain any repayment structures. The purpose of the capital contribution is to prepare the Issuer for further growth based on solid credit ratios.

#### ***Acquisition of Dutch property portfolio***

On 25 October 2019, the Issuer acquired properties in the Netherlands valued at EUR 1,675 million (SEK 17,917 million as at 25 October 2019) from Heimstaden AB, the Issuer's parent company, for an amount of EUR 722 million (SEK 7,726 million as at 25 October 2019) (subject to adjustment following diligence). The acquisition comprises three property portfolios with a total of 555 properties and 10,447 apartments. The acquisition was carried out as a purchase of Heimstaden AB's Swedish subsidiary Heimstaden Castor AB, which owns the three Dutch property portfolios through its own subsidiaries. The lettable area amounts to approximately 865,419 square metres, of which about 852,859 square metres is residential accommodation and about 12,560 square metres is commercial space.

#### ***Property stock***

From the unaudited figures as at 30 September 2019 provided by Heimstaden AB, the occupancy rate for apartments of the Dutch portfolio was 96.5 per cent. and the fair value of investment properties was SEK 17,650 million as at 30 September 2019. The figures for the portfolio are prepared on a consistent basis to the figures for the Group's total portfolio. All of the assets in the Dutch portfolio were encumbered as at 30 September 2019.

The majority of the portfolio has been held by Heimstaden AB since May 2019 and the first Dutch properties were acquired in October 2018. Post transfer to the Issuer, the Dutch properties will continue to be managed by Heimstaden AB's locally-based property management organisations pursuant to the asset management agreement described in "*Goals and Strategy – Management Strategy – Property management*" above.

#### ***Rental system***

The Dutch residential system is divided into two residential regimes (or sectors):

1. the regulated sector; and
2. the unregulated (liberalised) sector.

The WOZ value and WWS (Dutch: *Woningwaarderingssstelsel*) 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, 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 in the WWS-system.

Details of the share of regulated/unregulated units of the Dutch residential portfolio are set out below and these are broadly in line with the Group's total portfolio.

<b>Rental System</b>	<b>Share of total number of units (per cent.)</b>
Residential - unregulated.....	31
Residential – regulated.....	69
<b>Total</b> .....	<b>100</b>

#### *Choice of location*

The locations of the Dutch portfolio are dispersed across the Netherlands with a small concentration in Rotterdam (with a market value of SEK 1.6 billion as at 30 September 2019).

#### *Lease maturities*

Under Dutch law there are no temporary tenancy agreements for residential units. The basic rental contract is one of unlimited duration. The Issuer's Dutch portfolio contains a limited amount of commercial units (approximately 1 per cent.) which have lease end dates, though most units are residential with a one month termination period.

#### *Valuation mechanism*

All property values reflected in the Group's accounting are based on external valuations by acknowledged global real estate advisory companies such as Newsec, Colliers, CBRE and Cushman & Wakefield. Appraisers CBRE and Cushman & Wakefield are employed for valuation of the Dutch property portfolio. The external valuations are conducted once every quarter, with a full valuation report once a year and quarterly desktop updates thereafter.

The valuation methodology is based on market practice in each respective country where the Group is present. In the Netherlands the valuation is performed using a 10-year cash flow analysis. The cash flow analysis reflects the estimated net operating income for the coming 10 years. Based on the stabilised net operating income in year 10 a terminal value is calculated. The sum of the calculated present values (cash flow and terminal value) represents the estimated market value of the property.

In all countries where the Group is present 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.

#### *Competitors*

The Dutch market consists of approximately 7.7 million homes of which 43 per cent. or 3.4 million are rental homes. The rental segment is dominated by the large social housing associations which together own approximately 70 per cent. of the rental stock. The other 30 per cent. is characterised by diversified ownership and different types of investors such as institutions, property funds, family offices as well as listed and unlisted property companies.

#### *Loan tenors*

The table below shows an overview of the Group's loan tenors from the unaudited figures as at 30 September 2019 on a pro forma basis as if the acquisition of Heimstaden Castor AB had been completed as at 30 September 2019.

<b>Loan tenors</b>	<b>Portion of value</b> (per cent.)
2020 .....	8
2021 .....	16
2022 .....	6
2023 .....	17
2024 .....	19
2025- .....	33

#### *New share issue*

The Issuer's financing of the acquisition of the Dutch property portfolio described above has been carried out as a partial offset issue. On 25 October 2019, the Issuer issued 4,008,665 Class B preference shares (series 2) and 456,604 common shares, valued at around SEK 9,500 million, of which SEK 3,271 million is offset against Heimstaden AB's receivable (subject to adjustment following diligence) of SEK 7,726 million in respect of the Issuer's acquisition of Heimstaden Castor AB. The cash received by the Issuer as a result of the share issue is SEK 6,229 million and resulting in a net capital contribution of SEK 1,774 million (after deducting the cash payable to Heimstaden AB in respect of the acquisition of Heimstaden Castor AB).

As at the date of these Listing Particulars, the Issuer's shareholder structure is as set out in the table below.

<b>Shareholders</b>	<b>Allocation of total shares</b> (per cent.)	<b>Allocation of total votes</b> (per cent.)
Heimstaden AB (publ) (through subsidiary).....	41.76	51.91
Alecta .....	54.25	44.80
Ericsson .....	2.94	2.36
Sandvik .....	1.01	0.81
Patrik Hall .....	0.02	0.06
Magnus Nordholm .....	0.02	0.06

#### *Shareholder agreement and future capital contributions*

Following the execution of a new shareholder agreement amongst the shareholders of the Issuer, the Issuer may now raise capital through issuing additional equity to new investors. The Issuer will consider opportunities for equity capital increases from time to time, in order to fund its investment strategy.

## **PRO FORMA FINANCIAL INFORMATION IN RESPECT OF PORTFOLIO ACQUISITIONS IN THE NETHERLANDS**

As of 25 October 2019, the Issuer has carried out a major property transaction, acquiring a Dutch property portfolio, and a new share issue as described in "- *Recent Developments*" above (the "**Transactions**"). The Transactions will affect the Issuer's future earnings, financial position and cash flows. The pro forma income statement has therefore been created as an illustration of how the result for the period 1 January 2019 to 30 September 2019 could have looked if these transactions were carried out on 1 January 2019 and the pro forma balance sheet and earnings capacity are only intended to describe the hypothetical financial position and earnings capacity as if the Transactions had been completed as of 30 September 2019.

The following pro forma financial information is only intended to describe a hypothetical situation and has been produced for illustrative purposes only and, therefore, does not in any way reflect the Issuer's actual financial position or results. It is not intended to show the financial position or the result for the period if the above events had occurred at the above-mentioned date. It also does not show the financial position or the results of the business at a future point in time.

The pro forma income statement and the pro forma balance sheet have been prepared in a manner consistent with the accounting policies adopted by the Issuer in preparing the Issuer financial statements for the nine months ended 30 September 2019.

## Balance Sheet

As at 30 September 2019	Heimstaden Bostad AB <sup>(1)</sup>	Heimstaden Castor AB <sup>(2)</sup>	New share issue	Pro forma Adjustments		Pro forma
				Acquisition related adjustments	Footnotes	
			(SEK, millions)			
<b>ASSETS</b>						
<b>Non-current assets</b>						
Investment properties .....	89,629	17,650		267	A	107,546
Leases, right-of-use .....	655	0				655
Other long-term receivables.....	180	0				180
<b>Total non-current assets.....</b>	<b>90,464</b>	<b>17,650</b>		<b>267</b>		<b>108,381</b>
<b>Current assets</b>						
Development properties and tenant-owned apartments in progress .....	756	0				756
Other receivables .....	913	27				940
Cash and cash equivalents .....	2,381	297	6,229	-4,455	B	4,452
<b>Total current assets .....</b>	<b>4,050</b>	<b>323</b>	<b>6,229</b>	<b>-4,455</b>		<b>6,147</b>
<b>TOTAL ASSETS .....</b>	<b>94,514</b>	<b>17,973</b>	<b>6,229</b>	<b>-4,188</b>		<b>114,528</b>
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY .....</b>	<b>38,776</b>	<b>7,332</b>	<b>9,500</b>	<b>-7,223</b>	A, C, E	<b>48,385</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Long-term interest-bearing liabilities.....	50,641	10,141	-3,271	3,271	B	60,781
Non-current liability, financial leasing .....	655	0				655
Financial derivative instruments .....	127	148				275
Deferred tax liability .....	2,096	291		-236	A, D	2,151
<b>Total non-current liabilities .....</b>	<b>53,519</b>	<b>10,579</b>	<b>-3,271</b>	<b>3,035</b>		<b>63,862</b>
<b>Current liabilities</b>						
Current interest-bearing liabilities .....	685	0				685
Other short-term liabilities.....	1,534	62				1,596
<b>Total current liabilities .....</b>	<b>2,219</b>	<b>62</b>				<b>2,281</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>	<b>94,514</b>	<b>17,973</b>	<b>6,229</b>	<b>-4,188</b>		<b>114,528</b>

### Notes:

<sup>(1)</sup> The financial information in respect of Heimstaden Bostad AB is sourced from its unaudited reviewed consolidated financial statements for Heimstaden Bostad AB in respect of the nine months ended 30 September 2019, incorporated by reference into these Listing Particulars.

<sup>(2)</sup> The financial information in respect of Heimstaden Castor AB is sourced from its management accounts in respect of the nine months ended 30 September 2019.

### Adjustments (each with a continuing impact on the Issuer):

A. Market value in the acquisition agreement results in an increase in value of investment properties of SEK 267 million and deferred tax is increased by SEK 55 million and equity is increased by SEK 213 million.

- B. The acquisition is paid from existing cash which results in liquid funds being reduced by SEK 4,455 million where the amount comprises the purchase price SEK 7,726 million offset by SEK 3,271 million. Long-term interest-bearing liabilities are simultaneously offset by SEK 3,271 million.
- C. Shareholder's equity in the acquired companies is eliminated, totaling SEK 7,332 million.
- D. The reported deferred tax liability, which relates to unrealised change in value of investment properties, is decreased by SEK 291 million to reflect the acquisition.
- E. Equity is decreased by SEK 104 million, which corresponds to the difference between the higher purchase price (subject to adjustment following diligence) of SEK 7,726 million and the reported value of equity and deferred tax as of 30 September 2019 of SEK 7,622 million



## Income Statement

Nine months ending 30 September 2019	Heimstaden Bostad AB <sup>(1)</sup>	Heimstaden Castor AB <sup>(2)</sup>	Pro forma Adjustments		Pro forma*
			Acquisition related adjustments (SEK, millions)	Footnotes	
Rental income.....	3,030	681			3,711
Property costs .....	-1,291	-309			-1,601
<b>Net operating income.....</b>	<b>1,739</b>	<b>372</b>			<b>2,111</b>
Central administration .....	-127	0			-127
Other operating income .....	10	0			10
Other operating expenses.....	-11	0			-11
<b>Profit before financial items.....</b>	<b>1,611</b>	<b>372</b>			<b>1,982</b>
Financial income .....	10	0			10
Financial costs - interest bearing liabilities.....	-727	-255			-983
Financial costs - interest bearing subordinated shareholder loans.....	0	0			0
Financial costs - right-of-use assets .....	0	0			0
Other financial income/costs.....	-155	0			-155
<b>Profit from property management .....</b>	<b>738</b>	<b>117</b>			<b>855</b>
Value change, properties .....	3,324	1,392	267	A	4,984
Changes in value interest rate derivatives .....	-284	-146			-430
<b>Profit before tax .....</b>	<b>3,778</b>	<b>1,363</b>	<b>267</b>		<b>5,408</b>
Current tax .....	-136	-43			-179
Deferred tax.....	-737	-255	-55	A	-1,047
<b>Profit for the period.....</b>	<b>2,904</b>	<b>1,065</b>	<b>213</b>		<b>4,182</b>
Other comprehensive income .....	1,074	0			1,074
<b>Comprehensive income for the period .....</b>	<b>3,978</b>	<b>1,065</b>	<b>213</b>		<b>5,256</b>

### Notes:

- <sup>(1)</sup> The financial information in respect of Heimstaden Bostad AB is sourced from its unaudited reviewed consolidated financial statements for Heimstaden Bostad AB in respect of the nine months ended 30 September 2019, incorporated by reference into these Listing Particulars.
- <sup>(2)</sup> The financial information in respect of Heimstaden Castor AB is sourced from its management accounts in respect of the nine months ended 30 September 2019 apart from (i) in respect of the Vermeer portfolio (which constituted SEK 623 million of rental income for the period), which was acquired by Heimstaden Castor AB on 1 May 2019 and for the period from 1 January 2019 to 30 April 2019 the financial information was sourced from Patrizia AG, the seller of the portfolio and (ii) in respect of the Coral portfolio (which constituted SEK 48 million of rental income for the period), which was acquired by Heimstaden Castor AB on 3 July 2019 and for the period from 1 January 2019 to 2 July 2019 the financial information has been extrapolated by straight line interpolation from the financial information for the period from 1 July 2019 to 30 September 2019.

### Adjustments (without a continuing impact on the Issuer):

A. Market value in the acquisition agreement results in an increase in value of investment properties of SEK 267 million and deferred tax is increased by SEK 55 million.

## Key Performance Indicators

In order to describe the financial effects of the Transactions, the selected key performance indicators (as further described in "- Alternative Performance Measures" below) are presented below based on the above pro forma income statement and pro forma balance sheet as at 30 September 2019.

Key Performance Indicators	Nine months ending 30 September 2019	
	Actual (unaudited)	Pro forma (unaudited)
Interest coverage ratio ( <i>multiple</i> ) <sup>1) 2)</sup> .....	2.0	1.9
Loan-to-value ratio ( <i>per cent.</i> ) <sup>1)</sup> .....	51.8%	49.8%
Equity/assets ratio ( <i>per cent.</i> ) <sup>1)</sup> .....	41.0%	42.2%

<sup>1)</sup> Shareholder loans are classified as equity in calculation of key data

<sup>2)</sup> This is calculated for the nine-month period rather than the twelve month rolling basis used elsewhere in these Listing Particulars

## Derivation of key data considered alternative according to the ESMA guidelines

	As at 30 September 2019	
	Actual	Pro forma
	(unaudited)	
	(SEK, millions unless stated)	
<b>Interest coverage ratio (ICR) (multiple)</b>		
Profit from property management .....	738	855
Reversal:		
Financial costs – Interest-bearing liabilities .....	727	983
Financial costs – Interest-bearing subordinated shareholder loans .....	0	0
Profit from property management plus financial costs .....	1,466	1,837
<b>Interest coverage ratio (ICR) (multiple) .....</b>	<b>2.0</b>	<b>1.9</b>
<b>Equity/assets ratio (per cent.)</b>		
Equity .....	38,776	48,385
Interest-bearing subordinated shareholder loans .....	0	0
Equity including interest-bearing shareholder loans .....	38,776	48,385
Total assets .....	94,514	114,528
<b>Equity/assets ratio (per cent.) .....</b>	<b>41.0</b>	<b>42.2</b>
<b>Net liabilities</b>		
Interest-bearing liabilities .....	51,326	61,466
Cash and bank balances .....	-2,381	-4,452
<b>Net liabilities .....</b>	<b>48,944</b>	<b>57,015</b>
<b>Loan-to-value ratio (LTV) (per cent.)</b>		
Net liabilities .....	48,944	57,015
Total assets .....	94,514	114,528
<b>Loan-to-value ratio (LTV) (per cent.) .....</b>	<b>51.8</b>	<b>49.8</b>

## Earnings Capacity (unaudited and unreviewed)

The pro forma annual earning capacity for the Issuer as of 30 September 2019 and taking account of the Transactions is presented below.

It is important to note that pro forma earning capacity should not be equated with a forecast for the current year or the next twelve months. For example, pro forma earning capacity does not include an assessment of future rents, vacancies and market interest rates. In pro forma earning capacity, changes in value of properties and financial instruments, which affect the Issuer's income statement, have not been taken into account either.

The pro forma earning capacity is based on the earning capacity set out above in "- *Earnings Capacity*" as of 30 September 2019. This earning capacity is based on the properties that were owned as of 30 September 2019 and their associated financing and is based on the property portfolio, as of 30 September 2019, contracted rental income, and current property and administrative costs. Costs for the interest-bearing liabilities have been based on the Group's average interest rate level on the closing date, including the effect of derivative instruments.

In the pro forma earning capacity, historical data for the Transactions have been added to the earning capacity set out above in "- *Earnings Capacity*" as of 30 September 2019. The historical information has been adjusted with the expected development of the Issuer's operations following the Transactions given the Issuer's current management model, agreed capital structure at the time of acquisition and owner-specific internal transactions. Pro forma earnings capacity has not been adjusted with the current market interest expense for the issue of the Capital Securities.

Earning capacity	As at 30 September 2019 (unaudited)	
	Actual	Pro forma
	(SEK millions)	
<b>Current earning capacity</b>		
Rental income .....	4,377	5,215
Property costs .....	-1,781	-2,081
<b>Net operating income .....</b>	<b>2,595</b>	<b>3,134</b>
Central administration .....	-155	-175
Other operating income .....	10	10
Other operating costs .....	0	0
Profit from participations in associated companies .....	0	0
<b>Profit before financial items .....</b>	<b>2,450</b>	<b>2,969</b>
Financial income .....	0	0
Financial costs – interest on subordinated shareholder loans .....	0	0
Financial costs – interest-bearing liabilities .....	-985	-1,178
<b>Profit from property management .....</b>	<b>1,465</b>	<b>1,791</b>
<b>Key data</b>		
Surplus ratio ( <i>per cent.</i> ) .....	59.3	60.1
Interest coverage ratio ( <i>multiple</i> ) <sup>1)</sup> .....	2.5	2.5

<sup>1)</sup> Shareholder loans are classified as equity in calculation of key data

## SELECTED FINANCIAL INFORMATION

### Consolidated Statement of Comprehensive Income

	Nine months ending 30 September		Year ending 31 December	
	2019	2018	2018	2017
	<i>(unaudited)</i>			
	<i>(SEK millions)</i>			
Rental income .....	3,030	2,303	3,231	1,620
Property costs .....	-1,291	-1,002	-1,480	-816
<b>Net operating income .....</b>	<b>1,739</b>	<b>1,301</b>	<b>1,751</b>	<b>805</b>
Central administration costs .....	-127	-105	-140	-111
Other operating income .....	10	8	14	23
Other operating costs .....	-11	-3	-14	-10
<b>Profit before financial items .....</b>	<b>1,611</b>	<b>1,201</b>	<b>1,611</b>	<b>706</b>
Financial income .....	10	14	26	4
Financial costs - interest-bearing liabilities .....	-727	-469	-698	-229
Financial costs - interest-bearing subordinated shareholder loans .....	-	-	-	-138
Other financial income/costs .....	-155	-95	203	-
Financial costs, right-of-use assets .....	-	-	-	-
<b>Profit from property management .....</b>	<b>738</b>	<b>652</b>	<b>1,142</b>	<b>344</b>
Value change, properties .....	3,324	1,977	2,562	1,776
Change in value of interest rate derivatives .....	-284	30	11	4
<b>Profit before tax .....</b>	<b>3,778</b>	<b>2,659</b>	<b>3,715</b>	<b>2,123</b>
Current tax .....	-136	-83	-135	-35
Deferred tax .....	-737	-253	-557	-511
<b>Profit for the period .....</b>	<b>2,904</b>	<b>2,322</b>	<b>3,023</b>	<b>1,577</b>
Other comprehensive income .....	1,074	430	-442	29
<b>Comprehensive income for the period .....</b>	<b>3,978</b>	<b>2,752</b>	<b>2,581</b>	<b>1,606</b>

All profit is attributable to the Issuer's shareholders.

## Consolidated Statement of Financial Position

	As at 30 September		As at 31 December	
	2019	2018	2018	2017
	(unaudited)			
	(SEK millions)			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties .....	89,629	68,530	72,329	43,689
Leases, right-of-use .....	655	-	-	-
Financial derivative instruments.....	-	-	18	-
Other financial non-current assets .....	180	165	150	211
<b>Total non-current assets .....</b>	<b>90,463</b>	<b>68,695</b>	<b>72,497</b>	<b>43,899</b>
<b>Current assets</b>				
Development properties and tenant-owned apartments in progress .....	756	827	680	-
Accounts receivable .....	18	10	17	9
Other current receivables.....	592	580	575	122
Prepaid costs and accrued income .....	303	123	201	34
Cash and cash equivalents.....	2,381	1,894	2,313	763
<b>Total current assets .....</b>	<b>4,050</b>	<b>3,432</b>	<b>3,786</b>	<b>928</b>
<b>TOTAL ASSETS .....</b>	<b>94,514</b>	<b>72,127</b>	<b>76,283</b>	<b>44,827</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to Parent Company shareholders</b>				
Share capital .....	26	26	26	19
Other capital contributions .....	30,355	26,653	26,653	15,246
Retained earnings including profit for the year .....	8,395	5,415	5,246	2,801
<b>Total equity .....</b>	<b>38,776</b>	<b>32,094</b>	<b>31,925</b>	<b>18,066</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Long-term interest-bearing covered liabilities.....	32,266	35,227	26,079	21,798
Long-term interest-bearing non-covered liabilities.....	18,375	-	14,558	-
Non-current liability, financial leasing .....	655	-	-	-
Financial derivative instruments.....	127	0	-	31
Deferred tax liability .....	2,096	1,050	1,356	1,025
<b>Total non-current liabilities .....</b>	<b>53,519</b>	<b>36,277</b>	<b>41,993</b>	<b>22,854</b>
<b>CURRENT LIABILITIES</b>				
Current interest-bearing liabilities .....	685	2,589	957	3,030
Current liabilities, Group companies .....	-117	0	206	87
Accounts payable .....	355	280	293	89
Current tax liabilities.....	145	140	119	129
Other current liabilities.....	702	445	415	323
Accrued costs and prepaid income .....	449	303	375	249
<b>Total current liabilities .....</b>	<b>2,219</b>	<b>3,756</b>	<b>2,365</b>	<b>3,908</b>
<b>TOTAL EQUITY AND LIABILITIES .....</b>	<b>94,514</b>	<b>72,127</b>	<b>76,283</b>	<b>44,827</b>

## Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows	Nine months ending 30 September		Year ending 31 December	
	2019 (unaudited)	2018 (unaudited)	2018 (SEK millions)	2017
<b>Operating activities</b>				
Profit before tax .....	3,778	2,659	3,715	2,123
Adjustments for non-cash items .....				
– Change in value of investment properties.....	-3,324	-1,977	-2,562	-1,776
– Change in value of derivative instruments.....	284	-30	-11	-4
– Other non-cash items.....	99	95	-126	-
Tax paid .....	-124	-72	-149	-17
<b>Cash flow from operating activities before changes in working capital .....</b>	<b>713</b>	<b>674</b>	<b>867</b>	<b>326</b>
<b>Change in working capital</b>				
Change in development properties and tenant-owned apartments in progress .....	-	-883	-883	-
Change in current receivables .....	-76	-166	300	-87
Change in current liabilities.....	55	176	112	93
<b>Cash flow from operating activities .....</b>	<b>693</b>	<b>-199</b>	<b>396</b>	<b>333</b>
<b>Investing activities</b>				
Property acquisitions.....	-5,592	-21,771	-13,994	-12,465
Investments in properties.....	-1,845	-164	-1,265	-316
Acquisitions of other non-current assets.....	-	-460	-158	-
Deposits paid for acquisitions .....	-144	-	-547	-
Property sales .....	3	13	13	285
Change in financial assets .....	-128	210	210	-210
<b>Cash flow from investing activities .....</b>	<b>-7,706</b>	<b>-22,172</b>	<b>-15,741</b>	<b>-12,705</b>
<b>Financing activities</b>				
New share issue.....	3,702	11,414	11,414	8,612
Dividend, preference shares .....	-829	-138	-138	-550
Change in interest-bearing liabilities.....	4,176	12,284	5,738	4802
Redemption of interest rate derivatives .....	-	-98	-135	-
<b>Cash flow from financing activities.....</b>	<b>7,049</b>	<b>23,462</b>	<b>16,879</b>	<b>12,863</b>
Cash flow for the year/period.....	36	1,091	1,535	491
Cash and cash equivalents at the beginning of the year/period.....	2,313	763	763	270
Currency effect in cash and cash equivalents .....	33	39	15	2
<b>Cash and cash equivalents at the end of the year/period .....</b>	<b>2,381</b>	<b>1,894</b>	<b>2,313</b>	<b>763</b>
<b>Disclosures on interest rates</b>				
Interest paid amounts to .....	N/A	N/A	553	355
Interest received amounts to .....	N/A	N/A	26	4

## Consolidated Changes in Equity

	Share capital	Other capital contributions	Retained earnings	Total equity
	(SEK millions)			
<b>Equity, 31 December 2017 .....</b>	<b>19</b>	<b>15,426</b>	<b>2,801</b>	<b>18,066</b>
New share issue.....	6	2,848	-	2,854
New share issue, Pref B.....	1	8,559	-	8,560
Dividend.....	-	-	-138	-138
Change in taxation.....	-	-	2	2
Profit for the year .....	-	-	3,023	3,023
Other comprehensive income .....	-	-	-442	-442
<b>Equity, 31 December 2018 .....</b>	<b>26</b>	<b>26,653</b>	<b>5,246</b>	<b>31,925</b>
Dividend.....	-	-	-829	-829
New share issue, Pref B.....	-	3,702	-	3,702
Profit for the period.....	-	-	2,904	2,904
Other comprehensive income .....	-	-	1,074	1,074
<b>Equity, 30 September 2019 (unaudited) .....</b>	<b>26</b>	<b>30,355</b>	<b>8,395</b>	<b>38,776</b>

## **Selected Key Performance Indicators**

### **Alternative Performance Measures**

The Issuer applies the European Securities and Markets Authority ("**ESMA**") Guidelines on the Alternative Performance Measures (issued on 5 October 2015) (the "**ESMA guidelines**"). The Issuer presents certain financial measures that are not defined in accordance with International Financial Reporting Standards as adopted in the EU ("**IFRS**"). The Issuer 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 these Listing Particulars.

\*) 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 the Issuer considers to be relevant for assessing the Issuer'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 liabilities against total assets.

#### ***Net liabilities (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 including shareholder loans (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.

#### ***Equity/assets ratio excluding shareholder loans (per cent.)\* †***

Equity as a percentage of total assets. This key performance indicator shows 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.

***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.

***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.

***Letting ratio, residential properties (number) (per cent.)***

Leased residential properties divided by total number of residential properties.

***Profit from property management (SEK millions)***

Profit excluding changes in value and tax. Profit from property management is a key performance measure that the Issuer 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.

***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 the Issuer as at year end 2017 and 2018 and as at 30 September 2018 (unaudited) and 30 September 2019 (unaudited).

## Key Performance Indicators

Key Performance Indicators	Nine months ending 30 September		Year ending 31 December	
	2019 (unaudited)	2018 (unaudited)	2018	2017
<b>Property-related key data</b>				
Lettable time-weighted area ( <i>square metres, thousands</i> ).....	2,112	1,696	2,345	1,418
Rental income per square metre ( <i>SEK</i> ).....			1,378	1,143
Operating costs per square metre ( <i>SEK</i> ).....	611	591	-631	-575
Operating costs excluding administration and property tax per square metre ( <i>SEK</i> ).....	484	471	-560	-468
Surplus ratio ( <i>per cent.</i> ).....	57.4	56.5	54.2	49.7
Letting ratio ( <i>per cent.</i> ).....	97.6	97.8	97.4	98.6
Profit from property management ( <i>SEK millions</i> ).....	738	652	1,142	344
Proportion living area on balance sheet date ( <i>per cent.</i> ).....	89.2	88.5	88.6	89
<b>Financial key data</b>				
Cash flow from operating activities before changes in working capital ( <i>SEK millions</i> ).....	713	674	867	326
Interest coverage ratio (ICR), multiple <sup>1)</sup> .....	2.1	2.6	2.6	3.1
Loan-to-value ratio ( <i>per cent.</i> ) <sup>1)</sup> .....	51.8	49.8	51.5	53.7
Equity/assets ratio ( <i>per cent.</i> ) <sup>1)</sup> .....	41.0	44.5	41.9	40.3
Average interest as per balance day ( <i>per cent.</i> ).....	1.9	1.8	1.8	1.7
Average period of fixed-interest on loans by derivative, year.....	2.4	1.0	2.6	1.4
Average period for which capital is tied up, year.....	11.6	7.6	8.1	7.3
Net asset value on the balance sheet date ( <i>SEK millions</i> ).....	40,872	33,144	33,281	19,090
Long-term asset value (EPRA NAV) on the balance sheet date ( <i>SEK millions</i> ).....	40,999	33,144	33,281	19,122
DEBT / EBITDA, (rolling 12m).....	17	21	21	23
Profit before financial items ( <i>SEK millions</i> ).....	1,611	1,201	1,611	706
Net financial items ( <i>SEK millions</i> ).....	-872	-550	-470	-363
<b>Data per share</b>				
Profit per ordinary share ( <i>SEK</i> ).....	1,313	979	795	817
Equity per ordinary share ( <i>SEK</i> ).....	5,738	4,560	4,881	3,419
Equity per preference share A ( <i>SEK</i> ).....	1,377,725	1,006,269	1,365,663	318,444
Equity per preference share B ( <i>SEK</i> ).....	102,746	102,845	103,452	100,989
Preference capital, share A ( <i>SEK millions</i> ).....	10	10	127	32
Preference capital share B ( <i>SEK millions</i> ).....	24,038	20,336	21,038	11,892
Number of ordinary shares outstanding at the end of the period.....	2,249,449	2,429,449	2,429,449	1,796,144
Average number of ordinary shares.....	2,249,449	2,127,504	2,204,519	1,796,144
Number of preference shares B outstanding at the end of the period.....	240,378	203,360	203,360	117,760
Number of preference shares A outstanding at the end of the period.....	100	100	100	100

### Notes:

<sup>1)</sup> Shareholder loans are classified as equity in calculation of key data

Financial Guidelines	Issuer's Internal Guideline	As at 30 September		As at 31 December	
		2019	2018	2018	2017
		(unaudited)	(unaudited)		
Interest coverage ratio .....	≥ 1.5	2.1	2.6	2.6	3.1
Equity/assets ratio ( <i>per cent.</i> ) .....	≥ 30	41	44	42	40
Capital tied up in months .....	≥ 15	140	91	97	87
Loan maturity in an individual year ( <i>per cent.</i> ) .....	≤ 40	21 (year, 2022)	27 (year, 2021)	28 (year, 2020)	33 (year, 2022)
Limitation of individual lenders ( <i>per cent.</i> ) .....	≤ 40	14	18	15	15
Fixed interest rate years .....	Separate strategy	2.4	1.0	2.6	1.4
Interest rate hedge ( <i>per cent.</i> ) .....	≥ 75 <sup>1)</sup>	57	30	55	35.3
Loan-to-value ratio ( <i>per cent.</i> ) <sup>3)</sup> ...	45-55 <sup>2)</sup>	52	52	54	55
Quick ratio	≥ 125 <sup>4)</sup>	223	-	159	-

**Notes:**

- <sup>1)</sup> ≥50 per cent. implemented from 31 December 2018 and on 25 October 2019 the Issuer implemented a target of ≥75 per cent.  
<sup>2)</sup> the target of 45-55 had been implemented by the Issuer from 1 October 2019  
<sup>3)</sup> the loan-to-value ratio has historically been calculated by dividing net debt by total assets but from 1 October 2019 will be calculated by dividing net debt by capitalisation (net debt plus equity). For the nine months ended 30 September 2019 the loan-to-value ratio would have been 55.8 using the net debt (SEK 48,944 million) divided by capitalisation (net debt plus equity (SEK 48,944 million plus SEK 38,776 million))  
<sup>4)</sup> ≥ 125 per cent. implemented from 31 December 2018

The table above sets out the financial guidelines that are relevant to the Issuer, as contained in internal guidelines and financial agreements with third parties.

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**

**Derivation of key data considered alternative according to the ESMA guidelines**

	As at 30 September		As at 31 December	
	2019	2018	2018	2017
	(unaudited)			
	(SEK, millions unless stated)			
<b>Letting ratio, residential properties (<i>per cent.</i>)</b>				
Number of available/vacant homes as per the balance sheet day ..	972	805	985	388
Number of leased homes as per the balance sheet date .....	40,336	35,081	36,352	27,963
Total number of homes as per balance sheet date .....	41,308	35,886	37,337	28,351
<b>Letting ratio, residential properties (<i>per cent.</i>) .....</b>	<b>97.6</b>	<b>97.8</b>	<b>97.4</b>	<b>98.6</b>
<b>Proportion living area on balance sheet date (<i>per cent.</i>)</b>				
Living area as per balance sheet date ( <i>square metres</i> ) .....	2,633,187	2,215,523	2,328,840	1,703,042
Premises area as per balance sheet date ( <i>square metres</i> ) .....	320,014	288,384	299,091	210,582
Total area as per balance sheet date ( <i>square metres</i> ) .....	2,953,201	2,503,907	2,627,931	1,913,624
<b>Proportion living area on balance sheet date (<i>per cent.</i>) .....</b>	<b>89.2</b>	<b>88.5</b>	<b>88.6</b>	<b>89.0</b>
<b>Interest coverage ratio (ICR) (<i>multiple</i>)</b>				
Profit from property management .....	1,086	906	1,142	344
Reversal:				
Financial costs – Interest-bearing liabilities .....	957	570	698	229
Financial costs – Interest-bearing subordinated shareholder loans	-	-	-	138
Profit from property management plus financial costs .....	2,043	1,476	1,840	711
<b>Interest coverage ratio (ICR) (<i>multiple</i>) .....</b>	<b>2.1</b>	<b>2.6</b>	<b>2.6</b>	<b>3.1</b>
<b>Equity/assets ratio (<i>per cent.</i>)</b>				
Equity .....	38,776	32,094	31,925	18,066
Interest-bearing subordinated shareholder loans .....	-	-	-	-
Equity including interest-bearing shareholder loans .....	38,776	32,094	31,925	18,066
Total assets .....	94,514	72,127	76,283	44,827
<b>Equity/assets ratio (<i>per cent.</i>) .....</b>	<b>41.0</b>	<b>44.5</b>	<b>41.9</b>	<b>40.3</b>
<b>Net liabilities</b>				
Interest-bearing liabilities .....	51,326	37,815	41,593	24,828
Cash and bank balances .....	-2,381	-1,894	-2,313	-763
<b>Net liabilities .....</b>	<b>48,944</b>	<b>35,922</b>	<b>39,279</b>	<b>24,065</b>

**Derivation of key data considered alternative according to the ESMA guidelines**

	As at 30 September		As at 31 December	
	2019	2018	2018	2017
<b>Loan-to-value ratio (LTV) (per cent.)</b>				
Net liabilities (SEK millions).....	48,944	35,922	39,279	24,065
Total assets.....	94,514	72,127	76,283	44,827
Loan-to-value ratio (LTV) (per cent.).....	51.8	49.8	51.5	53.7
<b>Net asset value on the balance sheet date (SEK thousands)</b>				
Equity.....	38,776	32,094	31,925	18,066
Deferred tax liability.....	2,096	1,050	1,356	1,025
Net asset value on the balance sheet date (SEK thousands).....	<b>40,872</b>	<b>33,144</b>	<b>33,281</b>	<b>19,091</b>
<b>Long-term asset value (EPRA NAV) on the balance sheet date (SEK thousands)</b>				
Net asset value (SEK millions).....	40,872	33,144	33,281	19,091
Interest rate derivatives.....	127	0.45	-	31
Long-term asset value (EPRA NAV) on the balance sheet date (SEK thousands).....	<b>40,999</b>	<b>33,144</b>	<b>33,281</b>	<b>19,122</b>
<b>Equity per preference share (SEK)</b>				
Preferential rights of the preference shares A upon liquidation of the company.....	100	100	100,000	100,000
Remaining entitlement to dividends preference share A.....	127,773	90,627	1,268,663	218,444
Equity per preference share A (SEK).....	<b>1,377,725</b>	<b>1,006,269</b>	<b>1,368,663</b>	<b>318,444</b>
Preferential rights of preference shares B upon liquidation of the company.....	100	100	100,000	100,000
Remaining entitlement to dividends preference share B.....	660,083	578,559	3,452	989
Equity per preference share B (SEK).....	<b>102,746</b>	<b>102,845</b>	<b>103,452</b>	<b>100,989</b>
Number of preference shares A.....	100	100	100	100
Equity per preference share A (SEK).....	<b>1,377,725</b>	<b>1,006,269</b>	<b>1,268,663</b>	<b>318,444</b>
Preference capital share A, (SEK millions).....	10	10	127	32
Number of preference shares B.....	240,38	203.36	203,360	117,760
Equity per preference share B (SEK).....	102,746	102,845	103,452	100,989
Preference capital share B, (SEK millions).....	24,038	20,336	21,038	11,892
Equity excluding preference capital (SEK millions).....	37,296	30,985	10,760	6,141
Outstanding number of ordinary shares.....	2,429,449	2,429,449	2,429,449	1,796,144
Equity per ordinary share, (SEK).....	5,738	4,560	4,881	3,419
<b>Profit per ordinary share (SEK)</b>				
Comprehensive income for the year attributable to holders of preference shares:				
Comprehensive income for the year, (SEK millions).....	3,978	2,752	2,581	1,606
– Remaining entitlement to dividends, preference shares.....	-532	-488	-829	-138
Parent Company's preference shareholders, (SEK millions).....	-3,191	-2,081	1,752	1,467
Average number of ordinary shares.....	2,429,449	2,127,504	2,204,519	1,796,144
Profit per ordinary share (SEK).....	<b>1,313</b>	<b>979</b>	<b>795</b>	<b>817</b>
<b>Debt</b>				
Time weighted interest-bearing liabilities.....	34,517,808	31,284,461	33,703,542	18,882,962
<b>EBITDA</b>				
Profit before financial items (last 12 months).....	2,021,262	1,457,956	1,611,444	706,383
Depreciation (last 12 months).....	-	-	-	-
EBITDA (last 12 months).....	2,021,262	1,457,956	1,611,444	706,383
<b>Debt/EBITDA (multiple)</b>				
Debt.....	34,517,808	31,284,461	35,960,428	18,882,962
EBITDA.....	2,021,262	1,457,956	1,611,444	706,383
Debt/EBITDA.....	17	21	21	23

## MARKET OVERVIEW

### Property Market Overview

#### *General overview*

Population growth, urbanisation, growing real income and strong economic development are driving the demand for residential apartments in the Nordic region. At the same time, there is an under-supply of residential apartments. The economies of the Nordic countries continued to develop positively in 2018, with significant contributions from both private consumption, exports and investments. Growth was relatively even between the countries. GDP growth slowed slightly to 2.4 per cent. in Sweden, while the number for Denmark and Norway was slightly lower at 1.4 per cent. (*Source: World Bank*). All of the Nordic economies continued to be affected by low interest rates, high employment, rising real income and higher demand from a strong international economy. In addition, the Swedish and Norwegian export industries derived further advantage from their relatively weak currencies.

In recent years, growth in private consumption has benefited from low interest rates, rising asset values and increased employment. Several years of extremely expansive monetary policy in all three economies has led to increased risks of imbalances. Measures have been discussed, despite existing regulation, on how to curb debt (in Norway and Sweden in particular).

#### *Sweden*

In Sweden there presently appears to be a political consensus around the rental control system and the importance of rental apartments being available for all income groups. The "utility value" (*Bruksvärdesystemet*) regime has been the guiding norm for rent setting for over half a decade. Since 2011, rents are set following negotiations between parties representing the tenants and the landlord. Where an agreement cannot be reached, tenants can challenge the level of rent at the rent tribunal. In determining claims, the rent tribunal will use the "utility value" as a guiding principle, together with rents negotiated in comparable properties. Negotiated rent rises above inflation generally require improvements in standard of the apartment. This regulation has helped keep rents low in Sweden and resulted in supply-demand imbalances, not least in growing cities.

According to Boverket, around 100,000 apartments were constructed between 2016 and 2017, evenly split between tenant-owned apartments and rental apartments. Whilst it is estimated that 67,000 homes need to be built each year until 2025, the current forecast is that only 51,000 homes will be built in 2019. In a report from 2018, Boverket estimated a need for 93,000 apartments to be constructed per year before 2020, implying a risk of a shortage of residential apartments, although indicating that construction rates may rise. In recent years, there has been local over-production of tenant-owned apartments in the luxury sector. Meanwhile, metropolitan cities have experienced population growth, largely consisting of households who struggle to afford relatively expensive accommodation. The demand for rental apartments is however, intact and has increased in certain places in Sweden. The continued strong supply of capital has further had a positive effect, and the Issuer does not presently foresee any negative impact on demand for tenant apartments in the areas where it operates.

The Swedish Central Bank noted on 5 September 2019 that economic activity in Sweden has entered a calmer phase, but inflation is close to the target of 2 per cent. The explanation given is that resource utilisation remains higher than normal, which has helped to push up inflation. If the economy develops as expected, there will soon be scope to slowly reduce the support from monetary policy. The forecast for the interest rate indicates that it will start to be raised at either the end of 2019 or the beginning of 2020 (Riksbanken.se press release dated 5 September 2019).

#### *Norway*

Norway has historically promoted private ownership of apartments and put structures in place to enable private financing. The most important financial measures are basic loans, start-up loans, housing grants and housing allowances targeting, for example, loans for upgrading homes, new construction or subsidised loans for households or individuals lacking equity. In addition, there are also subsidised savings accounts targeted at the younger population. As of 7 May 2019, 77 per cent. of Norwegian households own their homes whilst 23 per cent. rent (Statistics Norway (SSB) update, 7 May 2019). The number of rental apartments in Norway is limited and the supply of rental apartments in Norway is, to a large extent, provided

by private individuals, although there are also privately-owned property companies. To a lesser extent, housing is provided by non-profit organisations, municipalities or social housing programmes.

At the beginning of 2017, new mortgage rules were introduced requiring a 40 per cent. equity contribution from buyers acquiring a second apartment in Oslo. Additionally, a debt ratio (5x loan-to-gross income) was introduced to limit banks' lending. The stricter terms have, in combination with high supply, led to falling prices on the residential market, especially in Oslo where prices were sensitive following a sharp increase in 2016. Nevertheless, the prices regained strength in 2018.

On 20 June 2019, the Norwegian Central Bank noted the continued upturn in the Norwegian economy. Spare capacity is gradually diminishing, capacity utilisation appears to be above a normal level and underlying inflation is slightly higher than the 2 per cent. inflation target. Hence, further gradual interest rate increase during 2019 is likely.

### **Denmark**

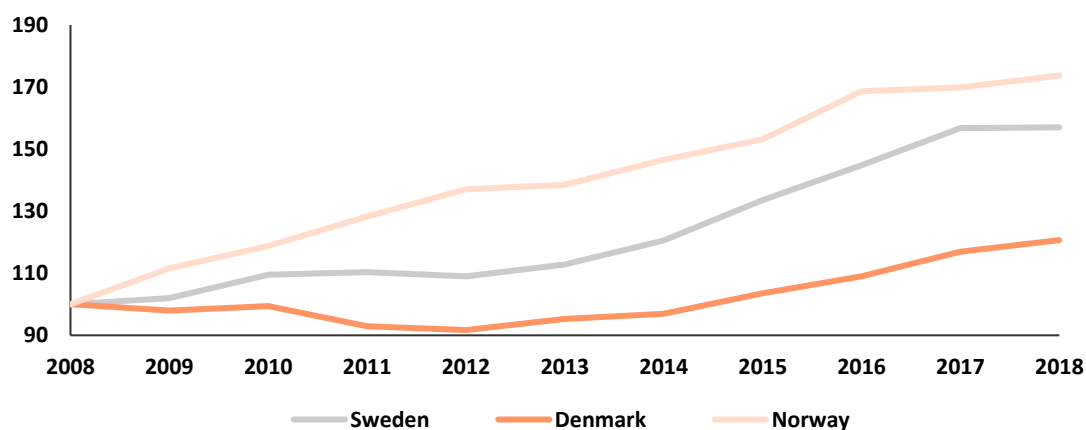
The rent setting system in Denmark is fragmented and varies depending on the type of apartment and the year of construction. For newly constructed or converted buildings rent levels are decided by the market and then adjusted by inflation. Additionally, there is a cost-based system where operating costs are partly transferred to tenants by the landlords, plus a calculated yield. For apartments where significant improvements in standard have been made, rents can be set according to a "utility value system", where comparable rents are used and then adjusted yearly for inflation.

During 2017, market activity was high and there was a strong demand for residential apartments in Denmark, driven by low interest rates and increased employment rates. In many cities, prices approached or, in some instances, surpassed the levels before the price fall in 2007-2009 (Realkreditaadet property value index). Urbanisation and high birth rates are contributing to population growth in metropolitan areas. Although construction has picked up, mainly in Copenhagen and its surroundings, the Danish Construction Association estimates a need for 20,000 new apartments every year until 2025 (Report Economic Forecast of the Construction Sector, March 2018). Over the medium term, it is estimated that the remaining area for residential development will be reduced by 1.1 million square metres. The pricing trend, in combination with healthy household income growth, has facilitated access to bank lending.

According to the Danish Central Bank, average growth in real GDP in 2019 is forecast at 1.9 per cent., with slightly lower levels expected over the next two years. Labour market pressures are mounting, and wage growth has accelerated a little. Furthermore, they note that the economy is well prepared for economic expansion, but suggest that the Danish government prepares for preventive fiscal tightening if there are signs of overheating.

### **Nordic housing prices real indexed**

The graph below shows the fluctuation in housing prices across Scandinavia, baselined against the housing prices in January 2008.

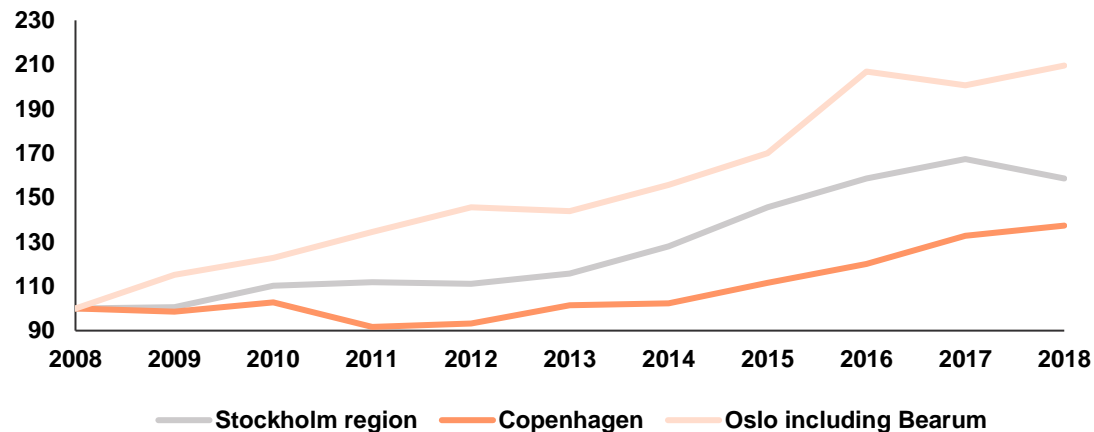


Sources: Statistics Sweden, Statistics Denmark, Statistics Norway

As the graph above demonstrates, housing prices in Norway and Sweden have risen at similar rates between January 2008 and January 2018. Danish housing declined from January 2008 to January 2012 and has increased since.

### Nordic housing prices in major cities

Accounting for inflation, the graph below shows the fluctuation in housing prices across major Scandinavian cities, baselined against the housing prices in January 2008.

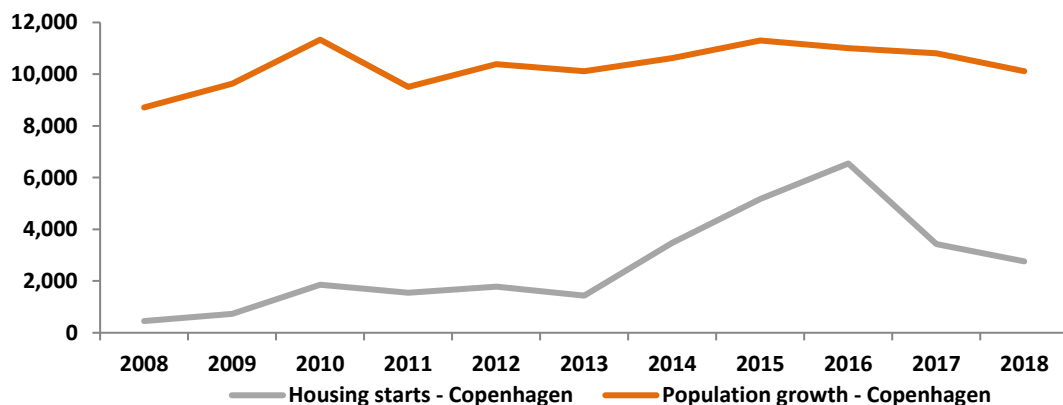


Sources: Statistics Sweden, Statistics Denmark, Statistics Norway

As the graph above demonstrates, housing prices in Oslo and Stockholm have risen in tandem with one another since January 2008, while the housing prices in Copenhagen declined between January 2008 and January 2011 before increasing in line with rising housing prices in Denmark, Sweden and Norway as a whole.

### Accumulated surplus in Denmark – Copenhagen region

The graph below compares population growth in the Copenhagen region as against the number of housing starts from 2008 to 2018.

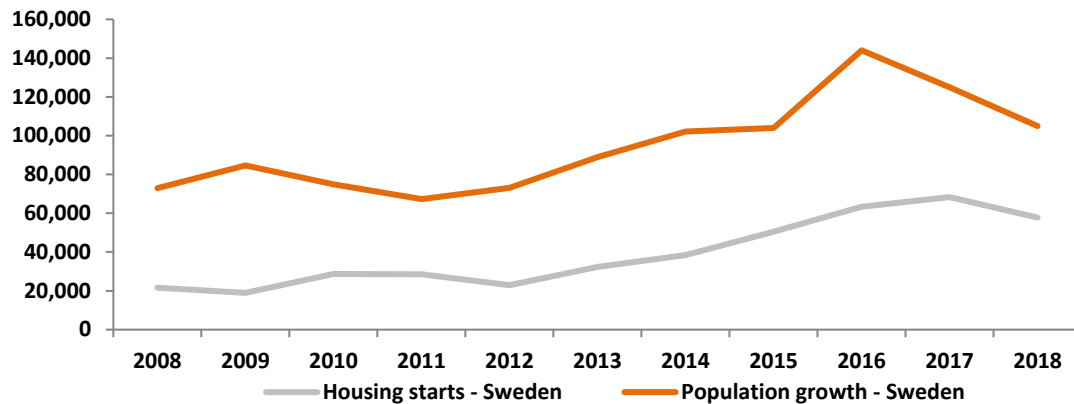


Source: Statistics Denmark

As shown in the graph above, population growth was relatively stable from 2008 to 2018, while the number of housing starts has fluctuated over time, at levels well below the population growth. The size of population growth outstripped the number of housing starts by approximately four times between 2008 and 2018.

### Accumulated surplus in Sweden

The graph below compares the population growth in Sweden as against the number of housing starts from 2008 to 2018.

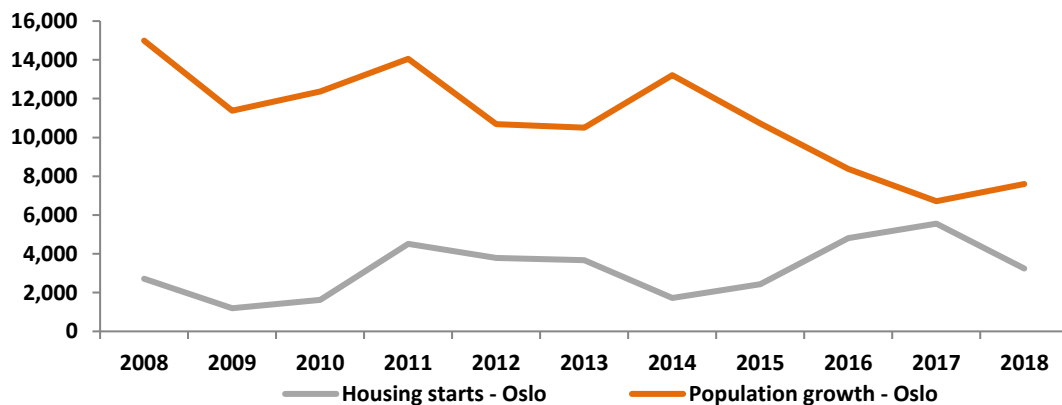


Source: Statistics Sweden

As shown in the graph above, population growth increased steadily between 2008 to 2015, with the number of housing starts showing a similar trend. The size of population growth outstripped the number of housing starts by approximately two times between 2008 and 2018.

### Accumulated surplus in Norway – Oslo

The graph below compares population growth in the Oslo region as against the number of housing starts from 2008 to 2018.



Source: Statistics Norway

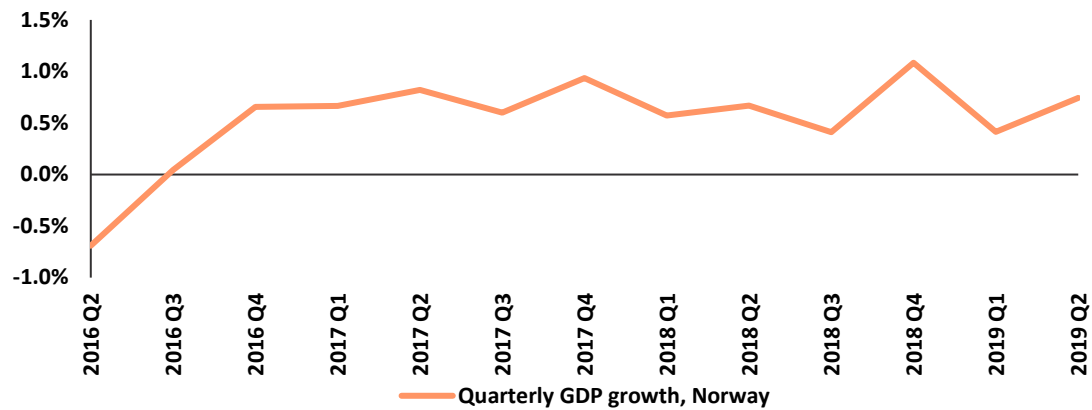
As shown in the graph above, population growth in Oslo has declined in magnitude. However, the number of housing starts are approximately three times less than the population growth between 2008 and 2018. In 2018 the number of housing starts in Oslo declined while population growth showed a slight increase.

### GDP Growth Rates

#### Norway GDP growth rate

The graph below shows the quarterly GDP growth rate for Norway from the second quarter of 2016 to the second quarter 2019.



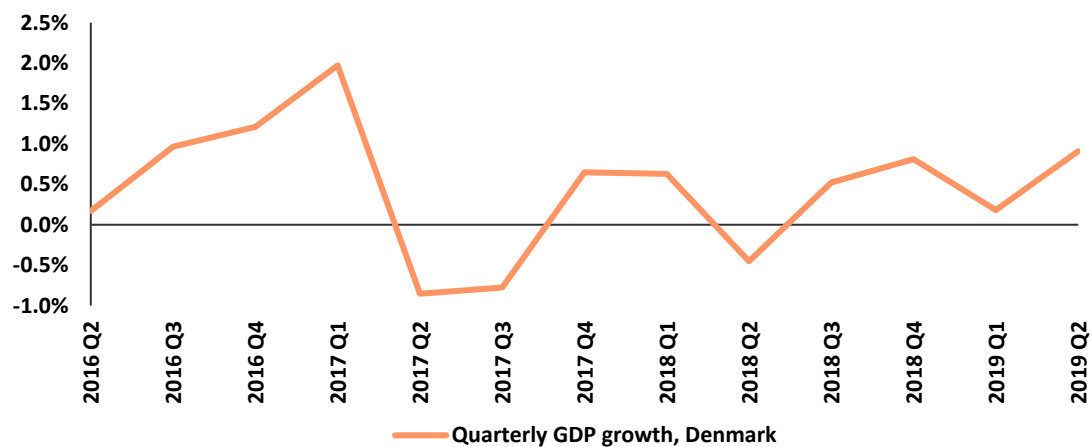


Source: Statistics Norway

As shown in the graph above, Norway's GDP experienced negative growth in the second quarter of 2016. Since then, however, positive growth has been sustained albeit at fluctuating rates.

### Denmark GDP growth rate

The graph below shows the quarterly GDP growth rate for Denmark from the second quarter of 2016 to the second quarter of 2019.

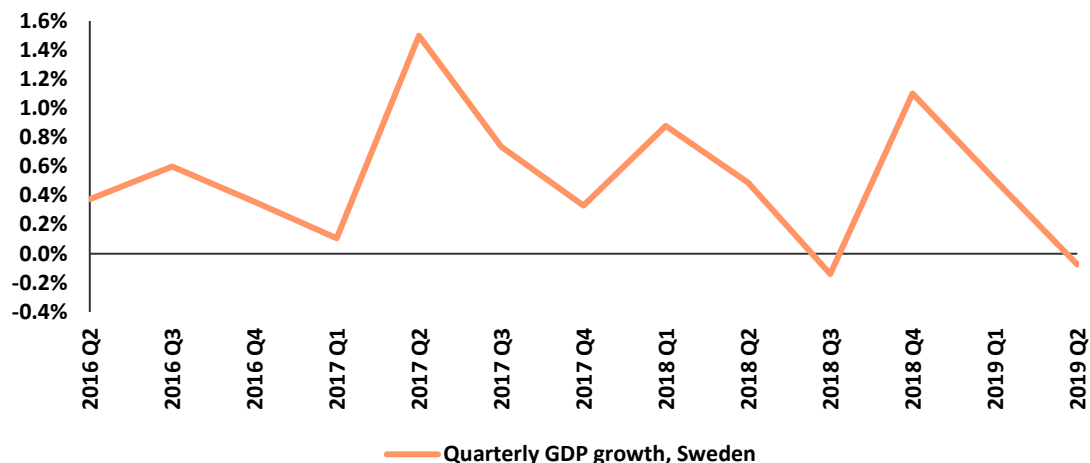


Source: Statistics Denmark

As shown in the graph above, Danish GDP growth rates fluctuated between the second quarter of 2016 and the second quarter of 2019, with periods of negative growth experienced in the second and third quarter of 2017 and again in the second quarter of 2018. Positive GDP growth was sustained in the interim (between the last quarter of 2017 and the first quarter of 2018) and again from the third quarter of 2018 onwards.

### Sweden GDP growth rate

The graph below shows the quarterly GDP growth rate for Sweden from the second quarter of 2016 to the second quarter of 2019.



Source: Statistics Sweden

As shown in the graph above, Sweden's GDP consistently grew between the second quarter of 2016 and the second quarter of 2018. GDP growth rates surpassed the 1.0 per cent. mark in both the second quarter of 2017 and the fourth quarter of 2018 (where GDP growth was at 1.5 per cent. and 1.1 per cent., respectively). The growth rate during the period fluctuated but stayed positive except for two periods (the third quarter of 2018 and the second quarter of 2019).

### The Netherlands

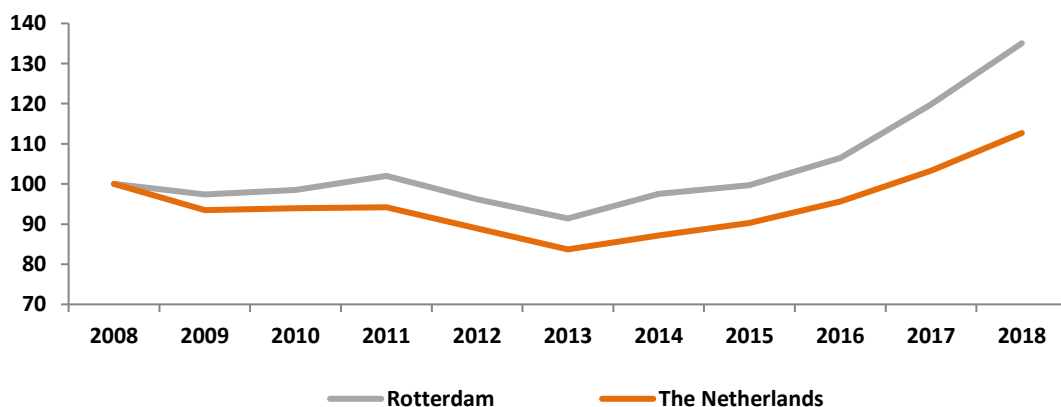
The demand for residential real estate in the Netherlands is driven by a growing number of households while supply suffers from limited construction. As a result, demand continues to outpace new construction, maintaining a critical housing shortage. With high replacement costs, the housing shortage is expected to remain for the next couple of decades.

The attractive fundamentals, both from a macro perspective but also residential market specific, has increased the attractiveness of residential investments. This is reflected in the investment volumes and in 2018 EUR 8.5 billion was invested in the residential sector, an increase from EUR 5.2 billion in 2017.

According to the European Commission, the GDP growth for 2019 will be 1.6 per cent., with a slight decline to 1.5 per cent. for 2020, year-on-year. Investment is projected to increase due to a strong first half of 2019, but lower growth momentum, global uncertainty and lower export growth are expected to lead to lower growth compared to the 2018 number of 2.6 per cent. (Source: European Commission).

### Housing prices real indexed in the Netherlands

The graph below shows the fluctuation in housing prices in the Netherlands, baselined against the housing prices in January 2008.

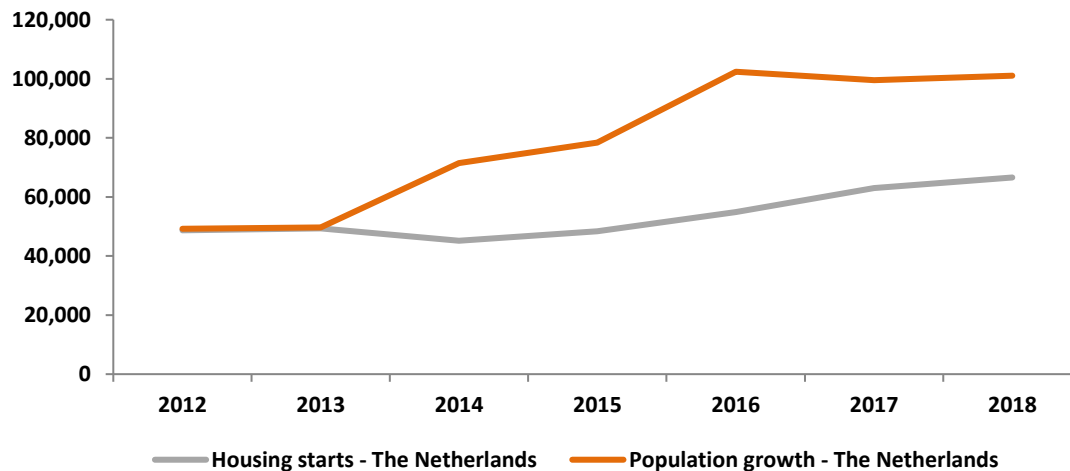


Source: Statistics Netherlands

As shown in the graph, housing prices in the Netherlands declined in the period between 2008 and 2013, before increasing. This pattern is similar to that of housing prices in Sweden during the same period. Housing prices in Rotterdam did not decrease as much as those in the rest of the country and exhibited a sharper increase after 2013 than housing prices in the Netherlands as a whole did.

#### ***Accumulated surplus in the Netherlands***

The graph below compares population growth in the Netherlands as against the number of housing starts from 2012 to 2018.

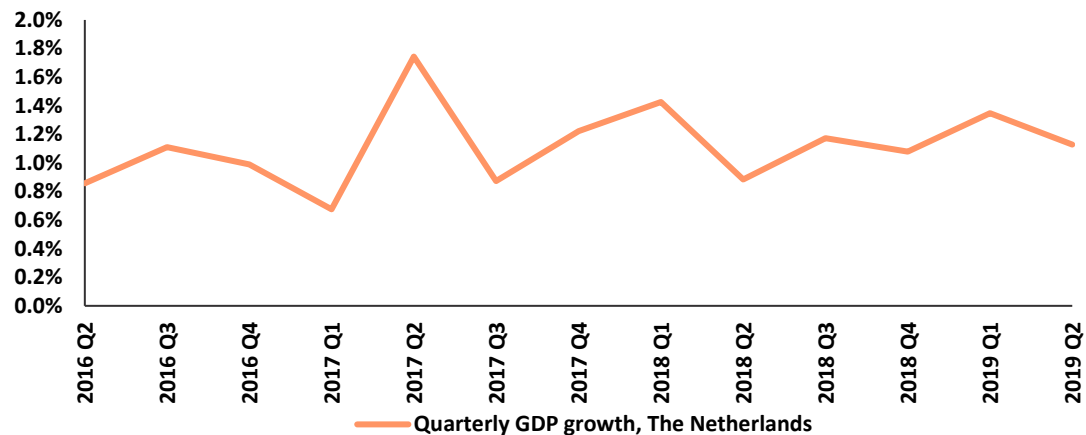


Source: Statistics Netherlands

As the graph shows, the Netherlands has had a sharp increase in population growth in the years between 2012 and 2018. The number of housing starts are also increasing but at a slower pace. The size of the population outstripped the number of housing starts by approximately 1.5 times between 2012 and 2018.

#### ***The Netherlands GDP growth rate***

The graph below shows the quarterly GDP growth rate for the Netherlands from the second quarter of 2016 to the second quarter of 2019.



Source: Statistics Netherlands

As shown in the graph above, the quarterly GDP growth in the Netherlands has had a relatively stable development between 2016 and 2019 and has constantly been positive.

## **TAXATION**

### **Certain Swedish tax considerations**

The following is a general description of certain Swedish tax consequences relating to the acquisition, ownership and disposal of Capital Securities (i.e. perpetual securities in respect of which there is no fixed redemption date). The summary is based on Swedish tax legislation currently in effect and is only intended to provide general information. Consequently, the summary is not exhaustive and does not address all potential aspects of Swedish taxation that may be relevant for a prospective purchaser of Capital Securities and the summary is neither intended nor should be construed as legal or tax advice. The summary does for example not cover (i) Capital Securities held as current assets in a business operation, (ii) Capital Securities held via a capital insurance policy (*Sw. kapitalförsäkring*), (iii) Capital Securities held on an investment savings account (*Sw. investeringssparkonto*), or (iv) taxation of foreign exchange gains and losses in connection with an investment in the Capital Securities. Special tax rules apply to certain categories of taxpayers, such as investment companies and insurance companies. These rules are not described in this summary.

Also, the summary does not cover the rules on reporting obligations for, among others, payers of interest.

Since the tax treatment of each Holder depends on the Holder's particular circumstances, each prospective purchaser of Capital Securities should consult a tax adviser regarding the specific tax consequences that may arise in the individual case, including the applicability and effect of foreign tax rules and tax treaties.

### ***Withholding of tax***

There is no Swedish withholding tax at source (*Sw. källskatt*) applicable on payments made by the Issuer in respect of the Capital Securities.

Swedish preliminary tax may be withheld at a rate of 30 per cent. in relation to payments of amounts on the Capital Securities that are considered as interest for Swedish tax purposes to resident Holders that are individuals (or estates of deceased individuals). Otherwise, no Swedish preliminary tax should be withheld in relation to payments on the Capital Securities.

### ***Resident Holders of Capital Securities***

As used herein, a resident Holder means a Holder of Capital Securities who is (a) an individual who is a resident in Sweden for tax purposes, or (b) a limited liability company organised under the laws of Sweden or which is otherwise resident in Sweden for tax purposes.

### ***Individuals resident in Sweden***

#### ***Income from capital category***

For individuals and estates of deceased Swedish individuals capital gains, interest payments, dividends and other income derived from the holding of an asset should be reported as income from capital category.

#### ***Capital gains and losses***

Individuals and estates of deceased Swedish individuals, who sell or redeem their Capital Securities, are subject to capital gains taxation. The current tax rate is 30 per cent. of the gain. The capital gain or loss is equal to the difference between the sales proceeds after deduction of sales costs and the acquisition cost of the securities. The acquisition cost is calculated according to the so-called average method. This means that the costs of acquiring all securities of the same type and class are added together and calculated collectively, with respect to changes to the holding.

As a main rule, 70 per cent. of a capital loss is deductible against any other taxable income derived from capital. Capital losses on listed securities qualifying as Swedish receivables (i.e. denominated in SEK) are however fully deductible in the capital income category. Moreover, under EU law also capital losses on listed receivables denominated in foreign currency are fully deductible.

If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax reduction allowed amounts to 30

per cent. of any deficit not exceeding SEK 100,000 and 21 per cent. of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

#### *Interest*

For individuals and estates of deceased Swedish individuals interest as well as other income derived from the holding of an asset is subject to tax at a rate of 30 per cent. The tax liability arises when the interest (or other income) is actually paid, in accordance with the so-called cash method.

#### *Gift, Inheritance and Wealth taxes*

There is no gift, inheritance or wealth tax in Sweden.

#### *Stamp duty*

There is no stamp duty on the issuing, transfer or redemption of the Capital Securities in Sweden.

#### *Companies resident in Sweden*

Limited liability companies and other legal entities, except for estates of deceased Swedish individuals, are taxed on all income (including income from the sale of Capital Securities) as income from business activities at a flat rate of 21.4 per cent. as from 1 January 2019 (reduced to 20.6 per cent. as of 1 January 2021). Regarding the calculation of a capital gain or loss and the acquisition cost, see "*Individuals resident in Sweden*" above. However, interest income as well as other income derived from the holding of an asset is taxed on an accrual basis.

Capital losses on Capital Securities regarded as receivables and 'other assets' are fully deductible against any other taxable income from business activities. Capital losses that are not deducted against taxable income within a certain year may normally be carried forward and offset against taxable income the following fiscal year without any limitation in time.

As mentioned above, there is no stamp duty on the issuing, transfer or redemption of Capital Securities in Sweden.

#### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it shall not participate.

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Capital Securities (including secondary market transactions) in certain circumstances. The issuance and subscription of Capital Securities should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Capital Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, established in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EEA member states may decide to participate and certain of the participating Member States may decide to withdraw.

Prospective holders of the Capital Securities are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Danske Bank A/S, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and Nordea Bank Abp (together, the "**Joint Bookrunners**") have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 15 November 2019, jointly and severally agreed to subscribe or procure subscribers for the Capital Securities at the issue price of 100.00 per cent. of the principal amount of Capital Securities. The Issuer has agreed to pay the Joint Bookrunners a combined management and underwriting commission, will reimburse the Joint Bookrunners in respect of certain of their expenses, and has also agreed to indemnify the Joint Bookrunners against certain liabilities, incurred in connection with the issue of the Capital Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Capital Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Capital Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Joint Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Capital Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Capital Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Capital Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Capital Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### Prohibition of sales to EEA Retail

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Capital Securities to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
- (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### United Kingdom

Each Joint Bookrunner has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Capital Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Capital Securities in, from or otherwise involving the United Kingdom.

## The Kingdom of Sweden

These Listing Particulars do not constitute a "prospectus" for the purpose of the Prospectus Regulation and have not been approved by the Swedish Financial Supervisory Authority (*Sw. Finansinspektionen*). Each Joint Bookrunner agrees that it will not market or offer the Capital Securities in Sweden in circumstances that are deemed to be an offer to the public in Sweden which would require that a prospectus is approved by the Swedish Financial Supervisory Authority.

## Singapore

Each Joint Bookrunner has acknowledged that these Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold any Capital Securities or caused the Capital Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Capital Securities or cause the Capital Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, these Listing Particulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Capital Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Capital Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Capital Securities pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## Republic of Italy

The offering of the Capital Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Capital Securities may be offered, sold or delivered, nor may copies of the Listing Particulars or of any other document relating to the Capital Securities be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Capital Securities or distribution of copies of these Listing Particulars or any other document relating to the Capital Securities in the Republic of Italy under (a) or (b) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

### **General**

No action has been taken by the Issuer or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Capital Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Capital Securities or distribute or publish any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Capital Securities by it will be made on the same terms.



## **GENERAL INFORMATION**

### **Authorisation**

The issue of the Capital Securities was authorised by a resolution of the Board of the Issuer passed on 7 November 2019.

### **Listing**

Application has been made to Euronext Dublin for the Capital Securities to be admitted to the Official List and to trading on the GEM; however, no assurance can be given that such application will be accepted. It is expected that admission of the Capital Securities to the Official List and to trading on the GEM will be granted on or about 19 November 2019, subject only to the issue of the Capital Securities.

The total expenses related to the admission to trading of the Capital Securities are expected to be approximately EUR 7,540.

### **Listing Agent**

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Capital Securities and is not itself seeking admission of the Capital Securities to the Official List or to trading on the GEM.

### **Clearing Systems**

The Capital Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for the Capital Securities is XS2010037765 and the Common Code is 201003776. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **No significant change**

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 September 2019 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2018.

### **Litigation**

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of these Listing Particulars, a significant effect on the financial position or profitability of the Issuer or the Group.

### **Auditors**

Ernst & Young AB of Jakobsbergsgatan 24, SE-103 99 Stockholm, Kingdom of Sweden, regulated by the Swedish Inspectorate of Auditors – Revisorsinspektionen have audited without qualification, the consolidated financial statements of the Issuer, prepared in accordance with IFRS, for each of the financial years ended on 31 December 2017 and 2018 and have given, and have not withdrawn, their consent to the inclusion of their unqualified audit reports in these Listing Particulars in the form and context in which it is included. The auditors of the Issuer have no material interest in the Issuer.

### **U.S. tax**

The Capital Securities (other than the Temporary Global Capital Security) and Coupons will contain the following legend: Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.

## **Documents Available**

For as long as the Capital Securities are listed on the Official List and admitted to trading on the GEM, copies of the following documents will be available for inspection in electronic form from the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being in London:

- (a) the constitutional documents of the Issuer (with an English translation thereof);
- (b) the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2017, together with the auditors' report in connection therewith, and the audited consolidated financial statements of the Issuer in respect of the financial year ended 31 December 2018, together with the auditors' report in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the most recently published financial statements of the Issuer, together with any audit or review reports prepared in connection therewith. The Issuer currently prepares unaudited consolidated interim accounts on a quarterly basis;
- (d) the Trust Deed; and
- (e) the Agency Agreement.

## **Websites**

For the avoidance of doubt, the content of any website referred to in these Listing Particulars does not form part of these Listing Particulars.

## **Joint Bookrunners transacting with the Issuer**

In the ordinary course of their business activities the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Capital Securities. Any such short positions could adversely affect future trading prices of Capital Securities. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Yield**

On the basis of the issue price of the Capital Securities of 100.00 per cent. of their principal amount, the yield on the Capital Securities for the period until the First Reset Date is 3.250 per cent. on an annual basis.

The yield is calculated on the Issue Date on the basis of the issue price of the Capital Securities. It is not an indication of future yield.

## **Interests of natural and legal persons involved in the issue of the Capital Securities**

Save for the commissions described under "*Subscription and Sale*", so far as the Issuer is aware, no person involved in the issue of the Capital Securities has an interest material to the offer.

## **THE ISSUER**

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