

**SUPPLEMENT NO. 1 DATED 13 JANUARY 2020  
TO THE BASE PROSPECTUS DATED 21 NOVEMBER 2019**

**Heimstaden Bostad AB (publ)**

*(incorporated with limited liability in Sweden)*

**€4,000,000,000**

**Euro Medium Term Note Programme**

This supplement no. 1 (the "**Supplement**") is supplemental to, and must be read in conjunction with, the base prospectus dated 21 November 2019 (the "**Base Prospectus**") prepared by Heimstaden Bostad AB (publ) (the "**Issuer**") with respect to its €4,000,000,000 Euro Medium Term Note Programme (the "**Programme**") and constitutes a supplement for the purposes of Article 23 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Terms defined in the Base Prospectus have the same meaning when used in this Supplement and references to "**CZK**" are to Czech koruna.

This Supplement has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Regulation. The Central Bank only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Central Bank should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Purpose of this Supplement**

The purpose of this Supplement is to:

- (a) update the "*Description of the Issuer – Recent Developments*" section of the Base Prospectus to reflect the changes to the Issuer's shareholder structure and its acquisition of the Czech property portfolio (each as further described below); and
- (b) update the "*Risk Factors*" section of the Base Prospectus following the Issuer's acquisition of the Czech property portfolio.

**Recent Developments**

On page 106 of the Base Prospectus the following section shall be inserted after the heading "*Recent Developments*":

***"Acquisition of Czech property portfolio***

On 9 January 2020, the Issuer reached an agreement with Round Hill Capital to acquire RESIDOMO, s.r.o. ("**RESIDOMO**"), a Czech real estate company, for an amount of approximately EUR 1.3 billion. The transaction is due to complete during the first quarter of 2020 and is subject to certain conditions precedent, including regulatory approvals. According to CBRE (2013), RESIDOMO is the largest private owner of residential property in the Czech Republic and the acquisition comprises approximately 42,730 residential units and 1,687 commercial units with a lettable area of approximately 2,633 million square metres, of which 2,514,806 square metres are residential accommodation and about 118,049 square metres are commercial space.

***Property stock***

From the unaudited figures as at 30 September 2019, provided by RESIDOMO, the occupancy rate for apartments of the Czech portfolio was 91.9 per cent. and the fair value of the investment properties was CZK

32,781 million (SEK 14,178 million)<sup>1</sup> as at 30 September 2019 based on RESIDOMO's balance sheet. All of the assets in the Czech portfolio were encumbered as at 30 September 2019 pursuant to RESIDOMO's €680,000,000 secured bond. In the event that the acquisition is completed, the Issuer will look at refinancing RESIDOMO's debt at the earliest opportunity.

Post transfer to the Issuer, the Czech properties will be managed by the Issuer through the existing locally-based property management organisations of RESIDOMO under the supervision of Heimstaden AB's property management organisation pursuant to the asset management agreement described in "*Goals and Strategy – Management Strategy – Property management*" above.

#### *Rental system*

Deregulation of the Czech residential letting market occurred on 31 December 2010. Following the deregulation two type of leases are present in the Czech residential market:

1. Regulated leases (contracts signed prior to deregulation)
2. Market rent leases (contracts signed after deregulation)

Regulated contracts run for an indefinite period and are approximately 9 per cent. below average market rents. RESIDOMO has contractually entered a rent increase programme with existing tenants from before 2010, such that rents are set to converge with market rates.

All new contracts signed since deregulation in 2010 are automatically set at market rates. The vast majority of new contracts are signed for a period of 12 months and then re-negotiated each year.

Details of the share of regulated/market rent units of the Czech residential portfolio are set out below.

<b>Rental System</b>	<b>Share of total number of units</b> <i>(per cent.)</i>
Residential – market rent.....	64
Residential – regulated rent .....	36
<b>Total</b> .....	<b>100</b>

#### *Choice of location*

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

#### *Valuation mechanism*

RESIDOMO's property portfolio is valued externally by Jones Lang LaSalle once a year. In the Czech Republic, property 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 line with 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 Czech market is dominated by high home ownership rates and a small share of renters. According to the 2011 census, 29 per cent. of the residential properties in the Moravia-Silesia region were rental units.

<sup>1</sup> Based on an SEK/CZK exchange rate of 2.312 as at 30 September 2019.

In the Moravia-Silesia region, RESIDOMO is the largest provider of rented residential accommodation and owns around 9 per cent. of the total stock of rented residential accommodation. Competitors in the region are municipalities and social housing associations and the City of Ostrava owns 15,400 units, which amounts to around 3.2 per cent of the total stock of rented residential accommodation, and the City of Havirov owns 7,700 units, which amounts to around 1.6 per cent of the total stock of rented residential accommodation. The second largest provider of rented residential accommodation is CPI, which owns 4,300 units in the region corresponding to around 0.9 per cent of the total stock of rented residential accommodation. (Source: CBRE, 2013)

### ***New shareholders and directors***

On 7 January 2020, the Issuer issued 2,341,959 Class B shares and 761,054 common shares for SEK 7,200 million. Approximately SEK 4,000 million of this issue was subscribed for by a consortium of the Folksam group, Folksam Liv, Folksam Sak and KPA Pension (together, the "**Folksam Investors**") and the remainder was subscribed for by Heimstaden Investment AB.

Following the share issue, the Folksam Investors have become the second largest institutional investor in Heimstaden Bostad.

As at 7 January 2020, 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).....	41.77	51.81
Alecta .....	47.36	39.15
Folksam Investors .....	7.37	6.16
Ericsson.....	2.57	2.06
Sandvik .....	0.88	0.71
Patrik Hall .....	0.02	0.05
Magnus Nordholm .....	0.02	0.05

As a consequence of the investment, from 7 January 2020, the Board of Directors includes Birgitta Stenmark, Head of Alternative Investments at the Folksam group (representing the Folksam Investors) and Karmen Mandic, Chief Communications and Marketing Officer at Heimstaden Investment (representing Heimstaden Investment AB)."

### **Risk Factors**

#### ***Acquisition of Czech property portfolio***

The acquisition of the Czech portfolio described above presents similar risks in respect of the Czech market as in the Group's other markets and references to "Dutch" and "the Netherlands" throughout the "*Risk Factors*" section of the Base Prospectus should be read as including references to "Czech" or "Czech Republic", as appropriate save for:

- (i) the risk factor on page 16 of the Base Prospectus entitled "*Heimstaden AB (publ)*"; and
- (ii) the risk factor on page 20 of the Base Prospectus entitled "*The Group's operations may contaminate the environment*" where "and Czech" will be added after "and Norwegian".

Additionally, material acquisitions for the Group, such as the acquisition of the Czech property portfolio described above, may exacerbate the risks described in "*Risk Factors – 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*", given the large scale of the acquisitions relative to the size of the Group.

**Other information**

To the extent that there is any inconsistency between (a) any statements in or incorporated by reference into this Supplement and (b) any statement in or incorporated by reference into the Base Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus has arisen or been noted since the publication of the Base Prospectus.