

Q3

Interim

REPORT

January–September 2018



Hemfosa's extraordinary general meeting on 13 September 2018 resolved in accordance with the proposal of the Board of Directors to distribute all shares in the subsidiary Nyfosa AB to Hemfosa's ordinary shareholders. Accordingly, the information in this report refers to Hemfosa excluding Nyfosa (*Continuing operations*), unless otherwise stated. Nyfosa is recognized in this report as *Operations to be distributed to shareholders* in accordance with IFRS 5 and IFRIC 17. This means that Nyfosa's profit for the period is recognized on a separate line in the consolidated statement of profit/loss and comprehensive income and that assets and liabilities attributable to Nyfosa are recognized on a separate line in the balance sheet. Nyfosa's equity is also recognized on a separate line. For more information, refer to Note 1 Accounting policies on page 18 and Note 11 Operations to be distributed to shareholders on page 21.

KEY FIGURES

	Jul-Sep		Jan-Sep		Full-year
	2018	2017	2018	2017	2017
Rental income, MSEK	642	528	1,842	1,558	2,103
Net operating income, MSEK	468	403	1,282	1,106	1,484
Surplus ratio, %	73.0	76.3	69.6	71.0	70.6
Profit from property management, MSEK	330	280	840	897	1,173
- per ordinary share, SEK	1.80	1.60	4.70	5.16	13.16
Profit after tax, MSEK	1,290	775	2,882	2,635	3,163
- per ordinary share before dilution, SEK	7.51	4.73	17.20	16.06	19.22
- per ordinary share after dilution, SEK	7.50	4.69	17.19	15.93	19.21
Cash flow from operating activities, MSEK	669	301	1,368	1,093	15,42
- per ordinary share, SEK	3.82	1.73	7.97	6.41	9.08
Property value, SEK billion			35.6	39.7 ¹	41.1 ¹
Net asset value (EPRA NAV) per ordinary share, adjusted for reversed distribution of Nyfosa, SEK			126.72	107.56 ¹	112.20 ¹
Equity/assets ratio, continuing operations, %			34.8	40.6 ¹	40.4 ¹

¹ Including Nyfosa

- Rental income amounted to MSEK 642 (528) for the quarter and MSEK 1,842 (1,558) for the period. Net operating income amounted to MSEK 468 (403) for the quarter and MSEK 1,282 (1,106) for the period.
- Profit from property management including the share in profit in part-owned companies amounted to MSEK 330 (280) for the quarter, an increase of 18 percent, corresponding to SEK 1.80 per ordinary share (1.60), and to MSEK 840 (897) for the period, corresponding to SEK 4.70 per ordinary share (5.16). Profit from property management for the period in the preceding year was impacted by a significant increase in value of part-owned properties, recognized in share in profit from joint ventures.
- Profit after tax amounted to MSEK 1,290 (775) for the quarter, corresponding to SEK 7.51 per ordinary share before dilution (4.73), and to MSEK 2,881 (2,635) for the period, corresponding to SEK 17.20 per ordinary share before dilution (16.06).
- EPRA NAV amounted to SEK 126,72 (107,56), an increase of 18 percent
- The earnings capacity at September 30, 2018 amounted to MSEK 1,300.

Significant events during and after the quarter

HEMFOSA

- In August, Hemfosa took possession of a property portfolio located in northern and central Sweden at an underlying property value of MSEK 1,145, a rental value of MSEK 141 and a property area of approximately 155,000 square meters. The largest tenants are Transportstyrelsen, Högskolan Dalarna and the municipalities of Härnösand, Sollefteå and Falun.
- Hemfosa's extraordinary general meeting on 13 September 2018 resolved in accordance with the proposal of the Board of Directors to distribute and list the subsidiary Nyfosa AB.
- On September 14, Caroline Arehult took office as CEO of Hemfosa Fastigheter AB.

NYFOSA

- In September, Nyfosa took possession of a property portfolio in southern and central Sweden for which an agreement was signed in July. The acquisition took place at an underlying property value of MSEK 3,600 and comprised a total area of 460,000 square meters.
- In August, Nyfosa divested the Kungsängen 15:1 property in Uppsala, with an underlying property value of MSEK 1,000.



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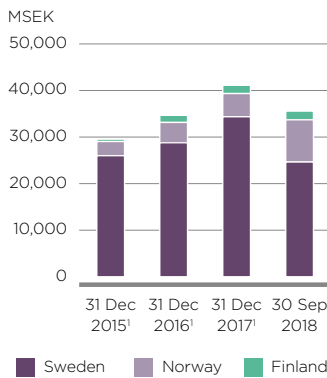
This is HEMFOSA

Hemfosa combines long-term management and development of a growing property portfolio with the acquisition and development of properties. The aim is to strengthen the company's position as the leading Nordic player in community service properties and create the right premises for Hemfosa's tenants. The property portfolio with a high proportion of publicly financed tenants represents stable revenue flows and a healthy yield. The company's ordinary share has been listed since March 2014 and the preference share since December 2014, both on Nasdaq Stockholm.

Business concept

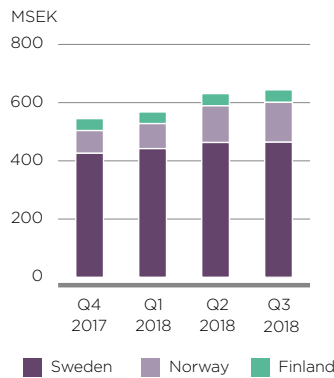
Hemfosa's mission is to engage in the long-term ownership, development and management of community service properties. We shall create value through active participation in a changing property market in order to generate long-term, high and stable profitability.

Fair value



¹ Including Nyfosa

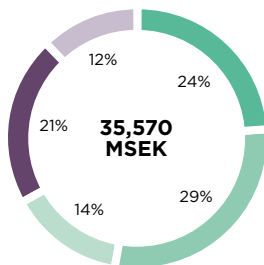
Rental income



Being there to serve the community

Hemfosa will be there to serve the community by:

- creating and promoting growth by being a flexible, agile and knowledgeable property owner in the community services segment;
- being the preferred choice of operators in the community services sector as a long-term, sustainable business partner for premises, properties and infrastructure;
- accumulating expertise and specialist know-how to meet the needs of our tenants for expansion and development; and
- being one of the leading community service property companies in the Nordics.



Property value per category Sep 30, 2018

- Schools
- Offices
- Judicial system
- Care services
- Other

Proportion property value

69% SWEDEN

This is Hemfosa's core market, with a definite emphasis on community service properties and a focus on the regions around Stockholm, Gothenburg and the coast of Norrland.

26% NORWAY

The property portfolio is primarily located in the Oslo region and consists exclusively of community service properties.

5% FINLAND

The property portfolio in Finland exclusively comprises community service properties, with the focus on Helsinki and Turku.

● Local offices



COMMENTS FROM THE CEO

Hemfosa 2.0

As someone who has always been interested in community building, I am delighted to be taking over the helm at Hemfosa, which specializes in community service properties. As CEO of Hemfosa, I have the important and exciting mission to lead and develop our operations. We have now started drawing up a plan for Hemfosa in its new form after the pending demerger of the company. Until then, it is business as usual, with property management and transactions moving at a high tempo.

A STRONG CORPORATE CULTURE

Hemfosa has completed a fantastic journey under the leadership of Jens Engwall. I am impressed by the strong corporate culture I have seen at Hemfosa – an organization of driven employees with a strong sense of personal responsibility, entrepreneurship and engagement. Change is something our employees are used to and this experience will stand us in good stead during the transition we now face. Hemfosa's corporate culture is a good match for me, given my background of team spirit and decentralized decision making. I also find it highly motivating to have a large property portfolio to manage, with long-term tenant relationships that give us the confidence and security to develop.



THE WAY FORWARD

I am arriving at a phase when we are shaping the new Hemfosa. The direction has been set – we will consolidate Hemfosa's position and continue to grow, both property portfolio and profit. Now we are determining the best way forward, which initiatives are the most important and how we can best meet our tenants' needs. What is clear is that we will need to set an aggressive strategy, with new builds of community service properties representing an important parameter in our growth. How to best include sustainability in our work is also something we need to integrate into our strategy. As a large company, it goes without saying that we must assume responsibility when it comes to these issues.

CONTINUED HIGH ACTIVITY

Acquisitions will continue to be a central part of Hemfosa's growth strategy, and our activity level remains high. During the third quarter, in parallel with the work related to the demerger of the Group, we took possession of properties amounting to approximately SEK 1.3 billion, including the property portfolio in northern and central Sweden for slightly more than SEK 1.1 billion, for which we entered into an agreement in June. Through this transaction, we are adding properties with a healthy return that are a good fit with our growing Swedish community service property portfolio.

FOCUS ON THE FUTURE

We are now looking forward to the conclusion of the demerger of the Group in the final quarter of the year, with the distribution of Nyfosa to Hemfosa's ordinary shareholders. Both companies will subsequently be able to truly focus on the future and the exciting opportunities we have ahead of us. Personally, it feels incredibly inspiring to be able to lead Hemfosa's continued efforts, as a major property operator, to contribute to the development of sustainable community building.

Caroline Arehult, CEO

Operational DEVELOPMENT

INTERIM REPORT JANUARY-SEPTEMBER 2018

Earnings

MSEK	Jul-Sep		Jan-Sep		Full-year
	2018	2017	2018	2017	2017
Rental income	642	528	1,842	1,558	2,103
Net operating income	468	403	1,282	1,106	1,484
Surplus ratio, %	73.0	76.3	69.6	71.0	70.6
Profit from property management excl. shares in profit of joint ventures and associated companies	315	282	818	744	986
Profit from property management incl. shares in profit of joint ventures and associated companies	330	280	840	897	1,173
Changes in value of properties	364	280	1,099	1,187	1,275
Changes in value of financial instruments	21	10	13	30	44
Tax	-77	-88	-377	-415	-544
Earnings	638	483	1,575	1,698	1,949
Earnings from Nyfosa to be distributed to shareholders	652	292	1,307	937	1,215
Profit for the year	1,290	775	2,882	2,635	3,163

Net operating income

Rental income for the period amounted to MSEK 1,842 (1,558). The increase of 18 percent was attributable to a larger property portfolio, lease renegotiations, the signing of new leases and indexation according to leases. At September 30, 2018, the leasable area of Hemfosa's total property portfolio was 2,040,000 square meters (2,866,000). The economic leasing rate was 94.4 percent (92.0).

Property expenses amounted to MSEK 497 (409) and costs for property administration to MSEK 63 (43).

The yield for the entire portfolio was 5.2 percent (5.4).

Profit from property management

Central administration costs totaled MSEK 102 (87). The cost increase is largely attributable to the ongoing demerger process of the Hemfosa Group.

Financial expenses totaled MSEK 367 (283). Other financial expenses were burdened with costs for the repayment of interest-rate swaps in conjunction with the implemented refinancing, among other items. At September 30, the average interest rate in the loan portfolio was 2.05 percent (1.94).

Profit from property management excluding shares in profit from joint ventures and associated companies amounted to MSEK 818 (744).

The share in profit from joint ventures and associated companies amounted to MSEK 22 (154). Profit in the year-earlier period included significant changes in this post.

Tax

The tax expense totaled MSEK 377 (415), of which MSEK 259 (389) was due to changes in deferred tax liabilities attributable to investment properties. Hemfosa's effective tax rate for the period was 19.3 percent (19.6). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to the share in profit from joint ventures comprising profit after tax and that the deferred tax on temporary differences is calculated at a rate of 20.6 percent, refer to Note 4.

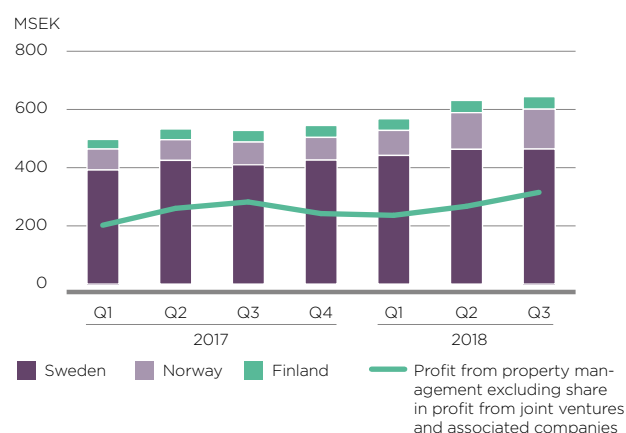
Profit for the period

MSEK **2,882**
(2,635)

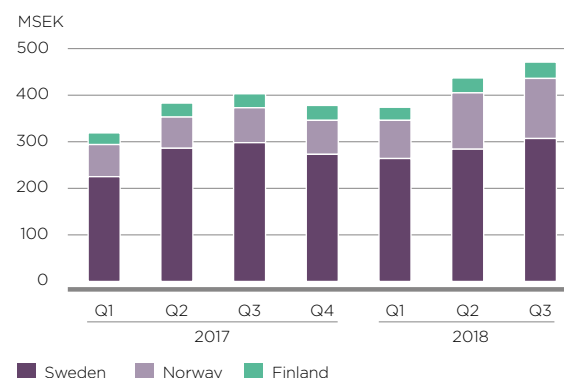
Earnings per ordinary share for the period

SEK **17.20**
(16.06)

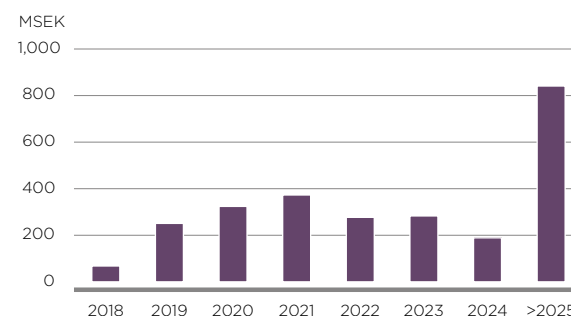
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Maturity structure of leases at September 30, 2018



1 Including Nyfosa

PROPERTY portfolio

Hemfosa's business model is to combine long-term management of a growing property portfolio with the acquisition, development and divestment of properties – all with the aim of strengthening the company's position as the leading Nordic player in community service properties. The objective is to continue to develop an extensive and balanced property portfolio with a stable and high yield and increasing the value of the existing properties.

Following the organization of other properties in the portfolio in the subsidiary Nyfosa, which will be distributed to the shareholders, Hemfosa's remaining property portfolio comprises mainly community service properties.

Community service properties

Community service properties is the generic term for properties in which the tenants are public-sector agents or conduct publicly financed operations in such areas as schools, health and personal care and judicial institutions. A few decades ago, these properties were almost exclusively owned by central and local government authorities, while today their ownership has been spread among a number of private property owners, of which Hemfosa is one of the largest in the Nordic region.

Hemfosa's definition of Community service properties is properties with, directly or indirectly, publicly financed tenants that account for at least 70 percent of the rental income.

CHANGES IN PROPERTY PORTFOLIO

Change in fair value of property portfolio per market, September 30

MSEK	Sweden		Norway		Finland		Total	
	2018	2017 ¹	2018	2017	2018	2017	2018	2017 ¹
Opening value for the year	34,359 ¹	28,778	4,988	4,359	1,772	1,531	41,119 ¹	34,668
Acquired properties	1,459	2,538	3,039	595	-	174	4,498	3,308
Investments in existing properties	316	722	49	0	5	6	369	728
Divested properties	-67	-266	-	-	-	-	-67	-266
Realized changes in value in profit or loss for the period	-2	31	-	-	-	-	-2	31
Unrealized changes in value in profit or loss for the period	588	1,137	508	278	5	6	1,101	1,420
Translation differences	-	-	485	-153	80	0	565	-153
Changes attributable to Nyfosa to be distributed to shareholders	-12,014	-	-	-	-	-	-12,014	-
Closing fair value	24,639	32,940	9,069	5,079	1,862	1,717	35,570	39,736

¹ Including Nyfosa

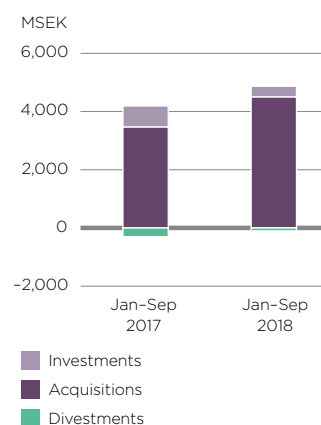
Acquisitions and divestments of properties

During the quarter, eight properties in Sweden and two in Norway were acquired for a total value of MSEK 1,300. Acquisitions for the

Acquisitions, January-September 2018

Municipality	Property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>			
Helsingborg	Möllarp 1:57	1	1
Gardermoen, Norway	Ullensaker 136/158, Ullensaker 136/160	37	124
Bergen, Norway	Kalfarveien 72,76,78,82 Fjellmagasinet	29	34
<i>Quarter 2</i>			
Örebro	Norra Bro 5:26	1	1
Sollentuna	Hallonet 1, Hultet 5, Morteln 1, Rotebro 2, Rotebro 3:4, Rotstocken 2, Vinbåret 1, Vinguden 1, Vinkeljärnet 78	12	21
Stavanger, Norway	Jærveien 12	3	4
<i>Quarter 3</i>			
Kungsbacka	Hede 1:53	5	5
Örebro, Falun, Härnösand, Sollefteå	Kvarnberget 1:6, Falun 8:9, Ädelstenen 6, Seminariet 16, Remsle 13:64, Vindhjulet 3, Ön 2:41	152	141
Norway	Njøsavegen 2	6	11
Norway	Fjørevegen 20	4	4

Acquisitions, investments and divestments



quarter contributed a total rental value of MSEK 161 and a total leasable area of 167,000 square meters.

Divestments, January-September 2018

Municipality	Property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>			
Karlskrona	Humble 2	3	6
<i>Quarter 2</i>			
-	-	-	-
<i>Quarter 3</i>			
-	-	-	-

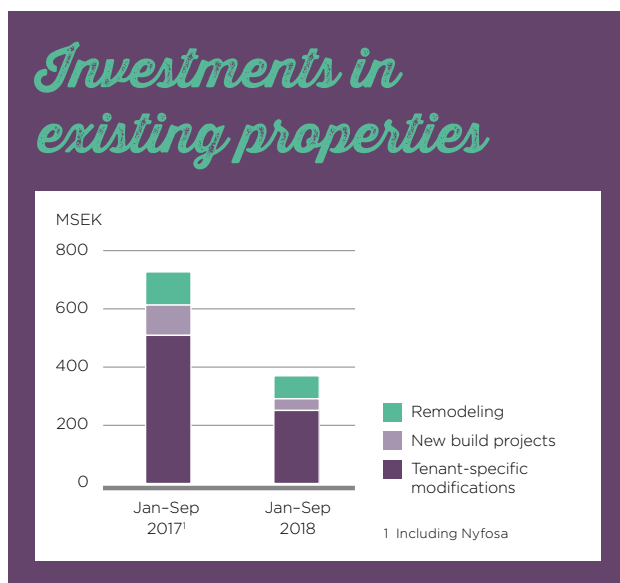
Investments in existing properties

Hemfosa works continuously on evaluating opportunities for developing and improving existing properties and thus creating attractive and functional premises for the company's tenants.

The largest project under way among Hemfosa's properties is a 52,000-square-meter property in Haninge (Najaden), where large-scale remodeling and upgrading is in progress. A new zoning plan has been formulated, which makes it possible to establish community service operations on the property, such as retirement homes and schools, in addition to the existing premises in the property. The project is scheduled for completion in 2019.

In Norrköping, a conversion project is under way to create activity-based offices for the Swedish Prison and Probation Service. The project is expected to be completed in the fourth quarter of 2018 and amounts to MSEK 74.

During the quarter, the conversion of an existing building and construction of a new building was completed in Sundsvall on behalf of Internationella Engelska Skolan, an investment amounting to MSEK 165.



Ongoing projects in wholly owned properties, September 30, 2018

Municipality	Property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Retirement homes, etc.	52	360	Q4, 2019
Norrköping	Presidenten 1	The Swedish Prison and Probation Service	12	74	Q4, 2018

Properties and changes in value

The unrealized change in the value of the property portfolio during the period was MSEK 1,101 (1,190).

The weighted yield requirement was 5.8 percent (5.9), and was 5.8 percent at the previous valuation date of June 30, 2018. The weighted cost of capital for the present value calculation of cash flows and residual values was 7.0 percent (6.9) and 8.1 percent (8.2), respectively.

VALUATION TECHNIQUES

The value of the properties has been assessed based on a market-adapted cash-flow estimate in which, by simulating the calculated future income and expenses, an analysis has been made of the market's expectations with respect to the valuation object. The yield requirement used in the estimate derives from sales of comparable properties. For further information, see Hemfosa's 2017 Annual Report, Note 11.

The market value is assessed every quarter by external, independent property appraisers.

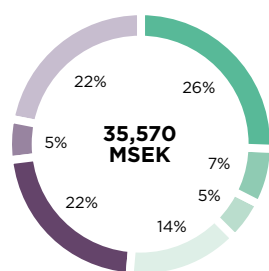
PROPERTY PORTFOLIO AT SEPTEMBER 30

	Schools		Offices		Judicial system		Care services		Other		Total	
	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹
Rental value, MSEK	640	572	845	696	415	402	470	330	387	1,322	2,759	3,322
Leasable area ² , 000s sqm	475	432	623	540	278	278	315	275	349	1,342	2,040	2,866
Fair value of properties, MSEK	8,516	7,825	10,501	8,331	5,132	4,767	7,302	4,378	4,121	14,435	35,570	39,736
No. of properties	88	77	79	68	41	41	124	120	41	157	373	463
Economic leasing rate, %											94.4	92.0
Remaining lease term, years											6.7	5.7

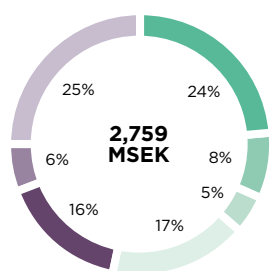
¹ Including Nyfosa

² Excluding garage

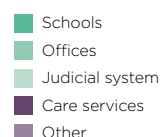
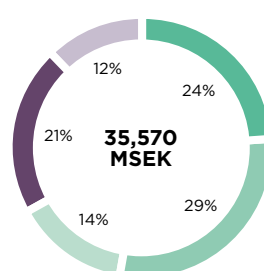
Property value per region
Sep 30, 2018



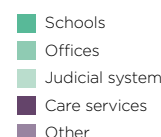
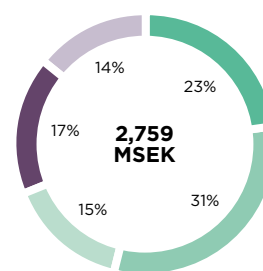
Rental value per region
Sep 30, 2018



Property value per category
Sep 30, 2018



Rental value per category
Sep 30, 2018



CURRENT EARNINGS CAPACITY

Below is the company's current earnings capacity presented on a 12-month basis on the balance-sheet date. Current earnings capacity is to be considered solely as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on the property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions. The yield according to earnings capacity was 5.4 percent (5.3).

Group's earnings capacity

MSEK	Sep 30, 2018
Rental income	2,605
Property expenses	-630
Property administration	-63
Net operating income	1,912
Central administration	-129
Share in profit from joint ventures and associated companies	10
Financial expenses	-492
Profit from property management	1,300

Sensitivity analysis, September 30, 2018

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/-1	+/- 26
Economic leasing rate according to earnings capacity	+/-1	+/- 26
Property expenses according to earnings capacity	+/-1	+/- 7
Net operating income according to earnings capacity	+/-5	+/- 96

CALCULATION BASIS

The following information is used as the basis for assessing current earnings capacity.

- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income based on current leases.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures during a standard year.
- Property tax has been calculated on the basis of the current tax assessment value of the properties. Ground rent paid is included in the amounts.
- Costs for central administration and marketing have been calculated on the basis of the existing organization and the size of the property portfolio.
- Hemfosa's shares in profit from joint ventures are calculated according to the same methodology as for Hemfosa, taking into account the size of the share of profit.
- The assessment of earnings capacity does not assume any financial income.
- Financial expenses have been calculated on the basis of the company's average interest rate.
- The earnings capacity for the international operations has been restated at the exchange rate prevailing on the balance-sheet date.

Shares in JOINT VENTURES AND ASSOCIATED COMPANIES

SHARES IN JOINT VENTURES

At September 30, 2018, Hemfosa was a partner in two joint ventures, Gardermoen Campus Utvikling AS and minor holding in Culmen Strängnäs II AB, which are presented in Hemfosa's 2017 Annual Report. The holding in Söderport Holding AB has been transferred to Nyfosa.

Ownership in joint ventures is governed by shareholders' agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence. Hemfosa recognizes the holdings as shares, and shares in joint ventures, in the statement of financial position. Share in profit from joint ventures is recognized in the Group's profit from property management, but is not included in Hemfosa's dividend-based profit.

Gardermoen Campus Utvikling

Until March 22, 2018, Hemfosa was a part-owner of Gardermoen Campus Utvikling AS (Corp. Reg. No. 913 111 915) through a joint venture with Aspelin Ramm. On March 22, 2018, Hemfosa became sole owner of the company, which owns the specialist hospital and local medical center constructed in Gardermoen. Following acquisition by Hemfosa, the name of the company was changed to Samhold IV AS.

Hemfosa remains a part-owner of a joint venture – a newly founded company Gardermoen Campus Utvikling AS (Corp. Reg. No. 920599192) (GCU) – together with Aspelin Ramm. Hemfosa's shareholding amounts to 65 percent.

The new company owns land, parking facilities and certain infrastructure by the Gardermoen Airport area where the hospital and local medical center that Hemfosa has acquired is located. GCU will continue to develop the area into an important national expertise hub for health and care services. GCU controls a total of about five hectares of land with a zoning plan, for which construction of up to a total of 51,000 square meters has been approved.

SHARES IN ASSOCIATED COMPANIES

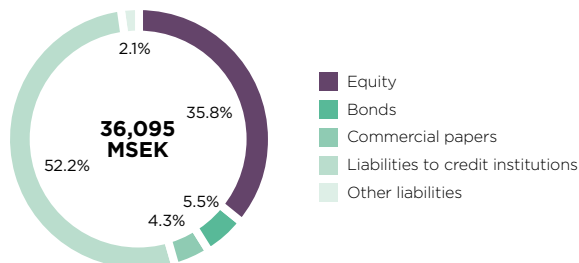
Offentlig Eiendom

Hemfosa holds 26.9 percent of the shares and voting rights of Offentlig Eiendom AS (Corp. Reg. No. 914 428 467). The Company began its operations in 2016 with the aim of owning community service properties in strong regional locations in Norway with long leases. At the beginning, the portfolio comprised six properties, with four properties leased to the Police Authority and the remaining two leased to the Norwegian Employment and Welfare Administration (NAV) and the Norwegian Swedish Tax Agency. During 2017 and 2018, Offentlig Eiendom carried out three new share issues in connection with the acquisition of four additional properties, all with public-sector tenants.

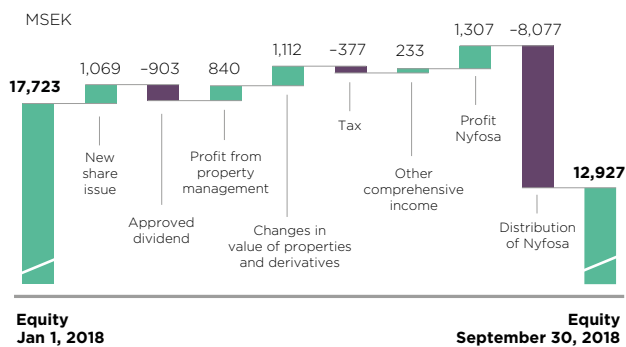
Offentlig Eiendom's property portfolio currently comprises ten properties with a total leasable area of 56,000 square meters and an average remaining lease term of eight years.

Financing

Breakdown of sources of financing, September 30, 2018



Changes in equity dividend during the period



INTEREST-BEARING LIABILITIES

Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial paper.

During the third quarter of 2018, new bank loans totaling MSEK 1,290 were raised primarily to finance the quarter's property acquisitions. During the quarter, commercial paper totaling MSEK 1,450 was extended and MSEK 345 was redeemed. In addition, an overdraft facility in Norway was entered into for MNOK 75.

At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,550 and non-covered bonds of MSEK 2,000. The company has backup facilities for the outstanding commercial papers, most of which are covered.

Key performance data concerning the loan portfolio

	Sep 30		Dec 31
	2018	2017	2017
Net loan-to-value ratio, %	58.7	56.8	57.1
Average interest rate, %	2.05	1.94	1.94
Average remaining fixed-rate period, years	1.6	1.0	1.5
Average remaining loan maturity period, years	3.0	2.1	2.3
Interest-rate hedged portion of liabilities, %	62.1	57.5	69.1
Fair value of derivatives, MSEK	-7	-53	-34

FINANCIAL objectives

Hemfosa is to deliver the **highest return** among listed Swedish property companies over a five-year period. This applies to the return on equity.

Long-term, the **equity/assets ratio** is to amount to at least 30 percent.

Long-term, the **interest-coverage ratio** is to be at least a multiple of two.

Hemfosa's financial objectives and dividend policy will be reviewed by the company's Board and management and adapted to the company's operations following the demerger and the distribution of all shares in Nyfosa.

Key performance data, financial objectives

	Jan-Sep		Jan-Dec
	2018	2017 ¹	2017 ¹
Return on equity, continuing operations, %	13.6	21.6 ²	19.0 ²
Equity/assets ratio, continuing operations, %	34.8	40.6 ²	40.4 ²
Interest-coverage ratio, multiple	3.2	3.6	3.6 ¹

¹ The higher interest-coverage ratio for full-year 2017 was due to nonrecurring items in net operating income, refer to Hemfosa's year-end report January-December 2017.

² Including Nyfosa

Change in loan portfolio

MSEK	Jan-Sep		Jan-Dec
	2018	2017 ²	2017 ²
Interest-bearing liabilities at the beginning of the period	24,110 ²	20,666	20,666
New bank loans	12,942	-2,096	5,527
Repayment of bank loans	-8,518	2,512	-3,794
Redemption of commercial paper	-445	-	-
Issue of commercial paper	-	1,100	1,100
Issue of bonds	-	1,973	1,973
Redemption of bonds	-473	-998	-1,248
Exchange-rate difference	328	-82	-114
Changes attributable to Nyfosa to be distributed to shareholders	-5,463	-	-
Interest-bearing liabilities at the end of the period¹	22,481	23,076	24,110

¹ All amounts recognized as liabilities in this section represent undiscounted amounts. The interest-bearing liabilities in the Statement of financial position include arrangement fees.

² Including Nyfosa.

Available liquidity

MSEK	Sep 30		Dec 31
	2018	2017	2017
Cash and cash equivalents	1,511	463	541
Unutilized overdraft facilities	531	379	450
Total	2,042	842	991

Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates have less impact on the Group's interest expenses. In some cases, the Group has entered into loan agreements with an interest-rate floor provision, meaning that the reference interest rate cannot be negative. Due to these loan agreements, Hemfosa is not able to fully capitalize on the lower interest rates. At September 30, 2018, Hemfosa's outstanding interest-rate swaps had a nominal volume of MSEK 4,948 (5,117) and interest-rate caps had a nominal volume of MSEK 8,935 (7,000). Most of the interest-rate swaps had a negative fair value at September 30, 2018.

Fixed-rate period distributed by instruments, September 30, 2018

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate caps, MSEK	Amount, MSEK	Proportion, %
<1 year	22,417	-4,825	-7,552	10,040	45
1-2 years	24	1,107	3,600	4,731	21
2-3 years	-	200	2,775	2,975	13
3-4 years	-	-	1,177	1,177	5
4-5 years	-	3,519	-	3,519	16
>5 years	40	-	-	40	0
Total	22,481	-	-	22,481	100

Maturity structure, interest-bearing liabilities, September 30, 2018

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, neg. value, MSEK	Net interest, derivatives, pos. value, MSEK	Total interest, MSEK
2018	-	0	105	10	-	115
2019	4,423	20	400	39	-	439
2020	4,961	22	299	36	-	335
2021	2,487	11	227	34	-	261
2022	2,479	11	175	34	-	209
2023-	8,132	36	84	11	-	96
Total	22,481	100	1,291	164	-	1,455

Sensitivity analysis, September 30, 2018

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+112/-48
Interest expenses assuming change in average interest rate ²	+/-1	+/-225
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/-1	+/-182

1 Taking into account derivative agreements

2 Not taking into account derivative agreements

CURRENCY EXPOSURE

The ownership of properties in Norway and Finland exposes the Group to currency risk. Currency risks pertain to investments, income and expenses in foreign currency, in which the currency fluctuations impact profit/loss and other comprehensive income for the year. Hemfosa's currency risk has been identified to arise in part in connection with shareholders' equity in foreign subsidiaries and in part in connection with net flows in foreign currency, as well as in connection with acquisitions and divestments of foreign companies and properties when the transactions are usually negotiated and agreed in the period prior to taking or handing over possession and Hemfosa is exposed to currency fluctuations in the intermediary period.

Accordingly, Hemfosa is exposed to both currency flows and changes in exchange rates. At present, Hemfosa does not hedge its net equity exposure. It is not impossible that Hemfosa could enter into currency hedges from time to time.

Currency exposure

MSEK	Sep 30		Dec 31
	2018	2017	2017
Exposure in EUR	89	82	82
Exposure in NOK	3,505	2,810	2,707

Sensitivity analysis, September 30, 2018

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/-10	+/-92
Changes in SEK/NOK exchange rates	+/-10	+/-382

CASH FLOW

Cash flow from operating activities for the period totaled MSEK 1,368, including Nyfosa MSEK 1,081 (1,093).

Investing activities impacted cash flow in the amount of MSEK -6,395 (-3,734), mainly comprising direct and indirect acquisitions and divestments of properties of MSEK -4,421 (1,953) and investments in existing properties of MSEK 369 (542). Cash flow from investing activities in Nyfosa amounted to MSEK -2,389 (1,275).

Financing activities had an impact of MSEK 6,307 (1,886) on cash flow for the period. For Hemfosa, the net change in bank loans was MSEK 3,190 (1,821). During the period, MSEK 647 (599) was paid in dividends. The new share issue contributed MSEK 1,069 after issue costs. For Nyfosa, cash flow from financing activities was MSEK 2,713 (684).

Overall, the change in cash and cash equivalents during the period was MSEK 1,280 (-756), of which 1,405 is attributable to Nyfosa.

Cash flow

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Cash flow from operating activities	669	301	1,368	1,093	1,542
Cash flow from investing activities	-3,985	-1,134	-6,395	-3,374	-4,955
Cash flow from financing activities	2,876	146	6,307	1,886	2,732
Total cash flow	-440	-687	1,280	-756	-681

Other

DISTRIBUTION OF NYFOSA

Hemfosa's extraordinary general meeting on 13 September 2018 resolved in accordance with the proposal of the Board of Directors to distribute all shares in the subsidiary Nyfosa, Corp. Reg. No. 559131-0833, to Hemfosa's ordinary shareholders. Accordingly, Nyfosa is recognized in this report as Operations to be distributed to shareholders in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Preparations to implement the distribution and listing of Nyfosa AB on Nasdaq Stockholm are ongoing, with the aim that the first day of separate trading in the two companies will take place in the fourth quarter of 2018.

THE SHARE AND SHAREHOLDERS

The company's ordinary share was listed on Nasdaq Stockholm, Mid Cap, on March 21, 2014 under the ticker symbol "HEMF." The company's preference share was listed on Nasdaq Stockholm, Mid-Cap, on December 12, 2014 under the ticker symbol "HEMF PREF." On January 2, 2017, trading in the company's ordinary shares and preference shares was moved to Nasdaq Stockholm Large Cap.

On June 19, 2018, Hemfosa carried out a directed share issue comprising 10,000,000 ordinary shares. On account of the directed share issue, the company increased its share capital by SEK 5,000,000, which thereafter amounts to SEK 89,364,124. The company received a capital infusion totaling MSEK 1,085 before issue expenses.

At September 30, 2018, the number of Hemfosa shares was 178,728,248, of which 167,728,249 were ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 168,828,248.9. Each ordinary share carries one voting right and each preference share one tenth of a voting right.

The last price paid on September 28, 2018 was SEK 122.50 for the ordinary share and SEK 189.50 for the preference share. Total market capitalization was MSEK 22,631. At September 30, 2018, Hemfosa had 26,588 shareholders, of whom Swedish investors, institutions and private individuals owned 52.3 percent of the shares and 50.5 percent of the votes. International institutional investors owned 47.7 percent of the shares and 49.5 percent of the votes.

Ownership structure, September 30, 2018

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur Funds	8,950,543	-	5.0	5.3
Kåpan Pensioner Försäkringsförening	8,716,274	-	4.9	5.2
Länsförsäkringar fondförvaltning AB	8,327,063	-	4.6	4.9
Fourth AP Fund	6,454,600	-	3.6	3.8
Vanguard	4,881,932	529,748	3.0	2.9
SEB Funds	4,848,823	-	2.7	2.9
Norges Bank	4,774,446	-	2.7	2.8
Handelsbanken Funds	4,640,000	-	2.6	2.8
ICA-handlarnas Förbund	4,603,917	254,317	2.7	2.7
Other	111,530,650	10,215,934	68.2	66.7
Total	167,728,249	10,999,999	100.0	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for foreign shareholders. Updated per 2018-09-30.

DIVIDEND POLICY

The dividend is to amount to 60 percent of profit from property management long term excluding the share of profit/loss in joint ventures and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares. Hemfosa's financial objectives and dividend policy will be reviewed by the company's Board and management and adapted to the company's operations following the demerger and the distribution of all shares in Nyfosa.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer gives her assurance that this interim report provides a true and fair overview of the Parent Company's and the Group's operations, financial position and earnings, and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Nacka, October 23, 2018
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Caroline Arehult
Chief Executive Officer

This interim report was audited.

The information is such that Hemfosa Fastigheter AB (publ) is obligated to disclose in accordance with the EU Market Abuse Regulation. The information was issued for publication under the auspices of the CEO on October 23, 2018 at 7:30 a.m. CET.

WITHOUT
OUR
CUSTOMERS
SWEDEN
WOULD
stand still

FINANCIAL CALENDAR

Year-end report 2018	February 15, 2019
Annual Report for 2018	Week of April 1, 2019
Interim report January–March 2019	May 7, 2019
Annual General Meeting 2019	May 7, 2019

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Condensed FINANCIAL STATEMENTS

Consolidated STATEMENT OF PROFIT/ LOSS AND COMPREHENSIVE INCOME

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	642	528	1,842	1,558	2,103
Property expenses					
Operating expenses	-82	-55	-312	-256	-342
Maintenance costs	-52	-38	-130	-105	-154
Property tax	-18	-18	-54	-48	-66
Property administration	-21	-15	-63	-43	-56
Net operating income	468	403	1,282	1,106	1484
Central administration	-35	-27	-102	-87	-128
Other operating income and expenses	2	3	6	7	11
Share in profit of joint ventures	-2	-1	2	153	168
Share in profit of associated companies	16	-	20	-	19
Financial income and expenses	-120	-97	-368	-283	-381
Profit from property management	330	280	840	897	1,173
Changes in value of properties, realized	-	2	-2	-3	-6
Unrealized changes in value of properties	364	278	1,101	1,190	1,281
Changes in value of financial instruments, realized	-	-	12	-	-
Unrealized changes in value of financial instruments	21	11	1	30	44
Profit before tax for the year	715	571	1,952	2,113	2,493
Current tax	-26	0	-118	-26	5
Deferred tax	-51	-89	-259	-389	-549
Profit after tax	638	483	1,575	1,698	1,949
Profit after tax from Nyfosa to be distributed to shareholders	652	292	1,306	937	1,215
Profit for the year	1,290	775	2,882	2,635	3,163
Other comprehensive income					
Translation differences when translating foreign operations	-72	7	264	-75	-104
Comprehensive income for the year	1,217	782	3,146	2,560	3,059
<i>Profit for the year attributable to:</i>					
Parent Company shareholders	1,287	774	2,858	2,615	3,142
Non-controlling interests	3	1	24	20	21
Profit for the year	1,290	775	2,882	2,635	3,163
<i>Comprehensive income for the year attributable to:</i>					
Parent Company shareholders	1,217	780	3,115	2,542	3,042
Non-controlling interests	1	2	31	18	18
Comprehensive income for the year	1,218	782	3,146	2,560	3,059
Profit for the year per ordinary share, before dilution, SEK	7.51	4.73	17.20	16.06	19.22
Profit for the year per ordinary share, after dilution, SEK	7.50	4.69	17.19	15.93	19.21
Profit for the year for continuing operations per ordinary share before dilution, SEK	3.64	2.89	9.25	10.25	11.66
Profit for the year for continuing operations per ordinary share after dilution, SEK	3.63	2.89	9.25	10.25	11.66

CONSOLIDATED STATEMENT OF *financial position*

MSEK	Sep 30		Dec 31
	2018	2017	2017
ASSETS			
Investment properties	35,570	39,736	41,119
Shares in joint ventures	63	1,979	2,096
Shares in associated companies	172	89	123
Other fixed assets	13	14	17
Total fixed assets	35,818	41,819	43,355
Current receivables	199	385	190
Cash and cash equivalents	1,511	463	541
	1,710	848	731
Assets attributable to Nyfosa to be distributed to shareholders	17,270	-	-
Total current assets	18,980	848	731
TOTAL ASSETS	54,798	42,667	44,086
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	12,927	17,220	17,723
Non-controlling interests	116	83	85
Equity	13,043	17,303	17,807
Resolved distribution of Nyfosa	8,077	-	-
Non-current interest-bearing liabilities	19,286	16,290	15,139
Other non-current liabilities	14	63	52
Deferred tax liabilities	1,115	976	1,184
Total non-current liabilities	20,415	17,329	16,375
Current interest-bearing liabilities	3,106	6,727	8,894
Other current liabilities	1,359	1,308	1,010
	4,465	8,035	9,904
Liabilities attributable to Nyfosa to be distributed to shareholders	8,798	-	-
Total current liabilities	13,263	8,035	9,904
Total liabilities	41,755	25,364	26,279
TOTAL EQUITY AND LIABILITIES	54,798	42,667	44,086

Consolidated statement of CHANGES IN EQUITY

MSEK	Equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
Opening equity			
Jan 1, 2017	15,506	64	15,570
New issue, ordinary shares	-27 ²	-	-27 ²
Issue of warrants	5	-	5
Dividend, ordinary shares	-635	-	-635
Dividend, preference shares	-110	-	-110
Change in holdings without significant non-controlling interests	-	1	1
Comprehensive income, Jan-Sep 2017	2,542	18	2,560
Closing equity Sep 30, 2017	17,220	83	17,303
Opening equity Jan 1, 2018	17,723	85	17,807
New issue, ordinary shares	1,069 ³	-	1,069 ³
Dividend, ordinary shares	-793	-	-793
Dividend, preference shares	-110	-	-110
Resolved distribution of Nyfosa	-8,077	-	-8,077
Comprehensive income, Jan-Sep 2018	3,115	31	3,146
Closing equity Sep 30, 2018	12,927¹	116	13,043

1 Preference share capital constitutes SEK 162.85 per preference share, totaling MSEK 1,791.

2 Costs for raising capital attributable to new issue of shares in April 2016.

3 The amount includes costs for raising capital of MSEK 16.

STATEMENT OF CASH FLOW for the Group

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Operating activities					
Profit from property management	330	280	840	897	1,173
Adjustments for non-cash items	-15	5	-26	-149	-187
Income tax paid	0	0	-10	-6	-3
Subtotal	315	285	804	742	983
Change in operating receivables	271	-61	85	-213	4
Change in operating liabilities	-732	-115	-602	41	78
Cash flow from operating activities for Nyfosa to be distributed to shareholders	815	192	1,081	523	477
Cash flow from operating activities	669	301	1,368	1,093	1,542
Investing activities					
Acquisition of investment properties	-3	-8	-268	-41	-62
Divestment of investment properties	0	0	0	7	7
Investments in existing properties	-131	-156	-369	-542	-696
Acquisition of subsidiaries	-2,111	-631	-4,219	-1,897	-2,503
Divestment of subsidiaries	66	2	66	-15	-19
Acquisition of joint ventures and associated companies	-18	4	-18	-44	-62
Other	770	31	802	73	71
Cash flow from investing activities for Nyfosa to be distributed to shareholders	-2,558	-376	-2,389	-1,275	-1,691
Cash flow from investing activities	-3,985	-1,134	-6,395	-3,734	-4,955
Financing activities					
New issue	0	0	1,069	0	0
Loans raised	1,563	1,166	12,626	4,155	6,552
Repayment of loans	-1,066	-963	-9,436	-2,334	-4,127
Dividend paid to Parent Company shareholders	-230	-205	-647	-599	-799
Other	59	7	-18	-20	-15
Cash flow from financing activities for Nyfosa to be distributed to shareholders	2,550	141	2,713	684	1,121
Cash flow from financing activities	2,876	146	6,307	1,886	2,732
Cash flow for the period	-440	-687	1,280	-756	-681
Cash and cash equivalents at the beginning of the period	2,269	1,151	541	1,221	1,221
Exchange-rate difference in cash and cash equivalents	-2	-1	6	-2	0
Cash and cash equivalents at the end of the period	1,827	463	1,827	463	541

Key performance data

KEY FINANCIAL DATA

	Sep 30		Dec 31
	2018	2017 ²	2017 ³
Return on equity, %	22.5	21.5	19.0
Return on equity, continuing operations, %	13.6	-	-
Equity/assets ratio, %	23.8	40.6	40.4
Equity/assets ratio, continuing operations, %	34.8	-	-
Net loan-to-value ratio, properties, %	58.7	56.8	57.1
Debt/equity ratio, multiple	1.7	1.3	1.3
Interest-coverage ratio, multiple	3.2	3.6	3.6

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Profit from property management per ordinary share ²	1.80	1.60	4.70	5.16	13.16
Profit after tax per ordinary share before dilution, SEK ²	7.51	4.73	17.20	16.06	19.22
Profit after tax per ordinary share after dilution, SEK ²	7.50	4.69	17.19	15.93	19.21
Equity per ordinary share, SEK ¹			66.39	97.82	101.01
Equity per ordinary share adjusted for distribution of Nyfosa, SEK			114.55	-	-
Net asset value (EPRA NAV), SEK per ordinary share, SEK ^{1,2}			73.08	107.56	112.20
Net asset value (EPRA NAV) per ordinary share adjusted for distribution of Nyfosa, SEK ^{1,2}			126.72	-	-
Cash flow from operating activities per ordinary share, SEK	3.82	1.73	8.48	6.41	9.60
Dividend per ordinary share, SEK	1.20	1.10	3.50	3.25	4.35
Weighted average number of ordinary shares, 000s	167,728	157,728	161,318	157,728	157,728
Number of ordinary shares outstanding, 000s ¹	167,728	157,728	167,728	157,728	157,728

PROPERTY-RELATED KEY FIGURES

	Sep 30		Dec 31
	2018	2017 ²	2017 ³
No. of properties	373	463	472
Rental value, MSEK ²	2,759	3,322	3,397
Leasable area, 000s of sqm	2,040	2,866	2,918
Fair value of properties, MSEK	35,570	39,736	41,119
Property value, SEK per sqm of leasable area	17,436	13,862	14,092
Economic leasing rate, %	94.4	92.0	92.5
Surplus ratio, Jan-Sep, %	69.6	71.0	70.6
Yield, Jan-Sep, %	5.2	5.9	5.5

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Dividend per preference share, SEK	2.50	2.50	7.50	7.50	10.00
Equity per preference share, SEK ¹	162.85	162.85	162.85	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000	11,000	11,000	11,000

1 At the end of the period.

2 Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA) which, in common with other performance measures, are described in the glossary on page 20.

3 Including Nyfosa.

COMPONENTS OF KEY PERFORMANCE DATA

The components included in a selection of Hemfosa's key financial data are presented below.

RETURN ON EQUITY

MSEK	Sep 30		Dec 31
	2018	2017	2017
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	3,385	3,436	3,150
Average equity attributable to Parent Company shareholders	15,073	15,957	16,614
Return on equity, %	22.5	21.5	19.0

RETURN ON EQUITY FOR CONTINUING OPERATIONS

MSEK	Sep 30		Dec 31
	2018	2017	2017
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	1,825	-	-
Average equity attributable to Parent Company shareholders	13,399	-	-
Return on equity, %	13.6	-	-

EQUITY/ASSETS RATIO

MSEK	Sep 30		Dec 31
	2018	2017 ³	2017 ³
Equity	13,043	17,303	17,807
Total assets	54,799	42,667	44,086
Equity/assets ratio, %	23.8	40.6	40.4

EQUITY/ASSETS RATIO FOR CONTINUING OPERATIONS

MSEK	Sep 30		Dec 31
	2018	2017	2017
Equity	13,043	-	-
Total assets	37,529	-	-
Equity/assets ratio, %	34.8	-	-

NET LOAN-TO-VALUE RATIO

MSEK	Sep 30		Dec 31
	2018	2017 ³	2017 ³
Cash and cash equivalents	1,511	463	541
Interest-bearing liabilities	22,392	23,017	24,033
Investment properties	35,570	39,736	41,119
Net loan-to-value ratio, %	58.7	56.8	57.1

³ Including Nyfosa

DEBT/EQUITY RATIO

MSEK	Sep 30		Dec 31
	2018	2017 ³	2017 ³
Interest-bearing liabilities	22,392	23,017	24,033
Equity	13,043	17,303	17,807
Debt/equity ratio, multiple	1.7	1.3	1.3

INTEREST-COVERAGE RATIO

MSEK	Sep 30		Dec 31
	2018	2017	2017
Profit from property management	840	897	1,173
Share in profit from joint ventures and associated companies	22	153	187
Depreciation/amortization	0	0	-1
Financial income and expenses	-368	-283	-381
Interest-coverage ratio, multiple	3.2	3.6	3.6

EPRA NAV

MSEK	Sep 30		Dec 31
	2018	2017 ³	2017 ³
Shareholders' equity attributable to Parent Company shareholders	12,927	17,220	17,723
Preference share capital	1,791	1,791	1,791
Deferred tax	1,115	976	1,184
Derivatives	7	53	34
Deferred tax in joint ventures, Nyfosa's share	0	332	383
Derivatives in joint ventures, Nyfosa's share	0	175	164
Number of ordinary shares, millions	168	158	158
EPRA NAV, SEK	73.08	107.56	112.20

EPRA NAV ADJUSTED FOR REVERSED DISTRIBUTION OF NYFOSA

MSEK	Sep 30		Dec 31
	2018	2017	2017
Shareholders' equity attributable to Parent Company shareholders	21,004	-	-
Preference share capital	1,791	-	-
Deferred tax	1,593	-	-
Derivatives	9	-	-
Deferred tax in joint ventures, Nyfosa's share	308	-	-
Derivatives in joint ventures, Nyfosa's share	132	-	-
Number of ordinary shares, millions	168	-	-
EPRA NAV, SEK	126.72	-	-

Quarterly review

	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017
Rental income, MSEK	642	632	568	545	528	532	497
Property expenses							
Operating expenses, MSEK	-82	-110	-120	-86	-55	-97	-104
Maintenance costs, MSEK	-52	-36	-42	-50	-37	-21	-46
Property tax, MSEK	-18	-18	-18	-18	-18	-15	-15
Property administration, MSEK	-21	-22	-20	-13	-15	-17	-12
Net operating income, MSEK	468	446	368	378	403	382	320
Surplus ratio, %	73.0	70.6	64.8	69.4	76.3	71.8	64.4
Economic leasing rate, %	94.4	93.4	93.4	92.5	92.0	92.2	91.7
Yield, %	5.2	5.2	5.4	5.4	5.9	5.4	5.4
Profit from property management, MSEK	330	268	243	277	280	405	211
Profit from property management per ordinary share, SEK	1.80	1.29	1.41	1.58	1.60	2.40	1.16
Profit for the year, MSEK	1,290	926	701	528	775	874	986
Profit for the year per ordinary share, before dilution, SEK	7.51	5.62	4.19	3.17	4.73	5.31	6.02
Profit for the year per ordinary share for continuing operations, before dilution, SEK	3.64	-	-	-	-	-	-
Profit for the year per ordinary share, after dilution, SEK	7.50	5.61	4.19	3.16	4.69	5.31	6.02
Profit for the year per ordinary share for continuing operations, after dilution, SEK	3.63	-	-	-	-	-	-
Fair value of properties, MSEK	35,570	46,290	44,937	41,119	39,736	38,153	35,751
Equity, MSEK	13,043	19,936	18,717	17,807	17,303	16,517	16,496
Equity per ordinary share, SEK	66.39	107.49	106.66	101.01	97.82	92.86	92.77
Equity per ordinary share adjusted for reversed distribution of Nyfosa, SEK	114.55	-	-	-	-	-	-
EPRA NAV per ordinary share, SEK	73.08	119.13	118.87	112.20	107.55	101.93	100.89
EPRA NAV per ordinary share adjusted for reversed distribution of Nyfosa, SEK	126.72	-	-	-	-	-	-
Return on equity, % ¹	22.5	30.5	31.3	19.0	21.5	27.3	28.0
Return on equity for continuing operations, %	13.6	-	-	-	-	-	-
Equity/assets ratio, %	23.8	39.5	39.5	40.4	40.6	39.7	42.7
Equity/assets ratio, continuing operations, %	34.8	-	-	-	-	-	-
Net loan-to-value ratio, properties, %	58.7	53.9	56.9	57.1	56.8	56.4	55.5
Debt/equity ratio, multiple	1.7	1.4	1.4	1.3	1.3	1.4	1.3
Interest-coverage ratio, multiple	3.6	2.8	3.3	3.5	3.9	3.8	3.2
Cash flow from operating activities before changes in working capital, MSEK ²	432	402	354	373	433	500	312
Cash flow per ordinary share, SEK ²	2.58	2.36	2.07	2.19	2.57	3.00	1.81
Cash flow from operating activities, MSEK	669	223	503	449	301	652	140
Cash flow per ordinary share, SEK	3.82	1.24	3.01	2.67	1.73	3.96	0.72

¹ Pertains to rolling 12-month periods.

² The key figure will no longer be included in the Quarterly review as of the first quarter of 2019.

Notes

note 1 ACCOUNTING POLICIES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting, as well as applicable regulations of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. For both the Group and the Parent Company, the same accounting policies have been applied as in the most recent Annual Report, with the exception of the amended accounting policies described below. All amounts in this interim report are stated in millions of kronor (MSEK), unless otherwise stated. The amounts in parenthesis pertain to the year-earlier period. Rounding off differences may occur.

The Group started to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The Group made use of the exemption to not restate comparative information for earlier periods as regards changes to classification and measurement (including impairment).

IFRS 9 Financial Instruments

IFRS 9 entails changes in how financial assets are classified and measured and introduces an impairment model that is based on expected credit losses rather than losses incurred. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Impairment of financial assets and contract assets

IFRS 9 replaces the incurred loss model with an expected credit loss model. This new impairment model is to be applied to financial assets measured at amortized cost or fair value through other comprehensive income except for investments in equity instruments (shares and participations) and contract assets.

Under IFRS 9, loss allowances are recognized as follows:

- 12-month expected credit losses: recognized for default events that can be expected to occur within 12 months
- full lifetime expected credit losses: recognized for default events that can be expected to occur over the life of the asset.

The receivables recognized in the Group mainly comprise rent receivables in respect of advance payment subject to a very low credit risk. The Group has made the assessment that no additional impairment is required.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces existing IFRSs governing revenue recognition from January 1, 2018. The Group's revenue essentially comprises rental income recognized according to IAS 17 Leases, which is why IFRS 15 only applies to sales of property management services and media. The impact on the consolidated financial statements consists essentially of a breakdown of revenue into rental income and other income. IFRS 15 will also result in expanded disclosure requirements regarding income, see Note 3.

IFRS 16 Leases

Effective 2019, IFRS 16 Leases replaces existing IFRSs related to recognition of leases, such as IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. The Group has decided not to implement IFRS 16 prospectively. IFRS 16 mainly impacts lessees and the greatest impact is that all leases that according to the currently prevailing policies are to be recognized as operating leases will have to be recognized in a manner that resembles recognition of financial leases. This entails that an asset and liability will have to be recognized for operating leases, with associated recognition of costs for

depreciation/amortization and interest payments - in contrast to the current policies, according to which no recognition is necessary for leased assets and the related debt, and that leasing fees are accrued straight line as a leasing expense.

The Group's initial assessment of the potential effects on the financial statements is that the impact will be marginal. The final effect of the introduction of IFRS 16 will depend on future economic circumstances, including the Group's loan interest on January 1, 2019, the composition of the Group's lease portfolio on that date, the Group's most recent assessment of whether it will use any options to extend leases and the extent to which the Group decided to make use of relief rules and exemptions from recognition in the balance sheet/statement of financial position.

Accounting policies pertaining to operations to be distributed to shareholders (IFRS 5 and IFRIC 17)

The operations in Nyfosa have been recognized in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The distribution of Nyfosa has been recognized in accordance with IFRIC 17 Distribution of Non-cash Assets to Owners. This entails that the Hemfosa Group's equity for the third quarter has been reduced by an amount corresponding to the fair value of the liability to the shareholders in connection with the forthcoming distribution. This has resulted in the distribution reducing equity in the consolidated financial statements as though the distribution had already taken place.

The shares in the discontinued operations of Nyfosa will be distributed to Hemfosa's shareholders during the fourth quarter of 2018 and have been recognized as operations to be distributed to shareholders (discontinued operations) in accordance with IFRS 5. Discontinued operations are recognized separately from continuing operations in profit or loss with retroactive effect for prior periods. Nyfosa's profit after tax until the distribution date is recognized in profit or loss under the line "Net profit for the period after tax from operations to be distributed to shareholders" together with the listing costs associated with the distribution.

The forthcoming distribution of Nyfosa in accordance with IFRIC 17 is expected to generate a result during the fourth quarter that will not impact cash flow. This result reflects the difference between the market value of Nyfosa's shares (based on the closing price on the first day of trading) and the company's carrying amount in the consolidated balance sheet. This entails an adjustment of the reduction in equity recognized in the third quarter so that in the consolidated financial statements the distribution comprises the fair value of the listed shares in Nyfosa.

note 2 ESTIMATES AND ASSESSMENTS

The preparation of interim reports requires that company management make assessments and estimates, and make assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, income and expenses recognized. The actual outcome may deviate from these estimates and assessments. The critical assumptions and sources of uncertainty in estimates are the same as those described in the most recent Annual Report; Note 24.

note 3 OPERATING SEGMENTS

As part of internal reporting to Group management, net operating income is monitored by market, corresponding to the three countries in which Hemfosa has investments. These three countries constitute the Group's accounting by operating segment. Other income statement items within Profit from property management are monitored at the consolidated level. The same accounting policies and calculation bases have been used in the interim report as in the most recent Annual Report.

5 percent of total rental income comprises income for media and service, such as snow clearance.

Net operating income, Total (MSEK)	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	642	528	1,842	1,558	2,103
Property expenses					
<i>Operations</i>	-82	-55	-312	-256	-342
<i>Maintenance</i>	-52	-38	-130	-105	-154
<i>Property tax</i>	-18	-18	-54	-48	-66
Property administration	-21	-15	-63	-43	-56
Net operating income	468	403	1,282	1,106	1,484
Profit from property management	330	280	840	897	1,173
Changes in value	386	291	1,112	1,217	1,319
Profit before tax for the period	715	571	1,951	2,113	2,493
Tax	-77	-88	-377	-415	-544
Profit for the period	638	483	1,575	1,698	1,949

Net operating income, Sweden (MSEK)	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	462	410	1,369	1,227	1,653
Property expenses					
<i>Operations</i>	-75	-50	-289	-240	-317
<i>Maintenance</i>	-47	-36	-119	-100	-145
<i>Property tax</i>	-15	-13	-45	-39	-54
Property administration	-21	-13	-62	-40	-55
Net operating income	304	298	854	809	1,083

Net operating income, Norway (MSEK)	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	137	78	348	221	299
Property expenses					
<i>Operations</i>	-2	-1	-6	-3	-5
<i>Maintenance</i>	-4	-1	-6	-2	-5
<i>Property tax</i>	-1	-1	-3	-3	-4
Property administration	-0	-0	-0	-2	-1
Net operating income	129	75	332	211	284

Net operating income, Finland (MSEK)	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	43	40	125	110	151
Property expenses					
<i>Operations</i>	-5	-4	-17	-13	-20
<i>Maintenance</i>	-1	-1	-5	-3	-4
<i>Property tax</i>	-2	-4	-6	-6	-8
Property administration	-0	-1	-0	-1	0
Net operating income	35	30	96	86	118

Key performance data, September 30	Sweden		Norway		Finland		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Rental value, MSEK	2,041	2,835	541	326	177	162	2,759	3,322
Leasable area ¹ , 000s sqm	1,645	2,558	283	197	112	112	2,040	2,866
Fair value of properties, MSEK	24,639	32,940	9,069	5,079	1,862	1,717	35,570	39,736
No. of properties	317	417	48	38	8	8	373	463
Yield ² , %	5.2	5.2	5.5	5.9	6.8	6.9	5.2	5.9
Economic leasing rate, %	93.5	91.4	97.6	96.4	95.7	93.6	94.4	92.0
Remaining lease term, years	5.6	5.4	11.3	7.4	5.5	6.5	6.7	5.7
Surplus ratio for the period, %	62.4	65.9	95.4	95.5	76.8	78.2	69.6	71.0

1 Excluding garage space

2 According to current earnings capacity on the balance-sheet date

3 Including Nyfosa

note 4 TAX

The Group's effective tax rate for the period was 19.3 percent (19.6).

According to the prevailing regulatory framework, deferred tax on temporary differences on all assets and liabilities is to be taken into account, with the exception of temporary differences on properties in connection with asset acquisitions. In June 2018, the Swedish government decided that the corporate tax rate would be reduced in two steps to 20.6 percent for fiscal years commencing January 1, 2021 or later. Hemfosa's assessment is that deferred taxes in the Group will be realized in 2021 or later, which is why amounts were restated at a tax rate of 20.6 percent. The effect of the remeasurement of deferred tax assets and liabilities amounted to MSEK +42 and was charged in full to earnings for the second quarter of 2018.

The residual value of investment properties for tax purposes totaled MSEK 17,329, which means that temporary differences of MSEK 10,901 are not recognized in the Statement of financial position.

MSEK	Sep 30, 2018
Loss carryforwards	2,989
Residual value for tax purposes, properties	17,329
Temporary difference not recognized in the consolidated financial statements	10,901

note 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Hemfosa measures its financial instruments at fair value or amortized cost in the Statement of financial position, depending on the classification of the instrument. Financial instruments include rent receivables, derivatives and cash and cash equivalents among assets and interest-bearing liabilities, derivatives and accounts payable among liabilities. Derivatives are measured at fair value following Level 2 measurement. Hemfosa has binding framework agreements, known as ISDAs, covering its trading in derivatives, which enable Hemfosa to offset financial liabilities against financial assets should, for example, a counterparty become insolvent; these are also known as netting agreements. No offsetting occurs at present. The table below shows the carrying amounts and fair value of financial assets and liabilities for the financial instruments measured at fair value; i.e. derivatives. The table does not include disclosures on the fair value of financial assets and liabilities not measured at fair value, since the carrying amount is a reasonable approximation of fair value.

Financial instruments, MSEK	Carrying amount		Fair value	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Derivatives with a positive value	4	2	4	2
Derivatives with a negative value	11	55	11	55

note 6 FINANCING

For information on changes in loans, interest rates and terms and conditions, reference is made to pages 10-11 in this interim report.

note 7 SIGNIFICANT RISKS AND UNCERTAINTIES FOR THE GROUP AND PARENT COMPANY

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner on managing these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2017 Annual Report on pages 42-45 and 94-96.

note 8 RELATED PARTIES

The Group owns shares in joint ventures; refer to page 9 of this interim report. Gardermoen Campus Utvikling AS is managed by AspelinRamm AS. The agreements between the parties are conducted in conformity with normal market terms.

note 9 SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

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

note 10 EARNINGS PER SHARE

An incentive program for employees was introduced in 2017. Under the program, Hemfosa issued 1,294,000 warrants conferring rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022. In addition to the warrants, 61,500 synthetic options were issued, conferring rights to subscribe for shares or alternatively to a cash payment during the periods May 1-31, 2022 and August 1-31, 2022. Hemfosa had bought back 40,000 warrants at June 30, 2018. The warrants program is described on page 48 of the 2017 Annual Report.

On June 19, 2018, the company carried out a directed share issue comprising 10,000,000 ordinary shares. On account of the directed share issue, the company's share capital has increased by SEK 5,000,000, thereafter amounting to SEK 89,364,124.

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Profit for the period attributable to Parent Company shareholders	1,287	774	2,858	2,615	3,142
Dividend on preference shares	-27	-28	-82	-82	-110
Profit attributable to Parent Company ordinary shareholders	1,260	746	2,776	2,533	3,032
Average weighted number of ordinary shares, millions	168	158	161	158	158
Profit per ordinary share, before dilution, SEK	7.51	4.73	17.20	16.06	19.22
Profit per ordinary share, after dilution, SEK	7.50	4.69	17.19	15.93	19.21

Number of ordinary shares, millions	168	158	168	158	158
Number of warrants issued, millions	1	1	1	1	1
Estimated dilution, %	0.14	0.82	0.09	0.82	0.04

note 11 NYFOSA - OPERATIONS TO BE DISTRIBUTED TO SHAREHOLDERS

On August 21, 2018, the Board of Directors decided to propose that an extraordinary general meeting resolve to distribute Nyfosa through a non-cash distribution of the shares in the wholly owned subsidiary Nyfosa, including all of its subsidiaries, to the shareholders of Hemfosa. An extraordinary general meeting held on 13 September 2018 resolved in accordance with the Board's proposal. Since the conditions to recognize the operations as available for distribution have been met, Nyfosa is recognized in Hemfosa's interim report for the third quarter as operations to be distributed to shareholder in accordance with IFRS 5 and IFRIC 17. The distribution is expected to take place in the fourth quarter of 2018.

Statement of profit/loss for Nyfosa

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	260	230	744	630	870
Other property income	1	4	4	154	161
Total income	261	234	748	784	1,031
Property expenses					
Operating expenses	-42	-28	-135	-109	-146
Maintenance costs	-21	-15	-52	-44	-66
Property tax	-11	-10	-33	-31	-42
Property administration	-8	-8	-28	-23	-30
Net operating income	178	173	499	578	746
Central administration	-20	0	-36	-5	-9
Other operating income and expenses	-12	1	-10	1	2
Share in profit of joint ventures	76	86	305	264	380
Financial income and expenses	-30	-24	-91	-72	-106
Profit from property management	193	235	668	765	1,013
Changes in value of properties, realized	137	-3	136	34	28
Unrealized changes in value of properties	368	112	654	229	348
Unrealized changes in value of financial instruments	-1	1	-2	2	6
Profit before tax for the period	697	345	1,456	1,029	1,394
Current tax	-45	-51	-149	-93	-180
Profit for the period	652	292	1,307	937	1,215
Earnings per share ¹	3.89	1.74	7.79	5.59	7.24

¹ Calculated on number of shares at end of the period

Statement of financial position for Nyfosa

MSEK	Sep 30		Dec 31
	2018	2017	2017
ASSETS			
Investment properties	15,417	11,552	12,090
Shares in joint ventures	1,414	1,199	1,315
Derivatives	2	0	4
Other fixed assets	1	1	1
Total fixed assets	16,833	12,752	13,410
Current receivables	121	58	61
Cash and cash equivalents	316	185	160
Total current assets	436	243	222
TOTAL ASSETS	17,270	12,996	13,632
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	8,077	3,348	3,479
Equity	8,077	3,348	3,479
Non-current interest-bearing liabilities	7,069	3,351	3,617
Other non-current liabilities	11	3	4
Derivatives	-	0	-
Deferred tax liabilities	478	349	404
Total non-current liabilities	7,559	3,703	4,025
Current interest-bearing liabilities	908	2,811	2,965
Other current liabilities	726 ¹	3,134	3,162
Total current liabilities	1,634	5,945	6,128
Total liabilities	9,193	9,648	10,153
TOTAL EQUITY AND LIABILITIES	17,270	12,996	13,632

¹ Of which liabilities to Hemfosa MSEK 395

Statement of cash flow for Nyfosa

Statement of cash flow, MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Operating activities					
Profit from property management	193	235	668	765	1,013
Adjustments for non-cash items	-76	-86	-305	-264	-379
Income tax paid	0	0	-4	5	-5
Subtotal	117	150	358	506	629
Change in operating receivables	253	3	-30	-13	-19
Change in operating liabilities	445	39	752	30	-133
Cash flow from operating activities	815	192	1,081	523	477
Investing activities					
Direct and indirect acquisitions of investment properties	-3,429	-336	-3,654	-1,356	-1,735
Direct and indirect divestments of investment properties	927	-3	1,202	268	307
Investments in existing properties	-56	-36	-143	-185	-260
Dividends received from joint ventures	-	-	200	100	100
Other	-	-1	6	-2	-3
Cash flow from investing activities	-2,558	-376	-2,389	-1,175	-1,591
Financing activities					
New issue	5	-	84	-	-
Loans raised	2,697	733	3,221	699	1,979
Repayment of loans	-1,402 ¹	-592	-1,842 ¹	-115	-958
Cash flow from financing activities	1,300	141	1,463	584	1,021
Cash flow for the period	-444	-43	155	-69	-93
Cash and cash equivalents at the beginning of the period	759	228	160	253	253
Cash and cash equivalents at the end of the period	316	185	316	184	160

1 Of which repayment of loans to Hemfosa MSEK 1,250.

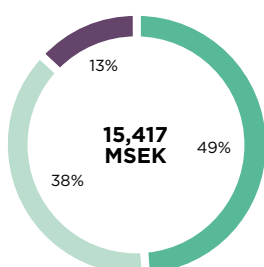
NYFOSA - OPERATIONS TO BE DISTRIBUTED TO SHAREHOLDERS

PROPERTY PORTFOLIO

Nyfosa's property portfolio on September 30, 2018 primarily comprised office properties in high-growth municipalities and warehouse/logistics properties at transportation hubs in Sweden. As of September 30, 2018, the property portfolio comprised 176 properties with a total property value of MSEK 15,417 and a rental value of MSEK 1,402 with a leasable area of 1,573,000 square meters.

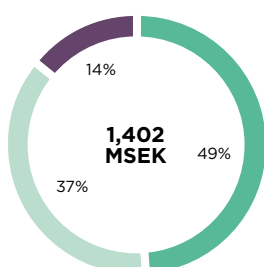
In addition to Nyfosa's wholly owned property portfolio, the company also holds shares in the joint venture Söderport Holding AB, owned jointly with AB Sagax (publ) (50 percent holding each). As of September 30, 2018, the property value of the joint venture property amounted to MSEK 7.5.

Property value per category
Sep 30, 2018



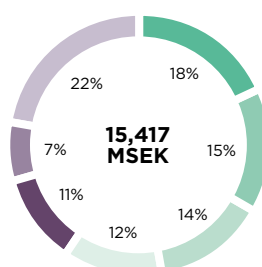
- Offices
- Logistic/warehouse activities
- Other

Rental value per category
Sep 30, 2018



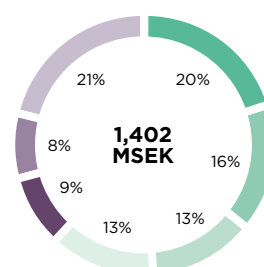
- Offices
- Logistic/warehouse activities
- Other

Property value per region
Sep 30, 2018



- Småland
- Coast of Norrland
- Greater Stockholm
- Greater Göteborg
- Mälardalen
- Greater Malmö
- Other

Rental value per region
Sep 30, 2018



- Småland
- Coast of Norrland
- Greater Stockholm
- Greater Göteborg
- Mälardalen
- Greater Malmö
- Other

Acquisitions and divestments of properties

During the quarter, the company acquired a property portfolio comprising office space in high-growth municipalities and warehouses and logistics properties at transportation hubs in Sweden for a total value of approximately SEK 3.6 billion. The property portfolio comprises 51 properties totaling approximately 460,000 square meters with a rental value of about MSEK 318 and an average remaining lease term of 3.4 years. The properties are located in 17 towns and cities, mainly in central and southern Sweden, including Stockholm, Malmö, Västerås, Borås and Lund.

During the quarter, the company vacated the Kungsängen 15:1 property in Uppsala, with an underlying property value of approximately SEK 1 billion.

Acquisitions, January–September 2018

Municipality	Property	Category	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 3</i>				
Stockholm, Malmö, Västerås, Borås, Lund m.fl.	51 properties	Offices, warehouse/logistics	460	318
<i>Quarter 1-2</i>				
Falköping	Eldaren 1	Other	5	4
Södertälje	Tellus 4 ¹	Other	13	19

1. Previously jointly owned through holdings by joint ventures.

Ongoing projects in wholly owned properties, September 30, 2018

Municipality	Property	Type	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Umeå	Tyr 8	Office	Vattenfall	5	129	Q2, 2019

CURRENT EARNINGS CAPACITY FOR NYFOSA

Below is the company's current earnings capacity presented on a 12-month basis on the balance-sheet date for Nyfosa. Current earnings capacity is to be considered solely as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on the property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions.

Divestments, January–September 2018

Municipality	Property	Category	Area, 000s of sqm
<i>Quarter 3</i>			
Uppsala	Kungsängen 15:1	Offices	25
<i>Quarter 1-2</i>			
Möndal	Anisen 2	Other	6
Möndal	Gasmätaren 2	Other	5
Växjö	Postiljonen 2	Other	20

Investments in existing properties

Investments totaling MSEK 143 were made in the existing property portfolio, where the largest project comprises a reconstruction of the Tyr 8 property in Umeå, which was damaged in a fire in 2016. The project is scheduled for completion in 2019.

Group's earnings capacity

MSEK	Sep 30, 2018
Rental income	1,244
Property expenses	-358
Property administration	-32
Net operating income	853
Central administration	-65
Share in profit from joint ventures and associated companies	145
Financial expenses	-146
Profit from property management	786

HEMFOSA FASTIGHETER AB

INCOME STATEMENT for the Parent Company

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2018	2017	2018	2017	2017
Net sales	7	9	26	25	33
Other external costs	-15	-9	-41	-36	-47
Personnel costs	-8	-10	-26	-21	-32
Depreciation/amortization	-0	-0	-0	-0	-0
Operating loss	-16	-10	-41	-32	-46
Profit from shares in Group companies	-	-	-	-3	897
Interest income and similar income items	4	8	19	18	26
Interest expenses and similar expense items	-18	-15	-46	-51	-71
Profit/loss after financial items	-29	-18	-68	-68	806
Appropriations					
Group contributions received and paid	-	-	-	-2	116
Profit/loss after appropriations	-29	-18	-68	-70	922
Tax	6	0	16	0	0
Profit/loss for the year	-23	-18	-52	-70	922

For the January–September 2018 period, the Parent Company recognized a loss after tax of MSEK -52 (-70). The Parent Company's fee for central and property administrative services on behalf of Group companies during the period was MSEK 26 (25). Profit for the year corresponds to comprehensive income for the year.

BALANCE SHEET for the Parent Company

MSEK	Sep 30		Dec 31
	2018	2017	2017
ASSETS			
Tangible assets	1	1	1
Participations in Group companies	8,783	5,397	5,326
Non-current receivables from Group companies	227	681	810
Total fixed assets	9,011	6,079	6,137
Current receivables from Group companies	5,978	10,482	11,490
Other current receivables	54	108	45
Cash and bank balances	364	11	0
Total current assets	6,396	10,601	11,535
TOTAL ASSETS	15,407	16,681	17,672
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity	89	84	84
Unrestricted equity	7,393	10,137	11,130
Equity	7,482	10,221	11,214
Non-current interest-bearing liabilities	2,000	2,000	2,000
Non-current liabilities to Group companies	9	0	8
Other non-current liabilities	1	5	3
Total non-current liabilities	2,010	2,005	2,011
Commercial paper, short-term	1,550	1,995	1,995
Current liabilities to Group companies	-	1,962	2,208
Other current liabilities	4,364	498	244
Total current liabilities	5,914	4,455	4,447
Total liabilities	7,924	6,460	6,458
TOTAL EQUITY AND LIABILITIES	15,407	16,681	17,672
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Participations in Group companies		2,660	2,660
<i>Contingent liabilities</i>			
Sureties for liabilities in Group companies	21,805	15,336	17,353
Sureties for liabilities in joint ventures	-	183	184

At September 30, 2018, the Parent Company had shareholders' equity totaling MSEK 7,482 (10,221), of which restricted equity accounted for MSEK 89 (84).

Intra-Group liabilities totaled MSEK 9 (1,962) and intra-Group receivables MSEK 6,205 (11,163).

Following a decision by the extraordinary general meeting on September 13, 2018 to distribute the subsidiary Nyfosa, a dividend of MSEK 3,844 has been recognized in other current liabilities.

Review REPORT

To the Board of Directors of Hemfosa Fastigheter AB (publ)
Corp. Reg. No. 556917-4377

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) for Hemfosa Fastigheter AB (publ) for the period ending on 30 September 2018 and for the nine-month period ending on that date. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed based on an audit.

CONCLUSIONS

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the accompanying interim report has not been prepared in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, 23 October 2018

KPMG AB

Björn Flink
Authorized Public Accountant

GLOSSARY

Return on equity

Profit/loss for a rolling 12-month period in relation to average equity during the same period.

Yield*

Net operating income for a rolling 12-month period in relation to the carrying amounts of the properties, adjusted for the holding period of the properties during the period. The key figure indicates the yield from operational activities in relation to the properties' value.

Net operating income*

Net operating income comprises the income and expense items directly connected to the property, meaning rental income and the expenses required to keep the property in operation, such as operating expenses, maintenance costs and personnel costs for those who take care of the property and tenant contacts. The indicator is used to provide comparability with other property companies, but also to illustrate operational performance.

Equity per ordinary share

Equity as a percentage of the number of ordinary shares at the end of the period after taking into account the preference share capital.

Equity per preference share

Equity per preference share corresponds to the average issue price for the preference shares.

Economic leasing rate

Rental income as a percentage of the rental value at the end of the period.

Property

Properties held under title or site leasehold.

Profit from property management*

Profit from property management comprises net operating income plus property management and administration expenses as well as financial income and expenses. This earnings ratio does not include effects of changes in the value of investment properties and derivatives. These are reported separately in the Statement of profit/loss and are not included in distributable profit.

Profit from property management per ordinary share

Profit from property management for the period, less the pre-emptive rights of preference shares to a dividend, in relation to the weighted average number of ordinary shares.

Rental income

Rents charged including supplements for heating and property tax, as well as other property income.

Rental value*

Rental income for the total leasable area.

IAS

International Accounting Standards. The international accounting standards issued by the independent body, the International Accounting Standards Board (IASB) and then processed and adopted by the EU. The rules must be complied with by listed companies in the EU.

IFRS

International Financial Reporting Standards. International accounting standards to be applied for the consolidated financial statements of listed companies in the EU from 2005.

Cash flow from operating activities per ordinary share

Cash flow from operating activities, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares.

Net loan-to-value ratio*

The net of interest-bearing liabilities and bank balances at the end of the period in relation to the fair value of the properties in the statement of financial position. The net loan-to-value ratio is a measure of risk that indicates the degree to which the operation is encumbered with interest-bearing liabilities, but taking into account bank balances. The key figure provides comparability with other property companies.

Preference share capital

The preferential share's issue price multiplied by the number of preference shares.

Profit per ordinary share before dilution

Earnings for the period, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares.

Profit per ordinary share after dilution

Earnings for the period, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares, including potential ordinary shares.

Interest-rate swaps

An agreement between two parties to swap interest-rate conditions on loans in the same currency. The swap entails that one party exchanges its floating interest rate for a fixed rate, while the other party receives a fixed rate in exchange for a floating rate. The aim of an interest-rate swap is to reduce interest-rate risk.

Interest-rate cap

An interest hedging instrument whereby the lender pays a variable interest up to a predetermined interest-rate level. The aim of interest-rate caps is to reduce the interest-rate risk.

Interest-coverage ratio*

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in profit in joint ventures and associated companies as a percentage of financial income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities.

Community service properties

Properties with directly or indirectly publicly financed tenants who account for at least 70 percent of rental income.

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Net asset value (EPRA NAV) per ordinary share

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax liabilities according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period. The purpose of this key figure is to show the fair value of net assets in a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivatives and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

Ground rent

Annual compensation paid to the owner of the property held under a site leasehold.

Site leasehold

The right to use and transfer, without any limitations, a property without owning the property. The divestment of a site leasehold is subject to the same regulations as the sale of a freehold property.

Dividend policy

The dividend is to amount to 60 percent of profit from property management long term excluding the share of profit/loss in joint ventures and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

Surplus ratio*

Net operating income for the period as a percentage of the rental income. The surplus ratio shows the percentage of each Swedish krona earned that the company can keep. The key figure serves as a measure of efficiency that is comparable over time and among property companies.

* Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA).



Hemfosa

FASTIGHETER

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