

Q3

Interim report
January - September 2019

THE MOST IMPORTANT PEOPLE
DESERVE THE BEST PROPERTY

Hemfosa
FASTIGHETER

KEY FIGURES

	Jan-Sep		Jul-Sep	
	2019	2018	2019	2018
Rental income, MSEK	2,128	1,842	735	642
Net operating income, MSEK	1,526	1,282	556	468
Surplus ratio, %	71.7	69.6	75.6	73.0
Profit from property management, MSEK	1,039	840	395	330
Unrealized changes in value, properties, MSEK	814	1,101	89	364
Profit after tax, MSEK	1,497	1,576	439	638
- per ordinary share before dilution, SEK	8.59	8.90	2.59	3.31
- per ordinary share after dilution, SEK	8.58	8.89	2.59	3.31
Cash flow from operating activities, MSEK	1,133	1,368		
Property value, SEK billion	39.8	36.0 ¹		
Net asset value (EPRA NAV) per ordinary share, SEK	83.75	75.11 ¹		
Equity/assets ratio, %	35.1	35.4 ¹		

¹ Year-end 2018

January-September 2019¹

- Rental income increased 16 percent mainly on the basis of a growing property portfolio. The increase for the comparable portfolio was just under 4 percent.
- Net operating income increased 19 percent, of which just under 5 percent in the comparable portfolio.
- The surplus ratio was strengthened by just over two percentage points. This was largely attributable to effects from acquired properties, but also to a higher surplus ratio in the comparable portfolio.
- Profit from property management increased 24 percent, primarily driven by higher rents from property acquisitions.
- Unrealised changes in value amounted to MSEK 814, which corresponds to an increase of 2.3 percent, of which 0.3 percent arose in the third quarter. Valuation yields for the quarter remained principally unchanged.
- Profit after tax decreased 5 percent due to unrealized changes in value being greater last year.
- The property value increased 10 percent.
- Net asset value (EPRA NAV) increased to just under SEK 84 per share.
- On the balance-sheet date, earnings capacity amounted to MSEK 1,465, compared with MSEK 1,360 at year-end.

¹ Comparative figures for income items refer to values for the period January-September 2018 and for balance sheet items as of December 31, 2018.

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- Acquisitions were completed in Sweden and Finland:
 - In Espoo and Helsinki, Finland, possession was taken of a portfolio with public-sector offices in July with an underlying property value of MSEK 465.
 - In Nacka, Sweden, possession was taken in July of a retirement home with an underlying property value of MSEK 156. This acquisition was paid in its entirety through a non-cash issue of 1,760,000 ordinary shares.
- A three-year green bond loan in an amount of MSEK 800 was issued at a margin of 210 bps.
- The fixed-rate period was extended by nearly six months without impacting the average interest rate, through raising interest-rate swaps.

FASTER THAN PLANNED

Hemfosa is growing and developing in a very positive manner. After several acquisitions in the spring and summer, our property portfolio to date has increased by nearly SEK 4 billion. This was faster than we expected when we set the new growth targets at the beginning of the year. And we are achieving this with healthy profitability as well. Of course our aim is to maintain a fast tempo going forward as well, and I think we have every opportunity of doing so with a strong pipeline in terms of acquisitions and projects. Moreover, we have a solid amount of cash in hand from an additional green bond.

When in January we set a target of achieving a property portfolio of SEK 50 billion within five years, we were counting on a certain start-up phase in order to get both our organization and our business up to speed. Instead, our start has been surprisingly robust, which of course is gratifying. In the first nine months of the year, we grew rapidly and have now attained a property value of approximately SEK 40 billion. This was primarily driven by the acquisitions we carried out in all three markets. During the quarter, we completed two additional first-rate transactions: a healthcare property in Nacka and a public-sector office portfolio in the Helsinki area. With the acquisition of the healthcare property in Nacka, we also had the possibility of paying with newly issued shares, which indicates our strength in doing business using various types of financing.

The growth in our property portfolio must always be matched by healthy profitability. Our goal is an increase in distributable earnings of more than 10 percent on average per year. Here as well, we are doing better than planned; for the first nine months of the year we exceeded this goal by far.

Investments for tenant needs

As part of our project business, we have several exciting projects in the planning phase, and negotiations are in progress that we hope to successfully conclude in the near future. In addition, we work continually on important investments, both large and small, in our existing property portfolio in order to meet our tenants' changing needs. This facilitates lease extensions, increases in value – and, most importantly, satisfied tenants. One relevant example is the conversion and expansion of the Kunskapsskolan premises in Landskrona, which resulted in a new 15-year lease. After completion, Kunskapsskolan will be able to increase the number of students thanks to larger premises and a bigger schoolyard. We are also taking the opportunity to update the technical installations, with better indoor climates and lower energy use as a result.

Moving toward increased sustainability

Hemfosa's ownership ambitions have an explicit long-term perspective, which goes hand in hand with a sustainable approach in our operations. To accelerate this work, we strengthened our organization this autumn with the addition of a new Sustainability Manager. With that, we are increasing our compe-



tence and bringing in a resource that will help drive and inspire our efforts as we develop our sustainability agenda. One important guidepost for us is that our properties must stand over time, which is something we keep in mind when choosing solutions for our properties.

Community service properties remain stable

This autumn is characterized by a business cycle that is difficult to assess, as well as an uncertain market situation. However, our community service properties are only impacted to a limited extent by the business cycle, the more important is the demographic trends in our markets. Regardless of the business cycle, municipalities and operators around the country need schools for larger age groups of children and healthcare facilities for increasing numbers of the elderly. Similarly, the needs of public authorities and judicial institutions remain, and here we are even seeing an increased demand for premises for the police and the courts. Hemfosa has a role to play in supporting community service operations where the needs exist, and these needs are – and will remain – great in our segments and markets. We are proud of playing this role and of being specialists in properties for vital community service operations.

Caroline Arehult,
CEO

COMMENTS ON EARNINGS

Consolidated statement of profit/loss and comprehensive income

MSEK	Jan-Sep		Jul-Sep	
	2019	2018	2019	2018
Rental income	2,128	1,842	735	642
Property expenses				
Operating expenses	-349	-312	-90	-82
Maintenance costs	-120	-130	-43	-52
Property tax	-59	-54	-21	-18
Property administration	-73	-63	-24	-21
Net operating income	1,526	1,282	556	468
Central administration	-98	-102	-27	-35
Other operating income and expenses	4	6	1	2
Share in profit of joint ventures	-1	2	-0	-2
Share in profit of associated companies	10	20	4	16
Financial income and expenses	-403	-368	-138	-120
Profit from property management	1,039	840	395	330
Change in value of properties, realized	-	-2	-	-
Change in value of properties, unrealized	814	1,101	89	364
Changes in value, financial instruments	-77	13	-9	21
Profit before tax	1,777	1,952	475	715
Tax	-280	-377	-36	-77
Profit after tax	1,497	1,575	439	638
<i>Discontinued operations</i>				
Profit after tax from Nyfosa distributed to shareholders	-	1,307	-	652
Profit for the period	1,497	2,882	439	1,290
Other comprehensive income				
Translation differences in translation of foreign operations	235	264	-19	-72
Comprehensive income for the period	1,732	3,146	420	1,217
<i>Profit for the period attributable to:</i>				
Parent Company shareholders	1,497	2,858	439	1,287
Non-controlling interests	0	24	0	3
Profit for the period	1,497	2,882	439	1,290
<i>Comprehensive income for the period attributable to:</i>				
Parent Company shareholders	1,720	3,115	420	1,217
Non-controlling interests	12	31	0	1
Comprehensive income for the period	1,732	3,146	420	1,218

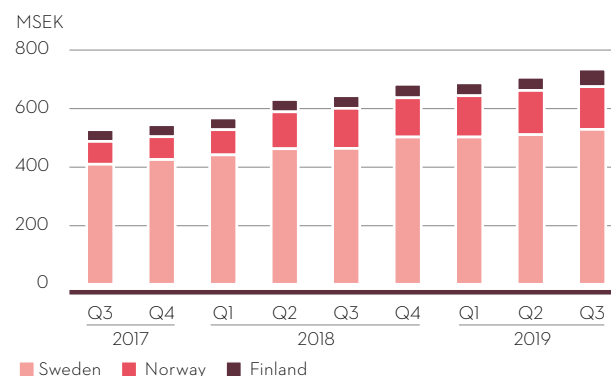


Rental income

Rental income increased during the interim period by MSEK 286 year-on-year, corresponding to 16 percent. The increase was primarily attributable to a larger property portfolio as a result of implemented acquisitions.

Rental income in the comparable portfolio increased MSEK 62, or 3.6 percent. Indexing, leasing of vacant floor space and renegotiations contributed to this increase.

Rental income per quarter by market

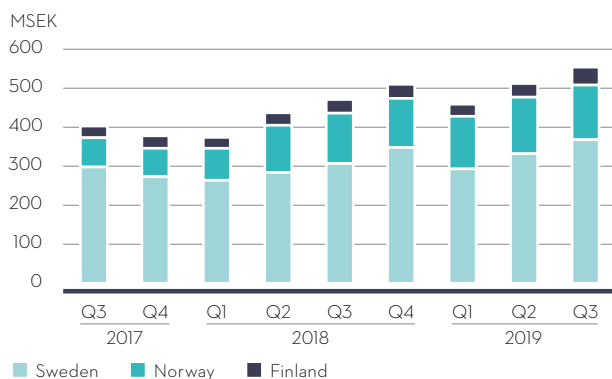


Net operating income

Net operating income for the interim period was strengthened by MSEK 245, or 19 percent, year-on-year. This was primarily attributable to increased rental income, but it can also be noted that property expenses did not increase at the same pace as rental income.

Net operating income in the comparable portfolio increased MSEK 56, or 4.8 percent. In other words, the level of operating efficiency in the comparable portfolio remained high.

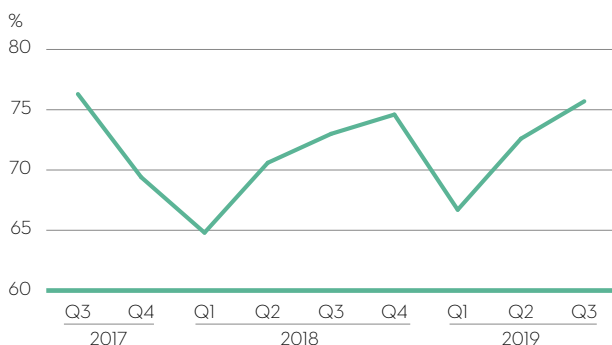
Net operating income per quarter by market



Surplus ratio

The surplus ratio for the interim period increased to 71.7 percent (69.6). The surplus ratio for the quarter was 75.6 percent (73.0). The increase was largely attributable to the effects of acquired properties, but also to a higher surplus ratio in the comparable portfolio.

Surplus ratio per quarter



Net financial items

Net financial items for the interim period were somewhat higher year-on-year. This is attributable primarily to a larger loan volume, although non-recurring costs for repurchase of bonds also had an impact. The average interest rate in the loan portfolio at September 30 was 2.16 percent, and is thus principally unchanged from the preceding quarter despite an increased fixed-rate period and a higher underlying interest rate in Norway (NIBOR).

As of this year, ground rent is classified among financial expenses due to the application of IFRS 16. Ground rent for the interim period was MSEK -3.

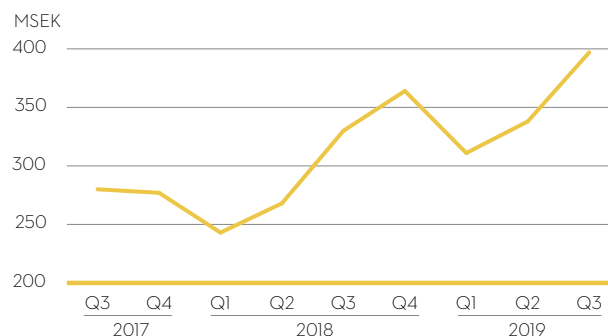
Profit from property management

Profit from property management was MSEK 199 higher year-on-year, which corresponds to 24 percent. This was mainly due to a larger volume and higher margin/surplus ratio.

Central administration costs were in line with the preceding year. Expenses for the demerger of the company were included at that time. This year includes costs for incomplete acquisitions as well as recruitment and consulting costs associated with fully staffing the organization.

Shares in profit from joint ventures were lower year-on-year, primarily due to the hospital at Gardermoen being a joint venture during the first quarter of the preceding year, but subsequently being recognized as a subsidiary. Shares in profit from associated companies were lower year-on-year despite growth in the part-owned company in Norway, Offentlig Eiendom, in parallel with Hemfosa increasing its shareholding. This is attributable to a revaluation in the preceding year of the part-owned company's properties in the third quarter, which resulted in an unrealized increase in value of MSEK 13 for Hemfosa's shareholding.

Profit from property management per quarter



Change in value

Unrealized changes in value in the property portfolio were MSEK 814 (1,101) during the period. For the third quarter, the change in value was MSEK 89 (364), corresponding to 0.2 percent of the quarter's opening property value. Compared with the preceding quarter, yields remained principally unchanged, as did the assumption for the cash flow. The weighted yield requirement was 5.8 percent, which is slightly higher than the valuation for the second quarter. The increase is due primarily to a high yield on acquired properties.

The unrealized change in value for derivatives during the period was MSEK -77 (13), with MSEK -9 (21) occurring during the third quarter. The change in value was attributable to a continued decrease in long-term market interest rates in the third quarter.

Tax

Tax expenses for the interim period were substantially lower year-on-year, which was mainly due to non-recurring effects on tax expenses in the year-earlier period for the first quarter. The effective tax rate was 16 percent (19).

EARNINGS CAPACITY

Current earnings capacity

Below is the company's current earnings capacity presented on a 12-month basis on the balance-sheet date. Earnings capacity is a hypothetical instantaneous impression of the profit from property management that leases and loan agreements concluded on the balance-sheet date, together with normal-year values for costs, would generate on a full-year basis. It is presented solely for illustration purposes and does not include any effects of forthcoming property transactions, leases, refinancing, etc.

Group's earnings capacity

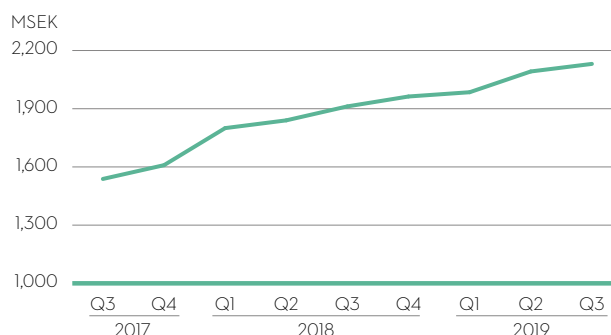
MSEK	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Rental income	2,894	2,832	2,696
Property expenses	-691	-667	-637
Property administration	-72	-73	-70
Net operating income	2,131	2,092	1,989
Central administration	-125	-123	-120
Share in profit from joint ventures and associated companies	15	15	15
Financial expenses	-556	-546	-502
Profit from property management	1,465	1,438	1,382

Comments on earnings capacity

Net operating income was MSEK 39 higher than the preceding quarter's earnings capacity, which was mainly attributable to the acquired properties taken into possession during the quarter. At the same time, the surplus ratio increased somewhat for the comparable portfolio. The yield according to earnings capacity remained principally unchanged compared with the preceding quarter, at just over 5.3 percent.

Financing costs increased as a result of a higher loan volume and increased underlying interest rates in Norway.

Net operating income according to earnings capacity per quarter



Sensitivity analysis, September 30, 2019

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 29
Economic leasing rate according to earnings capacity	+/- 1	+/- 29
Property expenses according to earnings capacity	+/- 1	+/- 7
Net operating income according to earnings capacity	+/- 5	+/- 107
Changed exchange rate NOK/SEK	+/- 5	+/- 17
Changed exchange rate EUR/SEK	+/- 5	+/- 6

Calculation basis

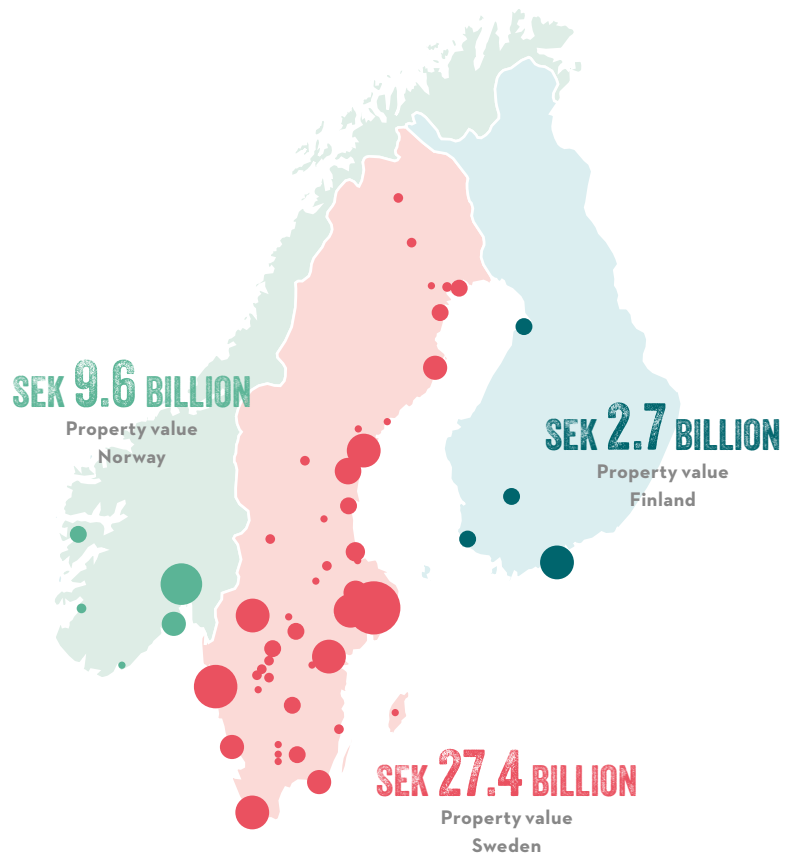
The following information is used as the basis for assessing current earnings capacity.

- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income based on current leases. For leases that expire in the next 12 months, the probability of an extension is assessed. If the probability is low, no rental income is included in earnings capacity after the lease period.
- 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.

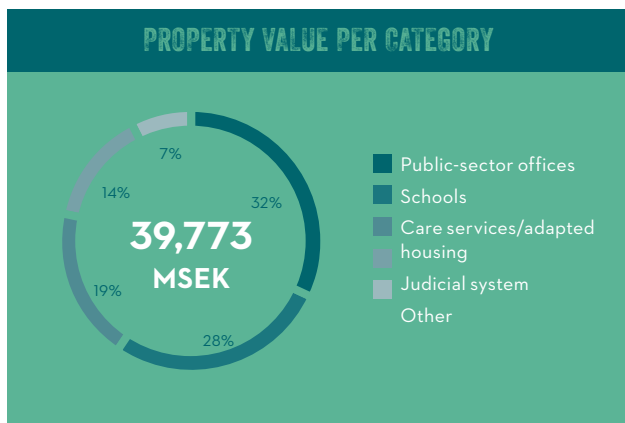
- Central administration and marketing costs have been calculated on the basis of the existing organization and the size of the property portfolio.
- Hemfosa's shares in profit from joint ventures are calculated according to the same methodology as for Hemfosa, taking into account the size of the share in 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 and existing accrued arrangement fees.
- The earnings capacity for the international operations has been restated at the exchange rate prevailing on the balance-sheet date.

THIS IS HEMFOSA

Hemfosa combines long-term management and development of a growing property portfolio with the acquisition and development of community service properties. The aim is to strengthen the company's position as the leading Nordic private player in community service properties and create the right premises for Hemfosa's tenants. A 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.



HEMFOSA WILL BE THERE TO SERVE THE COMMUNITY



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.

GROWTH OBJECTIVE

- Grow to SEK 50 billion in property value by 2023 at the latest
- Distributable earnings per share will increase on average by a minimum of 10 percent per year

DIVIDEND POLICY

- The dividend will amount to about 40 percent of distributable earnings

FINANCIAL RISK LIMITATIONS

- The loan-to-value ratio is to amount to approximately 60 percent
- The equity/assets ratio is to amount to at least 30 percent
- The interest-coverage ratio is to be at least a multiple of 2 times the interest costs

PROPERTY PORTFOLIO

Property portfolio, September 30

	Schools		Care services/ adapted housing		Judicial system		Public-sector offices		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Rental value, MSEK	818	640	497	470	450	415	1,086	832	246	401	3,096	2,759
Leasable area ¹ , 000s sqm	579	475	332	315	293	278	781	605	193	367	2,178	2,040
Fair value of properties, MSEK	10,950	8,516	7,501	7,302	5,563	5,132	12,786	10,323	2,973	4,298	39,773	35,570
No. of properties	119	88	117	124	43	41	90	75	34	45	403	373
Economic leasing rate, %	94.5	93.9	97.9	98.0	96.1	95.4	94.2	95.2	82.3	88.4	94.2	94.4
Remaining lease term, years	8.8	8.5	11.3	12.8	3.7	4.1	3.8	4.3	6.4	4.2	6.5	6.7

¹ Excluding garage

Leases

Hemfosa has a well-diversified tenant structure, with the largest tenant accounting for only 6 percent of total rental income and the ten largest tenants accounting for 30 percent.

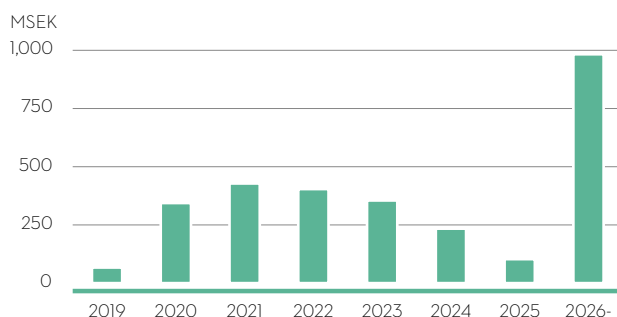
At the end of the period, the average remaining lease term was 6.5 years. There is a favorable spread in lease maturities, with maximum one-seventh of the rental value expiring each year over the next few years. More than one-third will expire in 2026 or later.

The economic leasing rate was 94.2 percent (94.4), on a level with the preceding quarter.

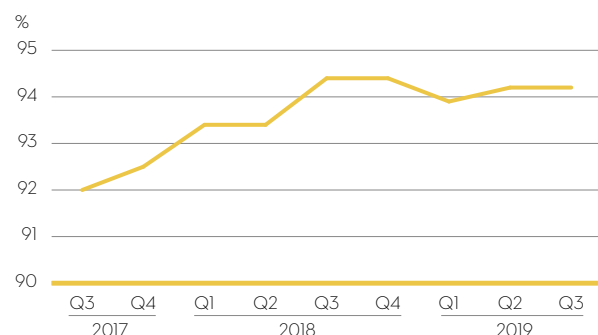
Hemfosa's ten largest tenants, September 30, 2019

Tenant	Rental income MSEK	Percentage of total rental income, %
The Police Authority in Sweden	167	6
Municipality of Härnösand	129	4
LHL Eiendom AS	115	4
The Courts of Sweden	112	4
NAV - Norwegian Labor and Welfare Administration	68	2
Swedish Migration Agency	66	2
Pysslingen Preschools and Schools	61	2
Municipality of Haninge	59	2
Oslo and Akershus University College	57	2
Internationella Engelska Skolan	53	2
Total	886	30

Lease expiry

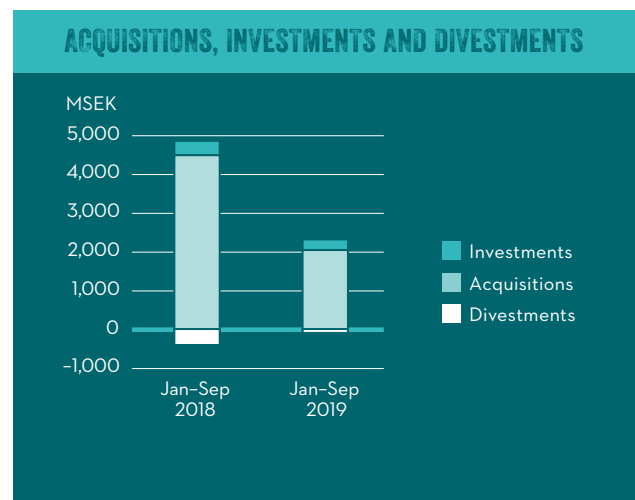
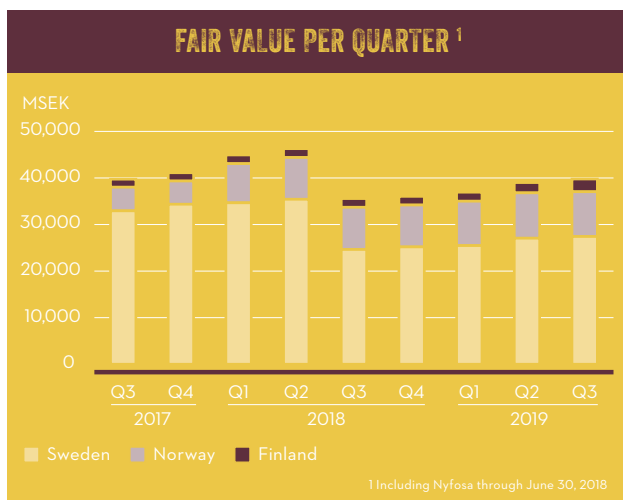


Leasing rate per quarter



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

MSEK	Sweden		Norway		Finland		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Opening value for the year	25,194	22,337	8,999	4,988	1,856	1,772	36,049	29,097
Acquired properties	1,209	1,466	69	3,039	781	0	2,059	4,505
Investments in existing properties	226	317	57	49	1	5	284	371
Divested properties	-11	-67	-	0	-	-	-11	-67
Realized changes in value in profit or loss for the period	0	-2	-	0	-	-	0	-2
Unrealized changes in value in profit or loss for the period	809	588	7	508	-2	5	814	1,101
Translation differences	-	-	487	485	91	80	578	565
Closing fair value	27,427	24,639	9,619	9,069	2,727	1,862	39,773	35,570



Changes in property portfolio

During the period, possession was taken of properties, primarily in Sweden and Finland, with a total cost of SEK 2.1 billion (4.5). MSEK 284 (371) was invested in the portfolio during the period, primarily in Sweden but also in Norway.

A divestment of a minor property in Sweden was completed during the first quarter of the year.

Unrealized changes in value amounted to MSEK 814 (1.101), with the Swedish properties accounting for the proportionately largest increase. Since the SEK weakened against both NOK and EUR, positive currency effects totaling MSEK 578 (565) arose.

Acquisitions and divestments

During the period, possession was taken of 23 acquired properties in Sweden, Finland and Norway (see specification on next page). These represented acquisitions in all of Hemfosa's property categories. The specialist hospital at Gardermoen was acquired for just over SEK 2 billion in the preceding year, which largely explains the high volume of acquisitions in the comparison period in the graph above.

A property in Sweden (Gävle) was divested during the first quarter when it became vacant and the future area of use was not considered to be within community service properties.

Acquisitions, January–September 2019

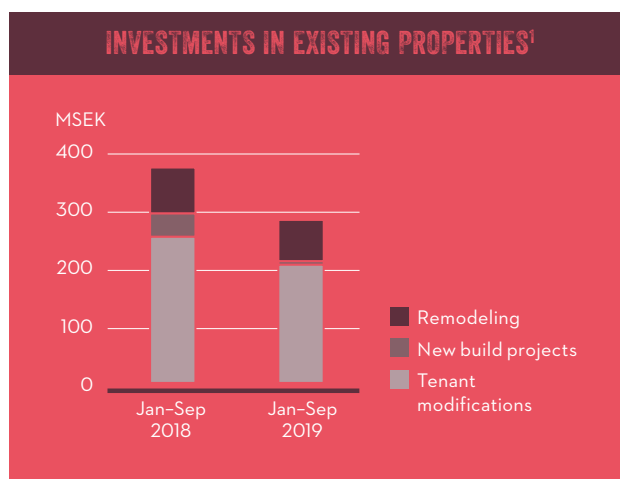
Country, Municipality	Property	Area, 000s of sqm	Rental value, MSEK
Quarter 3			
Finland, Helsinki	Itäkatu 11	8	19
Finland, Espoo	Kalaonnentie 8, Kivenlahdenkatu 1, Komentajankatu 5, Pyyntitie 3	13	29
Sweden, Nacka	Erstavik 26:21	5	8
Sweden, Skara	Sporren 9	1	1
Quarter 2			
Norway, Sarpsborg	St. Mariés gt 88	4	4
Finland, Espoo	Itätuulentie 1	7	14
Sweden, Eskilstuna	Vapensmeden 15, Verkytget 4 and Våpnaren 4	41	53
Sweden, Mariestad	Lillängen 2:1	27	26
Sweden, Motala	Eken 12, Kassetten 1, Läraran 6 and Telegrafan 2	13	11
Sweden, Uppsala	Denmark 1:15	0	1
Quarter 1			
Sweden, Helsingborg	Rosenlund 1:58	1	1
Finland, Oulu with surroundings	Koivulehto 1B, Lihoviuksenlaita 2, Neronlantie 3, Satulaite 1	2	4

Divestments, January–September 2019

Country, Municipality	Property	Area, 000s of sqm	Rental value, MSEK
Quarter 3			
		0	0
Quarter 2			
		0	0
Quarter 1			
Sweden, Gävle	Såtra 108:23	1	0

Major ongoing projects, September 30, 2019

Municipality	Property	Category	Leasing rate	Area, 000s of sqm	Total estimated investment, MSEK	Remaining investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Adapted housing	100%	4	92	78	Q3, 2020
Gothenburg	Gamlestaden 2:10	Public-sector offices	100%	3	114	91	Q3, 2020
Västerås	Sigurd 6	Public-sector offices	100%	8	270	260	Q1, 2021



Investments in existing properties

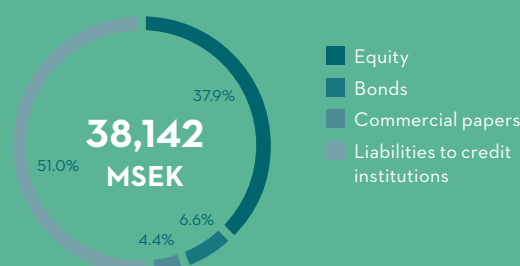
MSEK 284 was invested in existing properties, with the majority of the investments pertaining to refurbishment on behalf of tenants, with consequential higher rents and/or longer leases. Many projects are in the start-up phase and will entail higher levels of investment moving forward.

FINANCING

KEY PERFORMANCE DATA – LOAN PORTFOLIO

	Sep 30	
	2019	2018
Net loan-to-value ratio, %	58.0	58.7
Average interest rate, %	2.16	2.05
Average remaining fixed-rate period, years	2.3	1.6
Average remaining loan maturity period, years	2.5	3.0
Interest-rate hedged portion of liabilities, %	76.2	62.1
Fair value of derivatives, MSEK	-103	-7

BREAKDOWN OF SOURCES OF FINANCING



Interest-bearing liabilities

Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial papers. In the third quarter of 2019, Hemfosa raised new bank loans of MSEK 430 and increased its certificate volumes by MSEK 485. At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,685 and non-covered bonds of MSEK 2,536. The company has backup facilities for the outstanding commercial papers, most of which is covered.

Change in loan portfolio

MSEK	Jan-Sep	
	2019	2018 ²
Interest-bearing liabilities at the beginning of the period	22,027	24,110
New bank loans	977	12,942
Repayment of bank loans	-626	-8,518
Redemption of commercial paper	-95	-445
Issue of commercial paper	630	-
Issue of bond loans	1,300	-
Redemption of bond loans	-764	-473
Exchange-rate difference	325	328
Interest-bearing liabilities at the end of the period¹	23,774	27,944

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

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 STIBOR 3 months cannot be negative.

At September 30, 2019, Hemfosa's outstanding interest-rate swaps had a nominal volume of MSEK 9,284 (4,948) and interest-rate caps had a nominal volume of MSEK 8,777 (8,935).

In the third quarter, Hemfosa extended the fixed-rate period by nearly six months by raising new interest-rate swaps with no effect on the average interest rate.

Fixed-rate period and loan maturity, September 30, 2019

	Fixed-rate period			Loan maturity	
	Volume, MSEK	Proportion, %	Interest rate, %	Volume, MSEK	Proportion, %
2019	6,956	29	4.4	1,157 ¹	5
2020	3,168	13	2.2	5,090	21
2021	1,731	7	2.0	3,341	14
2022	2,480	10	0.7	3,932	17
2023	4,875	21	1.2	7,895	33
>2024	4,565	19	0.5	2,360	10
Total	23,774	100	2.16	23,774	100

¹ Taking into account backup facilities of SEK 2 billion that secure the commercial paper loans

Sensitivity analysis, September 30, 2019

	Change, %	Impact on earnings, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+125/-5
Interest expenses assuming change in average interest rate ²	+/-1	+/-238
Remeasurement of fixed-income derivatives attributable to shift in interest rate curves	+/-1	+/-368

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

OTHER

Non-cash issue

The Board of Directors utilized a small portion of the authorization provided by the company's Annual General Meeting when, in July, it conducted a non-cash issue of 1,760,000 ordinary shares to ICA-handlarnas Förbund in exchange for a retirement home in Nacka. The issue entailed a dilution of just over 1 percent.

Shareholders

At September 30, 2019, Hemfosa had 26,979 shareholders.

Ownership structure, September 30, 2019

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur Funds	11,453,959	-	6.3	6.7
Länsförsäkringar Funds	11,293,013	-	6.3	6.6
SEB Funds	7,851,667	-	4.4	4.6
Norges Bank	6,194,358	-	3.4	3.6
Vanguard	5,139,044	508,938	3.1	3.0
Columbia Threadneedle	4,897,703	-	2.7	2.9
BlackRock	4,567,675	-	2.5	2.7
XACT Funds	3,333,855	-	1.8	2.0
ICA-handlarnas Förbund	2,900,000	-	1.6	1.7
Jens Engwall	2,500,000	-	1.4	1.5
Other	109,356,975	10,491,061	66.5	64.7
Total	169,488,249	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 on September 30, 2019.

Preference shares

There are 11 million preference shares outstanding at a quotient value of SEK 162.85 per share. From December 12, 2019, i.e. five years from the time of issuance, the redemption price is SEK 195 per share. From December 12, 2024, the redemption price is SEK 178.50 per share.

Accounting policies

This interim report has been prepared in accordance with IAS 34 as well as applicable regulations of the Swedish Annual Accounts Act. Information in accordance with IAS 34.16A appears in addition to the financial statements and its accompanying notes in other parts of the interim report. The same accounting policies have been applied as in the most recent Annual Report, with the exception of the amended accounting policies described below.

Operations distributed to the shareholders (Nyfosa)

The shares in Nyfosa were distributed to Hemfosa's shareholders on November 23, 2018. In this interim report, all data pertains to the continuing operations, unless otherwise indicated specifically below or in a footnote. The comparative period in the income statement has been restated and only refers to continuing operations. The comparative figures in the balance sheet are dated December 31, 2018 when Nyfosa was no longer part of the Group.

IFRS 16

For Hemfosa, IFRS 16, which came into effect on January 1, 2019, means that site leasehold and tenancy agreements are to be recognized as an asset in the item "Site leasehold, right-of-use asset" and as a liability in the item "Lease liability." The lease liability is not repaid; instead the value remains unchanged until the site leasehold and tenancy agreements are renegotiated since these agreements are regarded as perpetual. The lease liability is not included in interest-bearing liabilities when calculating key performance data.

In the income statement, ground rent is recognized in its entirety in net financial items as other financial expense. The fees were previously recognized as a property cost and included in net operating income. Hemfosa's ground rent amounted to MSEK 3 (3) for the period.

Retrospective application will not occur. Accordingly, comparative figures for 2018 have not been restated.

Estimates and assumptions

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 assumptions. The critical assessments and sources of uncertainty in estimates are the same as those described in the most recent Annual Report; Note 24.

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 2018 Annual Report on pages 47-50 and 97-99.

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 25, 2019
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 by the agency of the CEO on October 25, 2019 at 7:30 a.m. CET.

FINANCIAL CALENDAR

Year-end report 2019	February 14, 2020
Interim report January–March 2020	May 5, 2020
Annual General Meeting 2020	May 5, 2020
Interim report January–June 2020	July 10, 2020

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REVIEW REPORT

To the Board of Directors of Hemfosa Fastigheter AB
Corp. id. 556917-4377

Introduction

We have reviewed the condensed interim financial information (interim report) of Hemfosa Fastigheter AB as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards

on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm 25 October 2019

KPMG AB

Peter Dahllöf
Authorized Public Accountant

FINANCIAL POSITION AND CASH FLOW

Consolidated statement of financial position in summary

MSEK	Sep 30 2019	Dec 31 2018
ASSETS		
Investment properties	39,773	36,049
Site leasehold, right-of-use asset	133	-
Shares in joint ventures	63	60
Shares in associated companies	231	164
Other fixed assets	35	13
Current receivables	297	200
Cash and cash equivalents	616	974
TOTAL ASSETS	41,149	37,459
EQUITY AND LIABILITIES		
Equity attributable to Parent Company shareholders	14,455	13,134
Non-controlling interests	1	143
Equity	14,456	13,276
Interest-bearing liabilities	23,687	22,027
Lease liability	133	-
Deferred tax liability	1,428	1,229
Other liabilities	1,446	927
Total liabilities	26,694	24,183
TOTAL EQUITY AND LIABILITIES	41,149	37,459

Consolidated statement of changes in equity

MSEK	Equity attribut- able to Parent Company shareholders	Non- controlling interests	Total equity
Opening equity Jan 1, 2018	17,723	85	17,807
New issue, ordinary shares	1,069	-	1,069
Dividend to shareholders	-903	-	-903
Distribution of Nyfosa	-7,100	-	-7,100
Other	-8	-	-8
Change in non-controlling interests	-24	28	4
Comprehensive income, Jan-Dec 2018	2,378	31	2,409
Closing equity Dec 31, 2018	13,134	143	13,276
Opening equity Jan 1, 2019	13,134	143	13,276
Non-cash issue, ordinary shares	157	-	157
Dividend to shareholders	-515	-	-515
Issue of warrants	2	-	2
Acquisition of non-con- trolling interests	-44	-154	-198
Comprehensive income, Jan-Sep 2019	1,720	12	1,732
Closing equity 2019-09-30	14,455	1	14,456

Consolidated statement of cash flows

MSEK	Jan-Sep	
	2019	2018
Operating activities		
Profit from property management	1,039	840
Adjustments for non-cash items	-12	-26
Income tax paid	-34	-10
Subtotal	993	804
Change in operating receivables	-95	85
Change in operating liabilities	234	-602
Cash flow from operating activities for Nyfosa that has been distributed to shareholders	-	1,081
Cash flow from operating activities	1,133	1,368
Investing activities		
Direct and indirect acquisition of investment properties	-2,054	-4,487
Direct and indirect divestment of investment properties	11	66
Investments in existing properties	-284	-369
Acquisition of joint ventures and associated companies	-48	-18
Other	-18	802
Cash flow from investing activities for Nyfosa that has been distributed to shareholders	-	-2,389
Cash flow from investing activities	-2,394	-6,395
Financing activities		
New issue	157	1,069
Loans raised	2,907	12,626
Repayment of loans	-1,485	-9,436
Dividend paid to Parent Company shareholders	-486	-647
Other	-198	-18
Cash flow from financing activities for Nyfosa that has been distributed to shareholders	-	2,713
Cash flow from financing activities	896	6,307
Cash flow for the period	-365	1,280
Cash and cash equivalents at the beginning of the period	974	541
Exchange-rate difference in cash and cash equivalents	7	6
Cash and cash equivalents at the end of the period	616	1,827

KEY PERFORMANCE DATA

Key financial data

	Sep 30 2019	Dec 31 2018
Return on equity, %	14.2	15.1
Equity/assets ratio, %	35.1	35.4
Net loan-to-value ratio, properties, %	58.0	58.4
Debt/equity ratio, multiple	1.6	1.7
Interest-coverage ratio, multiple	3.6	3.3
Net debt/EBITDA, multiple	11.5	11.4

Share-related key figures, ordinary shares

	Sep 30	
	2019	2018
Profit from property management per ordinary share, SEK ²	5.87	4.97
Profit after tax per ordinary share before dilution, SEK	8.59	8.90
Profit after tax per ordinary share after dilution, SEK	8.58	8.89
Equity per ordinary share, SEK ¹	75.51	67.76 ³
Net asset value (EPRA NAV), per ordinary share, SEK ^{1,2}	83.75	75.11 ³
Cash flow from operating activities per ordinary share, SEK	6.75	8.67
Dividend per ordinary share, SEK	2.38	3.50
Number of ordinary shares outstanding, 000s ¹	169,488	167,728

Property-related key figures

	Sep 30 2019	Dec 31 2018
No. of properties	403	381
Rental value, MSEK ²	3,096	2,826
Leasable area, 000s of sqm	2,178	2,059
Fair value of properties, MSEK	39,773	36,049
Property value, SEK per sqm of leasable area	18,261	17,508
Economic leasing rate, %	94.2	94.4
Surplus ratio, %	71.7	71.0
Yield, %	5.3	5.4

Share-related key figures, preference shares

	Sep 30 2019	Dec 31 2018
Dividend per preference share, SEK	10.00	10.00
Equity per preference share, SEK ¹	162.85	162.85
Number of preference shares outstanding, 000s ¹	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 18.

³ Year-end 2018

Components of key performance data

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

Return on equity

	Sep 30 2019	Dec 31 2018
MSEK		
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	1,959	2,328
Average equity attributable to Parent Company shareholders	13,749	15,428
Return on equity, %	14.2	15.1

Net debt/EBITDA

	Sep 30 2019	Dec 31 2018
MSEK		
Cash and cash equivalents	616	974
Interest-bearing liabilities	23,687	22,027
Net operating income, earnings capacity	2,131	1,963
Central administration costs, earnings capacity	125	120
Net debt/EBITDA, multiple	11.5	11.4

Net loan-to-value ratio

	Sep 30 2019	Dec 31 2018
MSEK		
Cash and cash equivalents	616	974
Interest-bearing liabilities	23,687	22,027
Investment properties	39,773	36,049
Net loan-to-value ratio, %	58.0	58.4

Interest-coverage ratio

	Sep 30 2019	Dec 31 2018
MSEK		
Profit from property management	1,039	1,204
Share in profit from joint ventures and associated companies	10	24
Depreciation/amortization	0	0
Financial income and expenses	-403	-514
Interest-coverage ratio, multiple	3.6	3.3

EPRA NAV

	Sep 30 2019	Dec 31 2018
MSEK		
Equity attributable to Parent Company shareholders	14,455	13,134
Preference share capital	1,791	1,791
Deferred tax	1,428	1,229
Derivatives	103	27
Adjustments of joint ventures	-	-
Number of ordinary shares, millions	169	168
EPRA NAV, SEK	83.75	75.11

QUARTERLY REVIEW AND OPERATING SEGMENTS

Quarterly review

	Quarter 3 2019	Quarter 2 2019	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017
Rental income, MSEK	735	705	688	683	642	632	568	545	528
Property expenses									
Operating expenses, MSEK	-90	-115	-144	-90	-82	-110	-120	-86	-55
Maintenance costs, MSEK	-43	-35	-42	-45	-52	-36	-42	-50	-37
Property tax, MSEK	-21	-19	-18	-19	-18	-18	-18	-18	-18
Property administration, MSEK	-24	-25	-25	-19	-21	-22	-20	-13	-15
Net operating income, MSEK	556	512	459	509	468	446	368	378	403
Surplus ratio, %	75.6	72.6	66.7	74.6	73.0	70.6	64.8	69.4	76.3
Equity/assets ratio, % ¹	35.1	34.4	36.2	35.4	23.8	39.5	39.5	40.4	40.6
Net loan-to-value ratio, properties, % ¹	58.0	58.1	57.7	58.2	58.7	53.9	56.9	57.1	56.8
Interest-coverage ratio, multiple	3.6	3.4	3.5	3.3	3.6	2.8	3.3	3.5	3.9

¹ Including Nyfosa up to and including second quarter 2018

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.

Net operating income, Sweden (MSEK)	Jan-Sep	
	2019	2018
Rental income	1,542	1,369
Property expenses	-476	-453
Property administration	-72	-62
Net operating income	995	854

Net operating income, Norway (MSEK)	Jan-Sep	
	2019	2018
Rental income	438	348
Property expenses	-18	-15
Property administration	-1	-0
Net operating income	419	332

Net operating income, Finland (MSEK)	Jan-Sep	
	2019	2018
Rental income	147	125
Property expenses	-34	-28
Property administration	-0	-0
Net operating income	112	96

Key performance data, September 30	Sweden		Norway		Finland		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Rental value, MSEK	2,246	2,041	591	541	260	177	3,096	2,759
Leasable area ¹ , 000s of sqm	1,745	1,645	292	283	141	112	2,178	2,040
Fair value of properties, MSEK	27,427	24,639	9,619	9,069	2,727	1,862	39,773	35,570
No. of properties	334	317	51	48	18	8	403	373
Yield ² , %	5.1	5.2	5.7	5.5	6.5	6.8	5.3	5.4
Economic leasing rate, %	93.1	93.5	98.9	97.6	93.1	95.7	94.2	94.4
Remaining lease term, years	5.6	5.6	10.3	11.3	5.6	5.5	6.5	6.7
Surplus ratio for the period, %	64.5	62.4	95.7	95.4	76.4	76.8	71.7	69.6

¹ Excluding garage space

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

PARENT COMPANY

Income statement for the Parent Company

MSEK	Jan-Sep	
	2019	2018
Net sales	21	26
Other external costs	-28	-41
Personnel costs	-22	-26
Depreciation/amortization	-0	-0
Operating loss	-29	-41
Profit from shares in Group companies	-	-
Interest income and similar income items	3	19
Interest expenses and similar expense items	-61	-46
Loss after financial items	-87	-68
Appropriations		
Group contributions received and paid	-	-
Profit after appropriations	-87	-68
Tax	0	16
Loss for the year	-87	-52

Balance sheet for the Parent Company

MSEK	Sep 30	Dec 31
	2019	2018
ASSETS		
Tangible assets	1	1
Participations in Group companies	5,860	5,510
Non-current receivables from Group companies	205	227
Total fixed assets	6,066	5,737
Current receivables from Group companies	6,053	5,972
Other current receivables	88	30
Cash and bank balances	0	355
Total current assets	6,141	6,357
TOTAL ASSETS	12,207	12,095
EQUITY AND LIABILITIES		
Restricted equity	90	89
Unrestricted equity	7,539	7,990
Equity	7,629	8,079
Non-current interest-bearing liabilities	1,300	1,000
Non-current liabilities to Group companies	38	8
Other non-current liabilities	2	1
Total non-current liabilities	1,340	1,009
Commercial paper, short-term	2,921	1,150
Current interest-bearing liabilities	-	1,000
Current liabilities to Group companies	-	583
Other current liabilities	317	274
Total current liabilities	3,238	3,007
Total liabilities	4,578	4,016
TOTAL EQUITY AND LIABILITIES	12,207	12,095

GLOSSARY

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.

Community service properties

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

Comparable portfolio

Comparable portfolio is properties owned for the entire period and for the entire comparison period.

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Distributable earnings

Distributable earnings comprise profit from property management, excluding the share in profit from joint ventures and associated companies 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.

Economic leasing rate

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

Equity/assets ratio

Equity as a percentage of total assets.

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.

Ground rent

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

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.

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 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.

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-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.

Net asset value per ordinary share (EPRA NAV)

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 performance measure is to show the fair value of net assets from a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be adjudged 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.

Net debt/EBITDA

The net of interest-bearing liabilities and bank balances at the end of the period in relation to net operating income minus central administration costs according to earnings capacity.

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.

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.

Preference share capital

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

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.

Profit per ordinary share after dilution

Profit 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.

Profit per ordinary share before dilution

Profit 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.

Property

Properties held under title or site leasehold.

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.

Return on equity

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

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.

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.

Yield*

Net operating income for a rolling 12-month period as a percentage of 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.

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

Hemfosa

FASTIGHETER