

Q2 Interim REPORT

January-June 2018

KEY FIGURES

	Apr-Jun		Jan-Jun		Full-year
	2018	2017	2018	2017	2017
Rental income, MSEK	869	858	1,684	1,580	3,134
Net operating income, MSEK	613	654	1,140	1,107	2,232
Surplus ratio, %	70.5	76.2	67.7	70.1	71.2
Profit from property management, MSEK	572	699	1,010	1,146	2,186
- per ordinary share, SEK	3.43	4.25	6.04	6.92	13.16
Profit after tax, MSEK	926	874	1,627	1,860	3,163
- per ordinary share before dilution, SEK	5.62	5.31	9.81	11.33	19.22
- per ordinary share after dilution, SEK	5.61	5.31	9.80	11.33	19.21
Cash flow from operating activities, MSEK			726	792	1,542
- per ordinary share, SEK			4.25	4.67	9.60
Property value, SEK billion			46.3	38.2	41.1
- of which, community service properties, %			67	64	64
Net asset value EPRA NAV, SEK			119.13	101.93	112.20
Equity/assets ratio, %			39.5	39.7	40.4

- Rental income amounted to MSEK 869 (858) in the quarter and MSEK 1,684 (1,580) for the period. Net operating income amounted to MSEK 613 (654) for the quarter and MSEK 1,140 (1,107) for the period. The higher surplus ratio during 2017 was due primarily to other property income of a nonrecurring nature in 2017.
- Profit from property management excluding the share in profit from part-owned companies amounted to MSEK 404 (502) for the quarter. Profit from property management including the share in profit in part-owned companies amounted to MSEK 572 (699) for the quarter, corresponding to SEK 3.43 per ordinary share (4.25), and to MSEK 1,010 (1,146) for the period, corresponding to SEK 6.04 per ordinary share (6.92). 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, see page 9.
- Profit after tax amounted to MSEK 926 (874) for the quarter, corresponding to SEK 5.62 per ordinary share before dilution (5.31), and to MSEK 1,627 (1,860) for the period, corresponding to SEK 9.81 per ordinary share before dilution (11.33).
- The earnings capacity at June 30, 2018 amounted to MSEK 1,981.

Significant events during and after the quarter

- In May, Hemfosa acquired a property portfolio comprising nine school properties in Sollentuna totaling 12,000 square meters.
- In June, an agreement was signed covering the acquisition of a property portfolio located in northern and central Sweden at an underlying property value of MSEK 1,145. The properties comprise some 155,000 square meters and the rental value is MSEK 141.
- In June, an agreement was also signed regarding the divestment of the Kungsängen 15:1 property in Uppsala, with an underlying property value of MSEK 1,000.
- Caroline Arehult was appointed new CEO of Hemfosa Fastigheter AB and will take office in September 2018.
- In June, a directed share issue was implemented for 10 million ordinary shares that generated proceeds of MSEK 1,085 million (before issue expenses). The issue resulted in a dilution of about 5.6 percent.
- After the end of the quarter, an agreement was signed for the acquisition of a property portfolio located in southern and central Sweden at an underlying property value of MSEK 3,600 and a total area of 460,000 square meters.

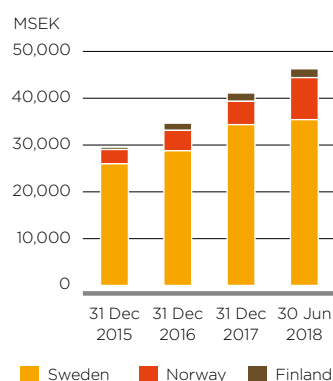
This is HEMFOSA

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.

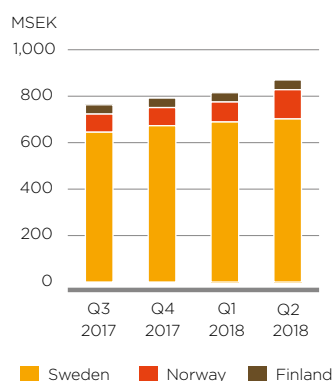
Business concept

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

Fair value



Rental income



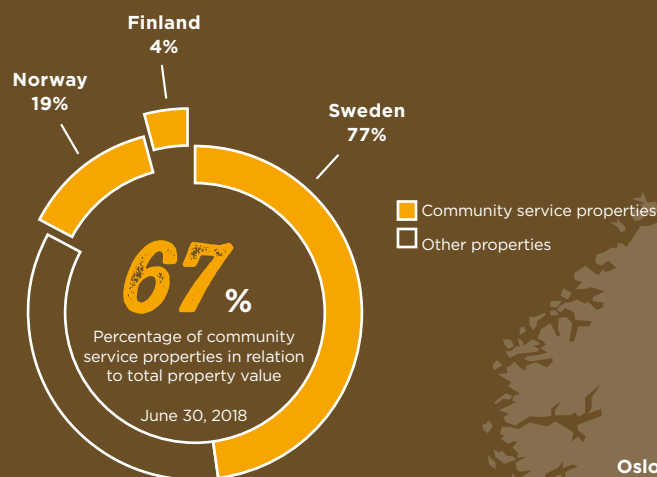
Strategy

Hemfosa will generate long-term, high and stable growth combined with a strong cash flow by:

- developing and adding value to its property portfolio
- creating and maintaining long-term relationships with tenants by means of market-oriented and professional property management
- developing long-term relationships with government authorities, county councils and municipalities, as well as with private operators of community service properties
- increasing the share of community service properties to more than 75 percent of the total property value

Hemfosa will be active in the Nordic transaction market in order to:

- generate growth
- maximize yield in relation to risks
- generate transaction gains



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.

NORWAY

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

FINLAND

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

● Local offices



COMMENTS FROM THE CEO

Business is good...

Hemfosa's second quarter was dominated by work involving the two major deals that we completed at the end of June and after the close of the quarter. In June, we strengthened our financial position to enable attractive acquisitions by carrying out a directed share issue that was met with great interest from institutional investors in Sweden and abroad. Meanwhile, the process to prepare Hemfosa for a potential split into two specialized property companies is ongoing.

GROWTH WITH PORTFOLIO ACQUISITIONS IN BOTH HEMFOSA AND NYFOSA

Hemfosa continued its stable development during the second quarter. A slight increase in property and interest expenses had a negative impact on profit from property management while changes in value yielded an overall improved profit after tax. If we exclude other property income of a nonrecurring nature and changes in the value of joint ventures from profit from property management, both of which are recognized in profit from property management, profit from property management for the period increased by just over 20 percent year on year. The transactions signed in June and July represent important steps for Hemfosa in its efforts to continue growing and optimizing its property portfolio. The acquisition of properties valued at approximately SEK 1.1 billion in northern and central Sweden, mainly comprising tenants in the community services sector, strengthens Hemfosa's property portfolio with a healthy yield and establishes cooperation with key partners in attractive regions.

In addition, we are very pleased that we were able to complete a major portfolio acquisition consisting of mainly offices, warehouse and logistics properties valued at about SEK 3.6 billion after the close of the period. This acquisition complements the strong portfolio of commercial properties we own, in addition to our community service properties, and that we have gathered together in the subsidiary Nyfosa ahead of the intended demerger. The acquired portfolio will also contribute favorable earnings and will enable us to bundle certain properties with our current portfolio and sell these onward. I believe that both acquisitions are good examples of Hemfosa's ability to act quickly and to identify and carry out good business in the Swedish property market.

"IF WE EXCLUDE OTHER PROPERTY INCOME OF A NONRECURRING NATURE AND CHANGES IN THE VALUE OF JOINT VENTURES FROM PROFIT FROM PROPERTY MANAGEMENT, THE PERIOD'S PROFIT FROM PROPERTY MANAGEMENT INCREASED BY JUST OVER 20 PERCENT."

STRONGER FINANCIAL POSITION AND GREATER EARNINGS CAPACITY

In June, we implemented a directed share issue for SEK 1 billion to quickly and effectively raise additional equity for Hemfosa. We view the significant interest in the new issue as confirmation that the direction we have taken is appreciated by investors in the market. The purpose of the new issue is to optimize the capital structure ahead of the potential split of Hemfosa and to facilitate further acquisitions. The agreement to divest a property in Uppsala for SEK 1 billion that was signed in June helps to further bolster our balance sheet. The first six months has yielded an increase in the earnings capacity – the most important performance measure to me – of 10 percent and a sustained strong increase in the second half of the

year on account of the transactions completed. With the announced acquisitions that we will gain possession of in the autumn, growth will be in the same order of magnitude.

NEW BUILD PROJECTS EVER-MORE IMPORTANT

In parallel with ongoing acquisitions, we are working to become even better at meeting the need for premises among our tenants in the community services sector. We are currently working with several exciting new build projects where our involvement spans from turning of the very first sod to management of the completed properties. We have identified growing demand for community service properties among our existing customers and generally among municipalities, county councils and other operators. At the same time, we can see that there is a need for a long-term partner such as Hemfosa that can contribute expertise, concept, implementation and financing to realize new build projects.

DEMERGER PREPARATIONS MOVING FORWARD

During the spring and summer, evaluation work and preparations ahead of a demerger of Hemfosa have progressed according to plan. We have met with positive reactions from the market and shareholders, who – like us – see a specialization of the two parts of the Group as a natural step forward for sustained value creation.

Efforts are in progress to build the management teams for both companies. Together with incoming CEO of Hemfosa Caroline Arehult, we recently filled key management positions at Hemfosa. With Hemfosa's CFO Karin Osslind wishing to end her operative career in the autumn, we have recruited Peter Anderson as her replacement. Peter was most recently employed as Finance Director at Kungsleden. I would like to thank Karin Osslind for the invaluable role she has played at Hemfosa as my right-hand woman and who has helped found and make Hemfosa what it is today. We have also recruited Anna Alsborger, currently Head of Transactions at Hemsö Fastigheter, as new Head of Transactions at Hemfosa as Stina Lindh Hök has chosen to move to the position of COO at Nyfosa, and Jenny Lindholm, currently acting Head of Transactions at Hemfosa, will become Head of Transactions at Nyfosa. In our opinion, both Peter and Anna have the necessary experience and expertise from the property sector to make important contributions to Hemfosa's future development.

Hemfosa is in a strong position after the first six months of 2018. We have expanded our property portfolio by adding further portfolios that are a good match for our community service and commercial property portfolios, we have strengthened our cash funds and have attractive projects in progress that will create new functional and sustainable properties for our tenants. We are looking forward to taking further steps in the demerger process and, if so approved by the shareholders, to carrying out the demerger in the second half of 2018.

Jens Engwall, CEO

Operational DEVELOPMENT

INTERIM REPORT JANUARY - MARCH 2018

Earnings

MSEK	Apr-Jun		Jan-Jun		Full-year
	2018	2017	2018	2017	2017
Rental income	869	858	1,684	1,580	3,134
Net operating income	613	654	1,140	1,107	2,232
Surplus ratio, %	70.5	76.2	67.7	70.1	71.2
Profit from property management excl. shares in profit of joint ventures and associated companies	404	502	774	813	1,619
Profit from property management incl. shares in profit of joint ventures and associated companies	572	699	1,010	1,146	2,186
Changes in value of properties	537	322	1,030	1,060	1,651
Changes in value of financial instruments	-20	8	-10	20	50
Tax	-162	-156	-403	-367	-723
Profit	926	87	1,627	1,860	3,163
Comprehensive income	1,053	826	1,963	1,779	3,059

Net operating income

Rental income for the period amounted to MSEK 1,684 (1,580). The increase of 7 percent was attributable to a larger property portfolio, lease renegotiations, the signing of new leases and indexation according to leases. At June 30, 2018, the leasable area of Hemfosa's total property portfolio was 3,005,000 square meters (2,790,000). The economic leasing rate was 93.4 percent (92.2).

Property expenses amounted to MSEK 490 (429) and costs for property administration to MSEK 54 (44). The high surplus ratio for 2017 was due primarily to other property income of a nonrecurring nature in 2017.

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

Profit from property management

Central administration costs amounted to MSEK 78 (65). The cost increase is largely attributable to the ongoing demerger process of the Hemfosa Group.

Financial expenses totaled MSEK 294 (234). Other financial expenses were burdened with costs for the repayment of interest-rate swaps in conjunction with the implemented refinancing. At June 30, the average interest rate in the loan portfolio was 1.94 percent (1.99).

Profit from property management excluding shares in profit from joint ventures and associated companies amounted to MSEK 774 (813).

The share in profit from joint ventures and associated companies amounted to MSEK 237 (333).

Tax

The tax expense totaled MSEK 403 (367), of which MSEK 211 (285) was due to changes in deferred tax liabilities attributable to investment properties. Hemfosa's effective tax rate for the period was 20 percent (16). 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.

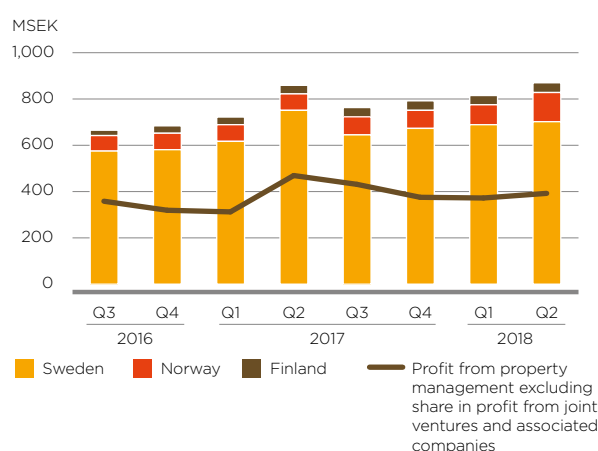
Profit for the period

MSEK **1,627**
(1,860)

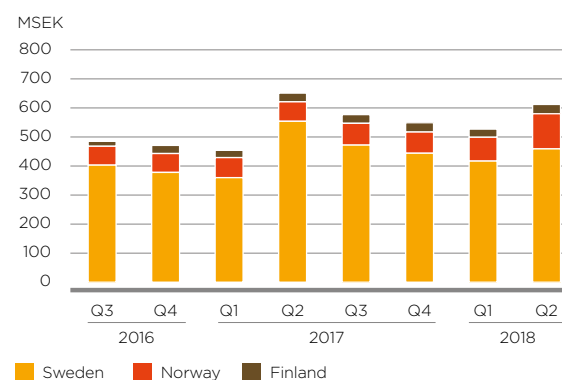
Earnings per ordinary share for the period

SEK **9.81**
(11.33)

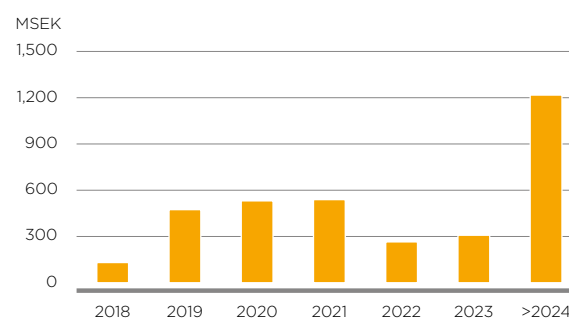
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Maturity structure of leases at June 30, 2018



PROPERTY portfolio

Hemfosa's business model is to combine long-term management of a growing property portfolio with the acquisition 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 by further streamlining the portfolio towards community service properties and increasing the value of the existing properties.

Other properties in the portfolio comprise commercial properties, primarily office buildings located centrally in the metropolitan regions of Stockholm and Gothenburg, and also in such growth municipalities as Västerås, Karlstad, Halmstad, Sundsvall, Umeå and Luleå. A portfolio of logistics and warehouse properties that are located in attractive towns in southern and central Sweden are also included.

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.

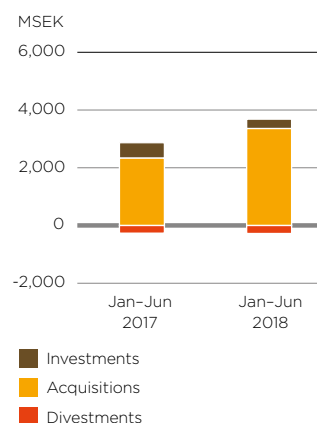
Hemfosa's definition of Community service properties is properties with, directly or indirectly, publicly financed tenants that account for at least 70 percent of the rental income.

CHANGES IN PROPERTY PORTFOLIO

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

MSEK	Sweden		Norway		Finland		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening value for the year	34,359	28,778	4,988	4,359	1,772	1,531	41,119	34,668
Acquired properties	523	2,151	2,835	14	-	164	3,358	2,330
Investments in existing properties	295	535	27	0	3	1	325	536
Divested properties	-277	-266	0	0	0	0	-277	-266
Realized changes in value in profit or loss for the period	-1	32	0	0	0	0	-1	32
Unrealized changes in value in profit or loss for the period	525	744	498	264	7	20	1,031	1,028
Translation differences	0	0	631	-191	103	17	734	-174
Closing fair value	35,424	31,974	8,979	4,447	1,885	1,732	46,290	38,153

Acquisitions, investments and divestments



Acquisitions and divestments of properties

During the quarter, 11 properties in Sweden and one in Norway were acquired for a total value of MSEK 600. Acquisitions for the quarter contribute a total rental value of MSEK 30 and a total leasable area

of 21,000 square meters. Furthermore, the Tellus 4 property was acquired, in which Hemfosa previously had a 50-percent holding through a joint venture. The portfolio was streamlined during the quarter with the divestment of three properties in Sweden.

Acquisitions, January–June 2018

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Helsingborg	Möllarp 1:57	Community services	1	1
Gardermoen, Norway	Ullensaker 136/158	Community services	28	103
Gardermoen, Norway	Ullensaker 136/160	Community services	9	21
Bergen, Norway	Kalfarveien 72,76,78,82, Fjellmagasinet	Community services	29	34
<i>Quarter 2</i>				
Falköping	Eldaren 1	Other	5	4
Örebro	Norra Bro 5:26	Community services	1	1
Sollentuna	Hallonet 1, Hultet 5, Morteln 1, Rotebro 2, Rotebro 3:4, Rotstocken 2, Vinbåret 1, Vinguden 1, Vinkeljärnet 78	Community services	12	21
Stavanger	Jærveien 12	Community services	3	4
Södertälje	Tellus 4	Other	13	19

Divestments, January–June 2018

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Karlskrona	Humble 2	Other	3	6
<i>Quarter 2</i>				
Mölnadal	Anisen 2	Other	6	4
Mölnadal	Gasmätaren 2	Other	5	12
Växjö	Postiljonen 2	Other	20	land

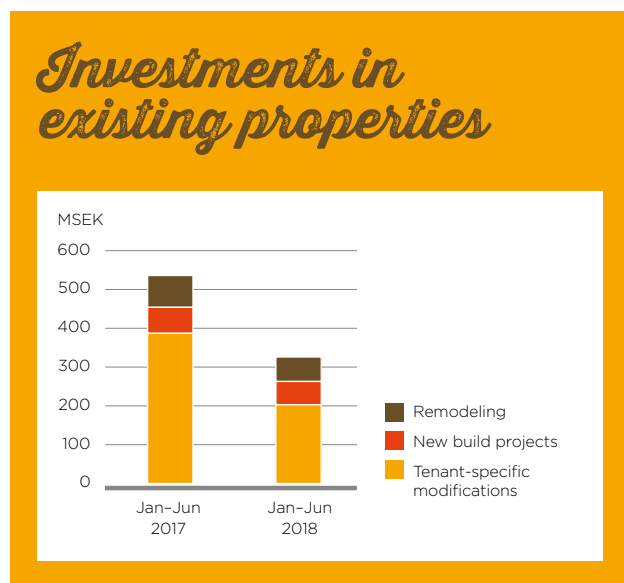
Investments in existing properties

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 wholly owned 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 Sundsvall on behalf of Internationella Engelska Skolan, conversion of an existing and construction of a new building are under way to satisfy the school's growing needs.

The Tyr 8 property in Umeå is being rebuilt following an earlier fire. The project is scheduled for completion in 2019.



Ongoing projects in wholly owned properties, June 30, 2018

Municipality	Property	Type of property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Other	Retirement homes, etc.	52	360	Q2, 2019
Umeå	Tyr 8	Community services	Vattenfall	5	129	Q2, 2019
Sundsvall	Västhagen 1	Community services	Engelska Skolan	6	165	Q4, 2018

Properties and changes in value

The unrealized change in the value of the property portfolio during the period was MSEK 1,031 (1,029).

The weighted yield requirement was 5.9 percent (6.1), and was 6.0 percent at the previous valuation date of March 31, 2018. The weighted cost of capital for calculating the present value of cash flow and residual value was 7.3 percent (7.6) and 8.1 percent (8.3), 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 JUNE 30

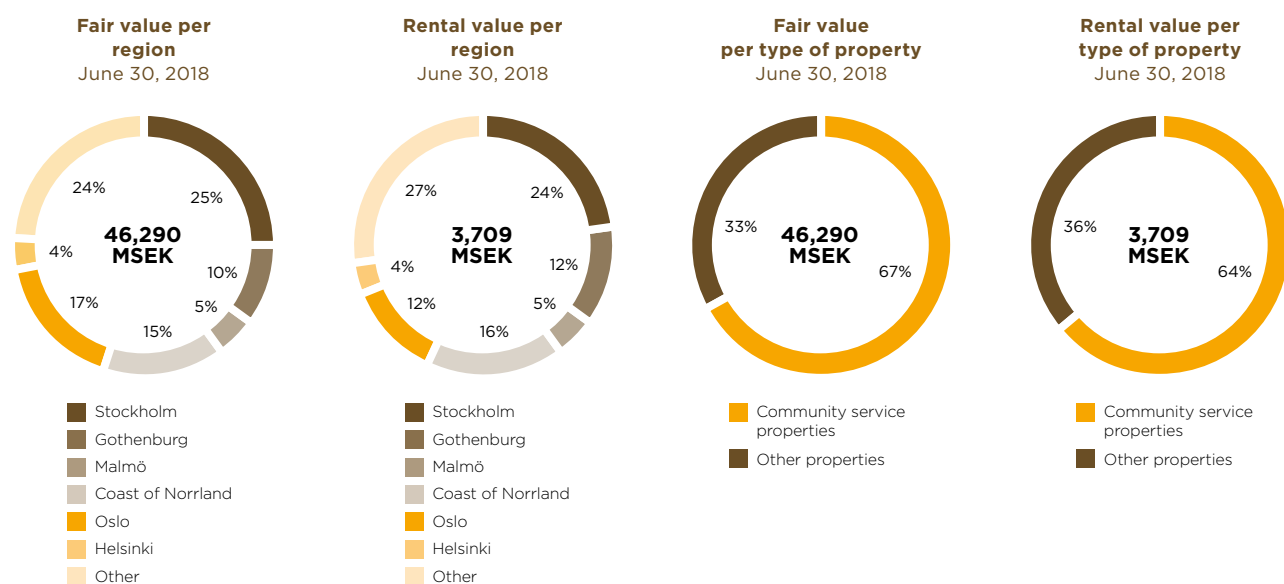
Community service properties

	Schools		Offices		Judicial system		Care services		Other		Total		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
Rental value, MSEK	616	560	808	672	416	402	469	314	56	29	2,365	1,977	
Leasable area ¹ , 000s sqm	445	431	589	515	279	278	316	258	59	33	1,688	1,515	
Fair value of properties, MSEK	8,307	7,653	9,776	7,817	5,096	4,693	7,327	4,138	655	272	31,160	24,573	
No. of properties	86	77	76	63	41	41	124	118	13	8	340	307	
Economic leasing rate, %												95.9	94.7
Remaining lease term, years												7.2	6.6

Other properties

	Offices		Logistic/warehouse activities		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Rental value, MSEK	922	833	254	261	168	164	1,344	1,259
Leasable area ¹ , 000s sqm	716	664	415	424	186	187	1,317	1,275
Fair value of properties, MSEK	10,117	8,664	3,339	3,318	1,676	1,597	15,131	13,580
No. of properties	79	74	30	30	40	48	149	152
Economic leasing rate, %							89.0	88.4
Remaining lease term, years							4.3	4.3

¹ Excluding garage space



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 5.5 percent (5.7) for community service properties and 5.5 percent (5.7) for other properties.

Group's earnings capacity

MSEK	Jun 30, 2018
Rental income	3,457
Property expenses	-843
Property administration	-82
Net operating income	2,533
Central administration	-131
Share in profit from joint ventures and associated companies	144
Financial expenses	-565
Profit from property management	1,981

Sensitivity analysis, June 30, 2018

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/-1	+/-35
Economic leasing rate according to earnings capacity	+/-1	+/-35
Property expenses according to earnings capacity	+/-1	+/-9
Net operating income according to earnings capacity	+/-5	+/-127

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

At June 30, 2018, Hemfosa was a partner in three joint ventures including one minor holding, which is presented in Hemfosa's 2017 Annual Report. During the quarter, all shares in Gästgivaregatan Holding AB, the owner of the Tellus 4 property in Södertälje, which was formerly a joint venture, were acquired and the company is now a wholly owned subsidiary of Hemfosa.

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.

Equity share of joint ventures

MSEK	Jun 30		Dec 31
	2018	2017	2017
Capital share	1,403	1,886	2,096

Share in profit from joint ventures

MSEK	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Profit for the period	166	197	233 ¹	333	548
<i>Of which</i>					
<i>Profit from property management</i>	39	35	71	65	127
<i>Changes in value, properties</i>	150	222	188	326	490
<i>Changes in value, derivatives</i>	7	13	16	26	45
<i>Other</i>	-30	-73	-42	-84	-115

¹ including share in profit prior to March 22, 2018

Key performance data for material holdings in joint ventures, June 30

MSEK	Söderport		Gardermoen Campus Utvikling	
	2018	2017	2018	2017
Non-current assets	7,520	6,259	102	2,220
<i>of which, investment properties</i>	7,308	6,066	102	2,220
Current assets	126	136	22	112
Equity	2,675	2,185	92	1,187
<i>of which, Hemfosa's share</i>	1,337	1,093	60	772
Non-current liabilities	4,784	3,850	18	1,017
<i>of which, deferred tax liabilities</i>	584	404	13	220
<i>of which, derivatives</i>	296	367	2	-
Current liabilities	187	360	-	128
Rental income	287	277	-	-
Net operating income	212	28	0	0
Net interest income	-79	-81	0	1
Changes in value, properties	406	222	-	330
Changes in value, derivatives	31	52	-	-
Tax	-85	-37	-	-80
Profit	487	367	0	252
<i>of which, Hemfosa's share</i>	244	183	0	164
No. of properties	70	70	1	3
Leasable area, 000s of sqm	660	643	-	-

Söderport

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB (Corp. Reg. No. 556819-2230). The focal point of Söderport's property portfolio is in the Stockholm and Gothenburg regions.

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.

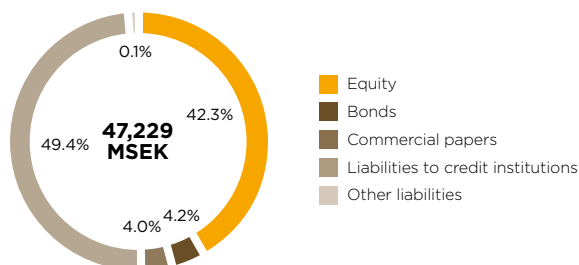
The new company owns land, parking facilities and certain infrastructure by the Gardermoen Airport area where the hospital and local medical center that Hemfosa has acquired is located. GCU will continue to develop the area into an important national expertise hub for health and care services. GCU controls 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

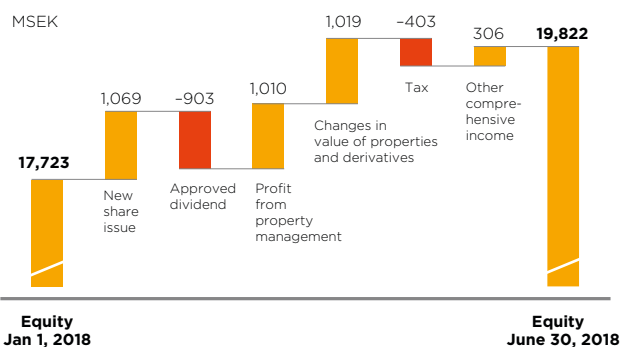
Hemfosa holds 26.6 percent of the shares and voting rights of Offentlig Eiendom AS (Corp. Reg. No. 914 428 467). The company owns and manages nine community service properties in Norway.

Financing

Breakdown of sources of financing, June 30, 2018



Changes in equity during the period



Key performance data, financial objectives

	Jan-Jun		Jan-Dec
	2018	2017	2017
Return on equity, %	30.5	27.3	19.0
Equity/assets ratio, %	39.5	39.7	40.4
Interest-coverage ratio, multiple	3.6	4.5	4.4 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.

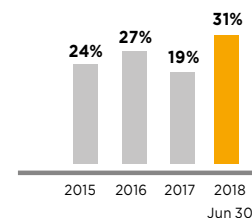
INTEREST-BEARING LIABILITIES

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

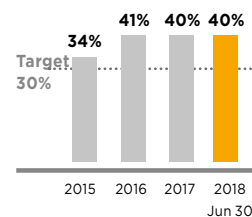
During the second quarter of 2018, new bank loans totaling MSEK 9,655 were raised to refinance existing bank loans and an existing covered bond. During the quarter, commercial paper totaling MSEK 1,495 was extended and MSEK 100 was redeemed. At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,895 and non-covered bonds of MSEK 2,000. The company has backup facilities for the outstanding commercial papers, most of which are covered.

FINANCIAL objectives

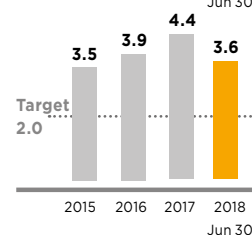
Hemfosa is to deliver the **highest return** among listed Swedish property companies over a five-year period. This applies to the return on equity.



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.



Change in loan portfolio

MSEK	Jan-Jun		Jan-Dec
	2018	2017	2017
Interest-bearing liabilities at the beginning of the period	24,110	20,666	20,666
New bank loans	11,652	872	5,527
Repayment of bank loans	-8,262	-540	-3,794
Redemption of commercial paper	-100	-	-
Issue of commercial paper	-	1,100	1,100
Issue of bonds	-	1,723	1,973
Redemption of bonds	-473	-998	-1,248
Exchange-rate difference	402	-100	-114
Interest-bearing liabilities at the end of the period¹	27,329	22,724	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.

Key performance data concerning the loan portfolio

	Jun 30		Dec 31
	2018	2017	2017
Net loan-to-value ratio, %	53.9	56.4	57.1
Average interest rate, %	1.94	1.99	1.94
Average remaining fixed-rate period, years	1.6	1.6	1.5
Average remaining loan maturity period, years	3.0	2.1	2.3
Interest-rate hedged portion of liabilities, %	62.8	53.2	69.1
Fair value of derivatives, MSEK	-26	-64	-34

Available liquidity

MSEK	Jun 30		Dec 31
	2018	2017	2017
Cash and cash equivalents	2,269	1,151	541
Unutilized overdraft facilities	450	450	450
Total	2,719	1,601	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 June 30, 2018, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,925 (5,103) and interest-rate caps MSEK 12,162 (5,757). Most of the interest-rate swaps had a negative fair value at June 30, 2018. During the quarter, Hemfosa repaid interest-rate swaps for a nominal value of MSEK 1,985 and interest-rate caps for a nominal value of MSEK 1,901, which resulted in a realized change in value of MSEK 10.5. In parallel, Hemfosa entered into new interest-rate swaps for a nominal value of MSEK 1,745 and new interest-rate caps for a nominal value of MSEK 2,593.

Fixed-rate period distributed by instrument type, June 30, 2018

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate caps, MSEK	Amount, MSEK	Proportion, %
<1 year	27,264	-4,061	-10,157	13,045	48
1-2 years	24	1,116	3,032	4,172	15
2-3 years	-	200	4,248	4,448	16
3-4 years	-	-	2,878	2,878	11
4-5 years	-	2,745	-	2,745	10
>5 years	41	-	-	41	0
Total	27,329	-	-	27,329	100%

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

	Nominal amount, MSEK	Pro-portion, %	Loan interest, MSEK	Net interest, derivatives, neg. value, MSEK	Net interest, derivatives, pos. value, MSEK	Total interest, MSEK
2018	45 ¹	0	248	15	1	264
2019	4,431	16	463	29	1	493
2020	5,616	21	349	28	-	377
2021	6,761	25	245	26	-	271
2022	3,587	13	173	26	-	199
2023-	6,890	25	71	6	-	78
Total	27,329	100	1,549	130	2	1,682

¹ Taking into account back-up facilities of SEK 1.8 billion that secure the commercial paper loans.

Sensitivity analysis, June 30, 2018

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+ 155/-82
Interest expenses assuming change in average interest rate ²	+/-1	+/-273
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/-1	+/-156

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

CURRENCY EXPOSURE

The acquisition 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	Jun 30		Dec 31
	2018	2017	2017
Exposure in EUR	87	80	82
Exposure in NOK	3,287	2,609	2,707

Sensitivity analysis, June 30, 2018

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/-10	+/-91
Changes in SEK/NOK exchange rates	+/-10	+/-374

CASH FLOW

Cash flow from operating activities for the period totaled MSEK 726 (792).

Investing activities impacted cash flow in the amount of MSEK -2,412 (-2,601), mainly comprising direct and indirect acquisitions and divestments of properties of MSEK -2,593 (-2,319) and investments in existing properties of MSEK -325 (-536).

Financing activities had an impact of MSEK 3,406 (1,740) on cash flow for the period. The net change in bank loans was MSEK 2,755 (2,157). The new issue generated proceeds of MSEK 1,085 (-). During the period, MSEK 418 (394) was paid in dividends to Hemfosa's shareholders.

Cash and cash equivalents changed in a total of MSEK 1,720 (-69) during the period.

Cash flow

MSEK	Jan-Jun		Jan-Dec
	2018	2017	2017
Cash flow from operating activities	726	792	1,542
Cash flow from investing activities	-2,412	-2,601	-4,955
Cash flow from financing activities	3,406	1,740	2,732
Total cash flow	1,720	-69	-681

Other

INFORMATION ON THE DEMERGER PROCESS

The process involving an in-depth analysis of the opportunities and structure for a split of the Hemfosa Group into two listed companies is progressing. The aim is to create a community services-focused property company with development potential and a transaction-based property company. The latter-mentioned of these is planned to be distributed to Hemfosa's ordinary shareholders and listed on Nasdaq Stockholm. If the ongoing evaluation results in a decision by the Board to continue the demerger process, the Board will convene an Extraordinary General Meeting. If a decision is made, the distribution and listing is expected to take place in the second half 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's 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 June 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 closing price paid on June 30, 2018 was SEK 104.80 for the ordinary share and SEK 189.00 for the preference share. Total market capitalization was MSEK 19,656. At June 30, 2018, Hemfosa had 24,652 shareholders, of whom Swedish investors, institutions and private individuals owned 52.9 percent of the shares and 51.1 percent of the votes. International institutional investors owned 47.1 percent of the shares and 48.9 percent of the votes.

Ownership structure, June 30, 2018

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Länsförsäkringar Fondförvaltning AB	9,138,144	-	5.1	5.4
Kåpan Pensioner				
Försäkringsförening	8,716,274	-	4.9	5.2
Swedbank Robur Funds	8,228,375	-	4.6	4.9
Fourth AP Fund	7,167,554	-	4.0	4.2
JPM Chase NA	6,667,412	355,566	3.9	4.0
SEB Investment Management	5,387,025	-	3.0	3.2
CBNY-Norges Bank	4,774,446	-	2.7	2.8
ICA-handlarnas Förbund				
Finans AB	4,601,517	254,317	2.7	2.7
Handelsbanken Funds	4,540,000	-	2.5	2.7
Other	108,507,502	10,390,116	66.6	64.9
Total	167,728,249	10,999,999	100.0	100.0

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.

ASSURANCE BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer give their 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, July 19, 2018
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Bengt Kjell
Chairman of the Board

Jens Engwall
Chief Executive Officer

Gunilla Högbom
Board member

Anneli Lindblom
Board member

Per-Ingemar Persson
Board member

Caroline Sundewall
Board member

Ulrika Valassi
Board member

This interim report was not audited.

The information is such that Hemfosa Fastigheter AB (publ) is obligated to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was issued for publication under the auspices of the CEO on July 19, 2018 at 7:30 a.m. CET.

People
YOU MEET.
ROOMS YOU
visit.
PROPERTIES
WE CANNOT
DO WITHOUT.

FINANCIAL CALENDAR

Interim report January–September 2018	November 7, 2018
Year-end report 2018	February 15, 2019
Interim report January–March 2019	May 7, 2019
Annual General Meeting 2019	May 7, 2019

CONTACT INFORMATION

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Condensed FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF profit/loss and comprehensive income

MSEK	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Rental income	869	858	1,684	1,580	3,134
Property expenses					
Operating expenses	-148	-124	-323	-281	-488
Maintenance costs	-51	-34	-109	-97	-221
Property tax	-29	-25	-58	-51	-108
Property administration	-28	-21	-54	-44	-85
Net operating income	613	654	1,140	1,107	2,232
Central administration	-46	-34	-78	-65	-137
Other operating income and expenses	4	2	6	5	11
Share in profit of joint ventures ¹	166	197	233	333	548
Share in profit of associated companies	2	-	4	-	19
Financial income and expenses	-168	-117	-294	-234	-487
Profit from property management	572	699	1,010	1,146	2,186
Changes in value of properties, realized	1	-2	-1	32	22
Unrealized changes in value of properties	536	325	1,031	1,029	1,629
Changes in value of financial instruments, realized	10	-	12	-	-
Unrealized changes in value of financial instruments	-31	8	-21	20	50
Profit before tax for the year	1,088	1,030	2,030	2,227	3,887
Current tax	-50	-25	-137	-27	-30
Deferred tax	-112	-131	-266	-340	-693
Profit for the year	926	874	1,627	1,860	3,163
Other comprehensive income					
<i>Items that have or could be transferred to profit for the period</i>					
Translation differences for the period when translating foreign operations	127	-48	336	-81	-104
Comprehensive income for the year	1,053	826	1,963	1,779	3,059
<i>Profit for the year attributable to:</i>					
Parent Company shareholders	917	865	1,605	1,842	3,142
Non-controlling interests	9	9	21	18	21
Profit for the year	926	874	1,627	1,860	3,163
<i>Comprehensive income for the year attributable to:</i>					
Parent Company shareholders	1,040	818	1,933	1,763	3,042
Non-controlling interests	13	8	30	15	18
Comprehensive income for the year	1,053	826	1,963	1,779	3,059
Profit for the year per ordinary share, before dilution, SEK	5.62	5.31	9.81	11.33	19.22
Profit for the year per ordinary share, after dilution, SEK	5.61	5.31	9.80	11.33	19.21

CONSOLIDATED STATEMENT OF financial position

MSEK	Jun 30		Dec 31
	2018	2017	2017
ASSETS			
Investment properties	46,290	38,153	41,119
Shares in joint ventures	1,403	1,886	2,096
Shares in associated companies	140	92	123
Other fixed assets	14	19	17
Total fixed assets	47,847	40,149	43,355
Current receivables	380	357	190
Cash and cash equivalents	2,269	1,151	541
Total current assets	2,649	1,509	731
TOTAL ASSETS	50,496	41,658	44,086
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	19,821	16,438	17,723
Non-controlling interests	115	80	85
Equity	19,936	16,517	17,807
Non-current interest-bearing liabilities	22,235	17,329	15,139
Other non-current liabilities	41	69	52
Deferred tax liabilities	1,484	839	1,184
Total non-current liabilities	23,759	18,237	16,375
Current interest-bearing liabilities	4,980	5,342	8,894
Other current liabilities	1,820	1,562	1,010
Total current liabilities	6,800	6,904	9,904
Total liabilities	30,560	25,141	26,279
TOTAL EQUITY AND LIABILITIES	50,496	41,658	44,086

¹ See table on page 9

Consolidated statement of CHANGES IN EQUITY

MSEK	Equity attribut- able to Parent Company shareholders	Non-con- trolling interests	Total equity
Opening equity Jan 1, 2017	15,506	64	15,570
New issue, ordinary shares	-26 ²	-	-26
Dividend, ordinary shares	-694	-	-694
Dividend, preference shares	-110	-	-110
Comprehensive income Jan-Jun 2017	1,763	15	1,779
Closing equity Jun 31, 2017	16,438	80	16,517
Opening equity Jan 1, 2018	17,723	85	17,807
New issue, ordinary shares	1,069 ³	-	1,069
Dividend, ordinary shares	-793	-	-793
Dividend, preference shares	-110	-	-110
Change in holdings without significant non-controlling interests	-	0	0
Comprehensive income Jan-Jun 2018	1,933	30	1,963
Closing equity 30 Jun 2018	19,821¹	115	19,936

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	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Operating activities					
Profit from property management	572	699	1,010	1,146	2,186
Adjustments for non-cash items	-168	-197	-240	-332	-566
Income tax paid	-2	-1	-14	-8	-8
Subtotal	402	500	756	805	1,612
Change in operating receivables	-48	-53	-219	-167	-15
Change in operating liabilities	-131	205	188	154	-55
Cash flow from operating activities	223	652	726	792	1,542
Investing activities					
Acquisition of investment properties	-269	5	-281	-33	-62
Divestment of investment properties	-	-	-	7	7
Investments in existing properties	-157	-244	-325	-536	-956
Acquisition of subsidiaries	-316	-2,023	-2,311	-2,286	-4,239
Divestment of subsidiaries	209	66	274	254	288
Acquisition of joint ventures and associated companies	0	-40	-1	-49	-62
Other	223	43	232	43	68
Cash flow from investing activities	-309	-2,194	-2,412	-2,601	-4,955
Financing activities					
New issue	1,085	-	1,085	-	-
Loans raised	9,716	2,750	11,608	3,699	8,588
Repayment of loans	-8,716	-646	-8,853	-1,538	-5,042
Dividend paid to shareholders	-217	-201	-418	-394	-799
Other	-16	-27	-16	-27	-15
Cash flow from financing activities	1,852	1,903	3,406	1,740	2,732
Cash flow for the period	1,766	361	1,720	-69	-681
Cash and cash equivalents at the beginning of the period	503	790	541	1,221	1,221
Exchange-rate difference in cash and cash equivalents	-1	-0	8	-1	0
Cash and cash equivalents at the end of the period	2,269	1,151	2,269	1,151	541

Key performance data

KEY FINANCIAL DATA

	Jun 30		Dec 31
	2018	2017	2017
Return on equity, %	30.5	27.3	19.0
Equity/assets ratio, %	39.5	39.7	40.4
Net loan-to-value ratio, properties, %	53.9	56.4	57.1
Debt/equity ratio, multiple	1.4	1.4	1.3
Interest-coverage ratio, multiple	3.6	4.5	4.4

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Profit from property management per ordinary share ²	3.43	4.25	6.04	6.92	13.16
Profit after tax per ordinary share before dilution, SEK ²	5.62	5.31	9.81	11.33	19.22
Profit after tax per ordinary share after dilution, SEK ²	5.61	5.31	9.80	11.33	19.21
Equity per ordinary share, SEK ¹	107.49	92.86	107.49	92.86	101.01
Net asset value (EPRA NAV), SEK per ordinary share ^{1,2}	119.13	101.93	119.13	101.93	112.20
Cash flow from operating activities per ordinary share, SEK	1.24	3.96	4.25	4.67	9.52
Dividend per ordinary share, SEK	1.20	1.10	2.30	2.15	4.35
Weighted average number of ordinary shares, 000s	158,388	157,728	158,060	157,728	157,728
Number of ordinary shares outstanding, 000s ¹	167,728	157,728	167,728	157,728	157,728

COMPONENTS OF KEY PERFORMANCE DATA

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

RETURN ON EQUITY

MSEK	Jun 30		Dec 31
	2018	2017	2017
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	5,528	4,045	3,150
Average equity attributable to Parent Company shareholders	18,129	14,828	16,614
Return on equity, %	30.5	27.3	19.0

EPRA NAV

MSEK	Jun 30		Dec 31
	2018	2017	2017
Shareholders' equity attributable to Parent Company shareholders	19,821	16,438	17,723
Preference share capital	1,791	1,791	1,791
Deferred tax	1,484	839	1,184
Derivatives	26	64	34
Deferred tax in joint ventures, Hemfosa's share	293	345	383
Derivatives in joint ventures, Hemfosa's share	148	184	164
Number of ordinary shares, millions	168	158	158
EPRA NAV, SEK	119.13	101.93	112.20

NET LOAN-TO-VALUE RATIO

MSEK	Jun 30		Dec 31
	2018	2017	2017
Cash and cash equivalents	2,269	1,151	541
Interest-bearing liabilities	27,215	22,671	24,033
Investment properties	46,290	38,153	41,119
Net loan-to-value ratio, %	53.9	56.4	57.1

PROPERTY-RELATED KEY FIGURES

	Jun 30		Dec 31
	2018	2017	2017
No. of properties	489	459	472
Rental value, MSEK ²	3,709	3,235	3,397
Leasable area, 000s of sqm	3,005	2,790	2,918
Fair value of properties, MSEK	46,290	38,153	41,119
Property value, SEK per sqm of leasable area	15,405	13,675	14,092
Economic leasing rate, %	93.4	62.2	92.5
Surplus ratio, Jan-Jun, %	67.7	70.1	71.2
Yield, Jan-Jun, %	5.2	5.4	5.4

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Dividend per preference share, SEK	2.50	2.50	5.00	5.00	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.

INTEREST-COVERAGE RATIO

MSEK	Jun 30		Dec 31
	2018	2017	2017
Profit from property management	1,010	1,146	2,186
Share in profit from joint ventures and associated companies	236	333	548
Depreciation/amortization	0	-1	-1
Financial income and expenses	-294	234	-487
Interest-coverage ratio, multiple	3.6	4.5	4.4

EQUITY/ASSETS RATIO

MSEK	Jun 30		Dec 31
	2018	2017	2017
Equity	19,936	16,517	17,807
Total assets	50,496	41,658	44,086
Equity/assets ratio, %	39.5	39.7	40.4

DEBT/EQUITY RATIO

MSEK	Jun 30		Dec 31
	2018	2017	2017
Interest-bearing liabilities	27,215	22,671	24,033
Equity	19,936	16,517	17,807
Debt/equity ratio, multiple	1.4	1.4	1.3

Quarterly review

	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016
Rental income, MSEK	869	815	792	762	858	722	684	666
Property expenses								
Operating expenses, MSEK	-148	-175	-124	-83	-124	-158	-103	-84
Maintenance costs, MSEK	-51	-58	-71	-52	-34	-63	-67	-47
Property tax, MSEK	-29	-28	-30	-28	-25	-25	-24	-28
Property administration, MSEK	-28	-26	-18	-22	-21	-22	-18	-22
Net operating income, MSEK	613	527	548	576	654	455	472	485
Surplus ratio, %	70.5	64.7	69.3	75.6	76.2	62.9	69.0	72.8
Economic leasing rate, %	93.4	93.4	92.5	92.0	92.2	91.7	91.1	91.5
Yield, %	5.2	5.4	5.4	5.9	5.4	5.4	5.5	5.6
Profit from property management, MSEK	572	439	525	515	699	447	537	582
Profit from property management per ordinary share, SEK	3.43	2.61	3.15	3.09	4.25	2.66	3.23	2.23
Profit for the year, MSEK	926	701	528	775	874	986	837	1,389
Profit for the year per ordinary share, before dilution, SEK	5.62	4.19	3.17	4.73	5.31	6.02	5.02	8.59
Profit for the year per ordinary share, after dilution, SEK	5.61	4.19	3.16	4.69	5.31	6.02	5.02	8.59
Fair value of properties, MSEK	46,290	44,937	41,119	39,736	38,153	35,751	34,668	33,020
Equity, MSEK	19,936	18,717	17,807	17,303	16,517	16,496	15,570	14,731
Equity per ordinary share, SEK	107.49	106.66	101.01	97.82	92.86	92.77	86.95	81.81
EPRA NAV per ordinary share, SEK	119.13	118.87	112.20	107.55	101.93	100.89	93.87	88.40
Return on equity, % ¹	30.5	31.3	19.0	21.5	27.3	28.0	27.1	27.4
Equity/assets ratio, %	39.5	39.5	40.4	40.6	39.7	42.7	41.2	41.5
Net loan-to-value ratio, properties, %	53.9	56.9	57.1	56.8	56.4	55.5	55.9	55.0
Debt/equity ratio, multiple	1.4	1.4	1.3	1.3	1.4	1.3	1.3	1.3
Interest-coverage ratio, multiple	3.6	3.9	4.4	4.5	4.5	3.7	3.9	3.9
Cash flow from operating activities before changes in working capital, MSEK ²	402	354	373	433	500	312	321	357
Cash flow per ordinary share, SEK ²	2.36	2.07	2.19	2.57	3.00	1.81	1.86	2.09
Cash flow from operating activities, MSEK	223	503	449	301	652	140	296	398
Cash flow per ordinary share, SEK	1.24	3.01	2.67	1.73	3.96	0.72	1.67	2.35

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 and valuation 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.

note 2 ESTIMATES AND ASSESSEMENTS

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.

	Apr-Jun		Jan-Jun		Jan-Dec
Net operating income, Total (MSEK)	2018	2017	2018	2017	2017
Rental income	869	858	1,684	1,580	3,134
Property expenses					
<i>Operations</i>	-148	-124	-323	-281	-488
<i>Maintenance</i>	-51	-34	-109	-97	-221
<i>Property tax</i>	-29	-25	-58	-51	-108
Property administration	-28	-21	-54	-44	-85
Net operating income	613	654	1,140	1,107	2,232
Profit from property management	572	699	1,010	1,146	2,186
Changes in value	516	334	1,019	1,080	1,700
Profit before tax for the period	1,088	1,030	2,030	2,227	3,887
Tax	-162	-156	-403	-367	-723
Profit for the period	926	874	1,627	1,860	3,163

	Apr-Jun		Jan-Jun		Jan-Dec
Net operating income, Sweden (MSEK)	2018	2017	2018	2017	2017
Rental income	702	751	1,391	1,367	2,684
Property expenses					
<i>Operations</i>	-141	-118	-306	-270	-463
<i>Maintenance</i>	-48	-33	-103	-93	-211
<i>Property tax</i>	-26	-23	-51	-46	-96
Property administration	-28	-23	-54	-43	-84
Net operating income	459	554	876	915	1,831

	Apr-Jun		Jan-Jun		Jan-Dec
Net operating income, Norway (MSEK)	2018	2017	2018	2017	2017
Rental income	126	71	211	143	299
Property expenses					
<i>Operations</i>	-2	-1	-4	-1	-5
<i>Maintenance</i>	-1	-1	-2	-2	-5
<i>Property tax</i>	-1	-1	-2	-2	-4
Property administration	0	0	0	-1	-1
Net operating income	121	67	203	136	284

	Apr-Jun		Jan-Jun		Jan-Dec
Net operating income, Finland (MSEK)	2018	2017	2018	2017	2017
Rental income	42	37	81	70	151
Property expenses					
<i>Operations</i>	-5	-5	-12	-10	-20
<i>Maintenance</i>	-2	-1	-4	-2	-4
<i>Property tax</i>	-2	-1	-4	-2	-8
Property administration	0	1	0	1	0
Net operating income	32	30	61	56	118

Key performance data, June 30	Sweden		Norway		Finland		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Rental value, MSEK	3,005	2,794	527	278	178	163	3,709	3,235
Leasable area ¹ , 000s sqm	2,615	2,518	278	160	112	112	3,005	2,790
Fair value of properties, MSEK	35,427	31,974	8,979	4,447	1,884	1,732	46,290	38,153
No. of properties	435	419	46	32	8	8	489	459
Yield ² , %	5.4	5.6	5.4	5.7	6.8	6.7	5.4	5.7
Economic leasing rate, %	92.5	91.4	98.0	99.3	95.7	93.6	93.4	92.2
Remaining lease term, years	5.2	5.4	11.6	8.1	5.7	6.8	6.2	5.7
Surplus ratio for the period, %	63.0	66.9	96.0	95.1	74.7	80.0	67.7	70.1

¹ Excluding garage space

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

note 4 TAX

The Group's effective tax rate for the period was 16.8 percent (16.5).

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 +58 and was charged in full to earnings for the second quarter.

The residual value of investment properties for tax purposes totaled MSEK 22,973, which means that temporary differences of MSEK 13,629 are not recognized in the Statement of financial position.

MSEK	Jun 30, 2018
Loss carryforwards	3,319
Residual value for tax purposes, properties	22,973
Temporary difference not recognized in the consolidated financial statements	13,629

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	
	Jun 30, 2018	Jun 30, 2017	Jun 30, 2018	Jun 30, 2017
Derivatives with a positive value	6	2	6	2
Derivatives with a negative value	32	66	32	66

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. Söderport Holding AB is managed by AB Sagax, apart from property management in Gothenburg and in seven smaller towns, which is provided by Hemfosa. The agreements are conducted in conformity with normal market terms.

note 9 SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

After the end of the quarter, an agreement was signed for the acquisition of a portfolio comprising 51 properties primarily located in southern and central Sweden at an underlying property value of MSEK 3,600 and a total area of 460,000 square meters. The acquisition is subject to the condition that the Swedish Competition Authority (Sw. Konkurrensverket) decides to approve or leave the acquisition without action.

note 10 EARNINGS PER SHARE

An incentive program for employees was introduced in 2017. Under the program, 1,294,000 warrants were issued 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	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Profit for the period attributable to Parent Company shareholders	917	865	1,605	1,842	3,142
Dividend on preference shares	-27	-27	-55	-55	-110
Profit attributable to Parent Company ordinary shareholders	890	838	1,550	1,787	3,032
Average weighted number of ordinary shares, millions	158	158	158	158	158
Profit per ordinary share, before dilution, SEK	5.62	5.31	9.81	11.33	19.22
Profit per ordinary share, after dilution, SEK	5.61	5.31	9.80	11.33	19.21

Number of ordinary shares, millions	168	158	168	158	158
Number of warrants issued, millions	1	-	1	-	1
Estimated dilution, %	0.08	-	0.06	-	0.04

INCOME STATEMENT for the Parent Company

MSEK	Apr-Jun		Jan-Jun		Jan-Dec
	2018	2017	2018	2017	2017
Net sales	10	8	19	16	33
Other external costs	-17	-15	-27	-26	-47
Personnel costs	-8	-9	-18	-11	-32
Depreciation/amortization	0	0	0	0	0
Operating loss	-15	-16	-25	-21	-46
Profit from shares in Group companies	-	-3	-	-3	897
Interest income and similar income items	7	5	14	10	26
Interest expenses and similar expense items	-14	-19	-28	-36	-71
Profit/loss after financial items	-22	-33	-39	-50	806
Appropriations					
Group contributions received and paid	-	-2	-	-2	116
Profit/loss after appropriations	-22	-35	-39	-52	922
Tax	5	-0	9	0	0
Profit/loss for the year	-17	-35	-30	-52	922

For the January-June 2018 period, the Parent Company recognized a loss after tax of MSEK -30 (-52). The Parent Company's fee for central and property administrative services on behalf of Group companies during the period was MSEK 19 (16). Profit for the year corresponds to comprehensive income for the year.

BALANCE SHEET for the Parent Company

MSEK	Jun 30		Dec 31
	2018	2017	2017
ASSETS			
Tangible assets	1	1	1
Participations in Group companies	4,940	5,397	5,326
Non-current receivables from Group companies	704	477	810
Deferred tax assets	-	-	-
Total fixed assets	5,664	5,875	6,137
Current receivables from Group companies	10,301	10,198	11,440
Other current receivables	71	64	45
Cash and bank balances	0	-28	0
Total current assets	10,372	10,235	11,535
TOTAL ASSETS	16,016	15,816	17,672
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity	89	84	84
Unrestricted equity	11,260	10,149	11,130
Equity	11,350	10,234	11,214
Non-current interest-bearing liabilities	2,000	1,750	2,000
Non-current liabilities to Group companies	9	-	8
Other non-current liabilities	3	-	3
Total non-current liabilities	2,011	1,750	2,011
Current interest-bearing liabilities	-	1,995	-
Commercial paper, short-term	1,895	1,100	1,995
Current liabilities to Group companies	27	1,194	2,208
Other current liabilities	732	643	244
Total current liabilities	2,655	3,832	4,447
Total liabilities	4,669	5,592	6,458
TOTAL EQUITY AND LIABILITIES	16,016	15,816	17,672
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Participations in Group companies	4,939	5,397	2,660
<i>Contingent liabilities</i>			
Sureties for liabilities in Group companies	18,200	14,887	17,353
Sureties for liabilities in joint ventures	-	187	184

At June 30, 2018, the Parent Company had shareholders' equity totaling MSEK 11,350 (10,234), of which restricted equity accounted for MSEK 89 (84).

Intra-Group liabilities totaled MSEK 36 (1,194) and intra-Group receivables MSEK 11,005 (10,675).

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 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.

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).



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