

Annual Report 2018



**THE MOST IMPORTANT PEOPLE
DESERVE THE BEST PROPERTY**

Hemfosa
FASTIGHETER




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Hemfosa's formal and audited annual accounts are on pages 54–63 and 67–108.

While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the Board of Directors, is in Swedish.



**HEMFOSA WILL BE THERE TO SERVE
THE COMMUNITY AND PROVIDE THE
BEST PROPERTIES FOR THE MOST
IMPORTANT PEOPLE.**

SPECIALISTS IN COMMUNITY SERVICE PROPERTIES IN THE NORDIC REGION

During 2018, Hemfosa strengthened its position as a specialist in community service properties in the Nordic region. We acquired properties and worked to develop our existing premises for our tenants and their important operations. We pursued a number of expansion and conversion projects and planned major new builds. We also completed a demerger of the Group by distributing Nyfosa, including most of the Group's properties that are not intended for community service operations, to the holders of Hemfosa's ordinary shares. Accordingly, it was another highly active year for Hemfosa.

SEK **36.0** BILLION

Property value,
December 31, 2018

SEK **5.2** BILLION

Properties acquired
during 2018

SEK **2.8** BILLION

Rental value,
December 31, 2018

AMONG THE
LARGEST TENANTS

MUNICIPALITIES POLICE NATIONAL COURTS ADMINISTRATION NORWEGIAN
LABOR AND WELFARE ADMINISTRATION SWEDISH PRISON AND PROBATION
SERVICE MID SWEDEN UNIVERSITY SWEDISH MIGRATION AGENCY ATTENDO
INTERNATIONELLA ENGELSKA SKOLAN

PROPERTY VALUE PER CATEGORY



- Public-sector offices
- Schools
- Care services
- Judicial system
- Commercial offices
- Other

KEY PERFORMANCE DATA

	2018	2017
Rental income, MSEK	2,525	2,103 ¹
Profit from property management, MSEK	1,204	1,173 ¹
Profit after tax, MSEK	2,030	1,949 ¹
Profit after tax for continuing operations per ordinary share, after dilution, SEK	11.77	11.65 ¹
Equity per ordinary share, SEK	67.62	101.01
Net asset value per ordinary share (EPRA NAV), SEK	75.11	112.20
Property value, SEK billion	36.0	41.1

¹ Excl. Nyfosa.



Q1 – CONTINUED INVESTMENTS

- Hemfosa becomes the long-term sole owner of a specialist hospital and a local medical center in the expertise hub for health services and medical care that is being established near Gardermoen Airport in Norway.
- In connection with the transaction, financing of the properties is secured through a green loan from Swedbank.
- The process of in-depth analysis of the opportunities and structure for a demerger of the Hemfosa Group into two listed companies is progressing and a decision is made to create a subsidiary of Hemfosa's other properties.



Q2 – HIGH ACTIVITY WITH A NUMBER OF TRANSACTIONS

- Hemfosa acquires assets, including a property portfolio in northern and central Sweden, and properties in Bergen, Norway, with a total value of about SEK 1.1 billion.
- The Board of Directors decides to appoint Caroline Arehult as new CEO of Hemfosa.
- Hemfosa implements a private placement of ten million ordinary shares and generates proceeds of MSEK 1,085.
- Hemfosa appoints a Board of Directors and chooses a name for the new subsidiary – Nyfosa AB – and the Board appoints Jens Engwall as its CEO.



Q3 – NEW EMPLOYEES AND RESOLUTION AT EXTRAORDINARY GENERAL MEETING

- Peter Anderson is recruited as the new CFO and Anna Alsborger as the new Head of Transactions.
- The Board of Hemfosa Fastigheter proposes the distribution of the subsidiary Nyfosa to Hemfosa's ordinary shareholders.
- At an Extraordinary General Meeting on September 13, 2018, a resolution is passed to distribute all of the shares in Nyfosa to the ordinary shareholders of Hemfosa.
- Caroline Arehult takes office as CEO.



Q4 – NEW ASSIGNMENTS STRENGTHEN PROJECT OPERATIONS

- Hemfosa secures contract to construct Socialtjänstens Hus in Västerås. The investment is estimated to total some MSEK 245.
- Hemfosa acquires another four LSS homes in Sweden from Emrahus.
- Nasdaq Stockholm's Listing Committee admits the subsidiary Nyfosa's shares for trading on Nasdaq Stockholm and a prospectus for Nyfosa is published on November 7, 2018.
- Jens Engwall steps down from Hemfosa's Board of Directors after the distribution of Nyfosa to focus fully on his assignment as CEO and Member of the Board of Nyfosa.



“OUR FIRST TARGET HAS BEEN SET AT SEK 50 BILLION IN PROPERTY VALUE WITHIN FIVE YEARS, COUPLED WITH HEALTHY PROFITABILITY AND CONTINUED LOW RISK.”

COMMENTS FROM THE CEO

SPECIALIZATION AND GROWTH

Specialization in community service properties and a clear focus on growth, long-term operations and sustainability. These are core components when we set the course for Hemfosa's continued development. With a positive 2018 behind us, with strengthened profit from property management and a stable financial position, we are well equipped to reach our set destination.

Activity is high; we are evaluating attractive transactions in all three markets and we have several new projects ready to start.

Profitability and continued low risk

2018 marked a new start for Hemfosa. Through the demerger of the Group into two niched companies, better conditions were created for leveraging the potential of the entire business and thus also the opportunities to boost shareholder value. For Hemfosa, this means that we are leaving the opportunistic features behind us and focusing wholeheartedly on becoming a long-term player within community service properties. At the beginning of 2019, we presented our business plan containing an updated strategy and financial targets. We are now setting our sights on structured growth and our first target has been set at achieving a property value of SEK 50 billion within five years, coupled with healthy profitability and continued low risk. We view our path ahead as an evolution, where we will preserve and develop the robust platform that already exists in Hemfosa while also adding a number of new elements. Together, this will make us even stronger.

Specializing in community service properties

What we offer includes an even clearer specialization in community service properties, where a greater focus on a long-term approach and sustainability is integrated into the operations. We will also combine the entrepreneurial spirit of the organization with an upscaled structure. By so doing, we will scale up the business and simultaneously retain our agility. An example of this is packaging our expertise into concepts that make it easier for municipalities when selecting, for example, schools. By using concepts, we will clarify our offering as a long-term property owner and how the property can best support the operations of our tenants.

We continuously see the positive effects of Hemfosa's experience and long-term relationships. An example of this is in Västerås, where Hemfosa will construct the new building for the city's social services on our own site, after having won the procurement of the project in 2018. Hemfosa has a long-established relationship with Västerås City as a tenant. We thereby succeeded in proving our expertise and long-term approach, which was an important factor in gaining the confidence to implement this major project. We have additional similar examples where our local and close tenant relationships generate new business opportunities and potential for us to grow.

Opportunities in an exciting market

There is a substantial need for community service properties in Hemfosa's markets, with a growing population and a higher share of younger and older people. For example, about 1,300 new preschools and schools will be needed in Sweden up to 2026, according to information provided by the Ministry of Finance. A large number of retirement and nursing homes also need to be built. Municipalities and county councils are in a difficult situation and Hemfosa can become involved and contribute to satisfying the growing needs by building new properties, and also by taking over ownership when the municipalities want to free up resources.

Hemfosa has an organization with highly dedicated and experienced employees. To optimally capitalize on the growth opportunities, we are now strengthening our organization by adding expertise, in part in transactions and project development. Several recruitments to important functions are currently under way and a number of them are already in place. As part of these recruitment processes, I am delighted to say that Hemfosa's brand is very strong and that the exciting new growth journey that we have embarked upon and the corporate culture we convey are attractive to many.

Positioned for growth

On the whole, we can see that Hemfosa has the conditions in place to achieve the ambitious growth in the property portfolio and profitability that we have set as our targets. Our transaction team is deeply involved in interesting discussions about tangible business opportunities in all three markets. Project development will also represent an increasing share of our growth, about one-third during the target period, and we are currently planning for several exciting new projects.

We have staked out Hemfosa's route ahead and the market is filled with opportunities. I am looking forward, together with my colleagues, to achieving our objectives and continuing to build Hemfosa in a long-term and sustainable direction, with intelligent transactions and the best properties for the most important people.

Caroline Arehult, CEO



WITHOUT OUR CUSTOMERS SWEDEN WOULD STOP

Public-sector offices

Account for 30 percent of Hemfosa's total property value. Tenants of the office premises include municipal operations and government authorities, such as the Swedish Tax Agency and the Swedish Social Insurance Agency.



Proportion of property value

BUSINESS MODEL

INVEST LONG-TERM AND SUSTAINABLY IN COMMUNITY SERVICE PROPERTIES

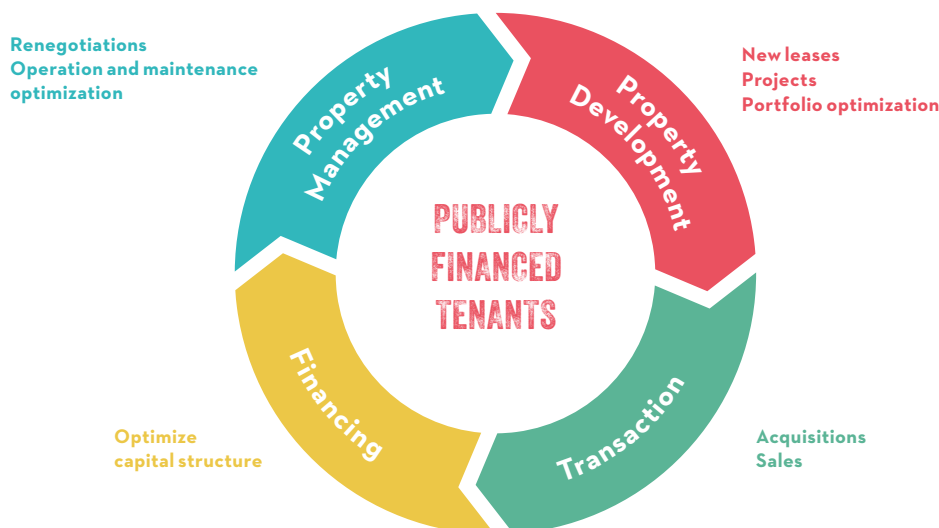
Hemfosa is a specialist in community service properties for, among other uses, healthcare, education and the judiciary in the Nordic region. Through acquisitions, project development and improvement of community service properties, we work every day to satisfy our tenants' requirement. Our goal is to continue to grow and to make a good business even better.

By focusing on publicly financed operations, we can minimize the financial risks. Schools, nursing homes and public authorities adopt a long-term approach to their operations, which results in long leases that are often renewed and stable cash flows.

Hemfosa's customers are important community service operations such as schools, retirement homes, preschools, public authorities, the police and courts of law, which are

run by the central government, municipalities, county councils or private operators. Demand for commercial premises for these operations is increasing constantly as the population grows and the share of children and senior citizens becomes larger. Accordingly, there is a definite need for Hemfosa's properties, and for our experience and knowledge in the area, both in small and larger locations.

A BUSINESS MODEL WITH LOW RISK



STRATEGIC ORIENTATION

Following the decision to distribute Nyfosa to the ordinary shareholders, Hemfosa formulated a strategy and business plan for the years ahead. This process has resulted in an updated strategy, new financial targets and a new dividend policy, which were presented in January 2019.

Growth combined with profitability and low risk

The core of Hemfosa’s strategy is to grow and make a good business even better. The objective is that our property portfolio will grow to SEK 50 billion within five years – growth that will be combined with healthy profitability while retaining a low risk. We will achieve this by strengthening Hemfosa’s position as the market leader in Sweden and Norway and expanding our activities and presence in the Finnish market. The ambition is to capitalize on growth opportunities when the need for community service properties increases in all three markets as the population grows and the share of children and senior citizens becomes larger.

Acquisitions and project development of community service properties

Hemfosa’s planned growth will be achieved through acquisitions and project development. The vast majority of growth will take place through acquisitions of properties. Project development will represent an increasing share of Hemfosa’s growth, accounting for about a third of growth during the period. We aim to establish a clear position in project development for community service properties through partnerships and by gradually expanding internal resources, with proprietary concepts, through land allotment and with our existing properties.

Long-term and sustainable development

Experienced employees and a strong local organization will continue to create business opportunities and further strengthen relationships with tenants. We will continue to work effectively with a long-term approach and a flat organization where motivated employees assume far-reaching responsibility. Combining Hemfosa’s entrepreneurial spirit with an enhanced structure, we can scale up the operations, while retaining an agile and entrepreneurial organization. Hemfosa will manage, develop and invest with a long-term approach and with sustainability as a natural and integral feature of the business and in all business decisions.

VISION

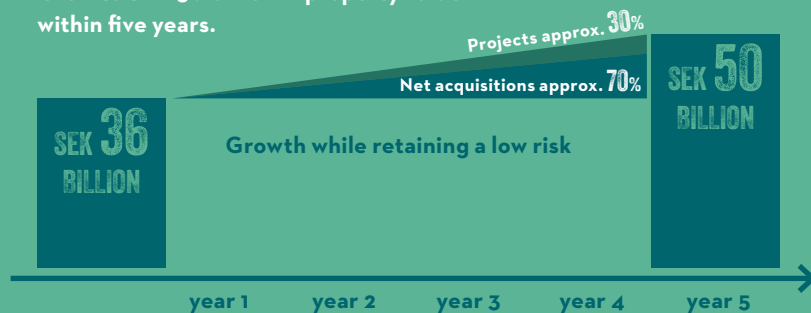
We will be there to serve the community and provide the best properties for the most important people.

BUSINESS CONCEPT

With its local presence, Hemfosa will acquire, own over the long term, develop and actively manage community service properties in the Nordic region.

TARGETS

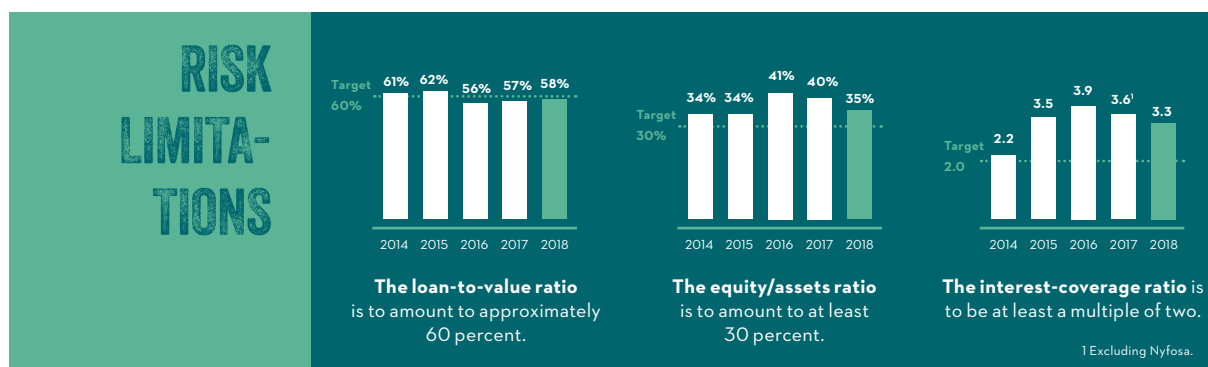
Grow to SEK 50 billion in property value within five years.



Distributable earnings per share¹ will increase on average by a minimum of 10 percent per year.

+10%

¹ Distributable earnings comprises profit from property management, excluding the share in profit from joint ventures and after tax.



DIVIDEND POLICY

The dividend is to amount to approximately 40 percent of distributable earnings. Distributable earnings comprises profit from property management, excluding the share in profit from joint ventures and after tax.

	2018	2017	2016	2015	2014
Distributable earnings, MSEK	1,111	1,589	1,253	1,103	580
Dividend per ordinary share, SEK	2.40 ¹	4.80	4.40	4.20	3.00
Dividend per preference share, SEK	10.00 ¹	10.00	10.00	10.00	–
Total dividend, MSEK	513	903	804	745	551

1 Proposed dividend.

Earnings capacity

Earnings capacity is an important measurement for describing the expected earnings of a property company at a specific point in time and based on certain assumptions; it must not be confused with a forecast and only serves as a basis for gaining an impression of the company's future earnings based on the existing portfolio. Hemfosa's estimated earnings capacity rose about 21 percent during the year. The reasons underlying the increase were an increase in the property portfolio and project development combined with a stable yield, a stronger financial position and advantageous financing terms.

Distribution of Nyfosa

Hemfosa's Extraordinary General Meeting on September 13, 2018 resolved in accordance with the Board of Directors' motion to distribute all of the shares in the subsidiary Nyfosa AB to Hemfosa's ordinary shareholders. The distribution was carried out in the fourth quarter and Nyfosa AB was listed on Nasdaq Stockholm Large Cap and its first day of trading was November 23, 2018.

Group's earnings capacity

MSEK	Dec 31, 2018
Rental income	2,666
Property expenses	-636
Property administration	-67
Net operating income	1,963
Central administration	-120
Share in profit from joint ventures and associated companies	12
Financial income and expenses	-495
Profit from property management	1,360

The earnings capacity should be considered as a theoretical instantaneous impression presented to illustrate Hemfosa's estimated earnings capacity at a specific time. The data does not include the possible effects of property transactions. The following information was used as the basis for the assessed 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.

A LOCAL BUSINESS PARTNER

– HEMFOSA DEVELOPS COMMUNITY SERVICE PROPERTIES IN HÄRNÖSAND

Conducting an operation that focuses on community service properties is often subject to special demands for customized premises and a deeper understanding of tenant needs. This could take the shape of specialized security solutions for police stations, designing a nursing home or floor planning a school. Hemfosa considers it important to be active locally, where the tenants are, to facilitate being a long-term and receptive business partner. Härnösand is an example of a municipality in which Hemfosa has a strong local presence and close cooperation with both the municipality and other players in society.

FACTS:

No. of properties	43
Total value	MSEK 1,814
Total area	222,000 sqm
Average remaining lease term	10.2 years
Leasing rate	91.2%
Largest tenants:	Municipality of Härnösand, the Swedish National Archives and the County Administrative Board of Västernorrland

2011 Hemfosa acquires its first four properties in Härnösand with the County Administrative Board, the Regional State Archives and the Police Authority as tenants.

2014 Hemfosa acquires a large portfolio of community service properties, totaling about 168,000 square meters, primarily preschools and schools, retirement homes and municipal service and office buildings.

2017 A comprehensive refurbishment and customization of a vacant property is completed, which houses 550 new grade 7–9 pupils.

2018 Hemfosa acquires a portfolio of seven properties totaling about 155,000 square meters, including four community service properties in Härnösand.

In 2011, Hemfosa acquired its first community service property in Härnösand with the County Administrative Board, the Regional State Archives and the Police Authority as tenants. Hemfosa currently has 43 properties and an established position in the property management of community service properties in the region and with new development projects under way. The Municipality of Härnösand is also one of Hemfosa's very largest tenants, with leases for 127,000 square meters for all of the municipality's preschools, comprehensive and senior high schools, as well as municipal operations. Such a relationship involves a continuous dialog and close cooperation with the municipality. To provide the best possible service to the tenants, all of the running of the

municipal operations has been coordinated to an operating company that is co-located with Hemfosa's own office in Härnösand.

"In such municipalities as Härnösand, it becomes clear to all how Hemfosa is developing together with its tenants - we're not just an owner of properties but are also involved at a conceptual stage, planning and designing major projects thanks to our contacts and experience in the community property sector," says Christer Melander, Regional Manager for Hemfosa's Northern Region.

New opportunities with project development

In Hemfosa's operations, the focus on extensive tenant-specific modifications and also new builds has increased



significantly in recent years. In the Härnösand region, there is often a need for new functional premises for various types of community service operations, at the same time as changed requirements lead to a need to adapt existing properties. An example of a recently completed project in the municipality was the extensive refurbishment and modification of a new senior high school in central Härnösand. Together with the Municipality of Härnösand, Hemfosa identified a solution whereby a completely vacated property in Hemfosa's portfolio could be remodeled to house 550 pupils who had begun their first term in autumn 2017.

"We worked in close collaboration with the municipality to be able to modify the property completely to the new school's specifications, and it was definitely a great advantage that we already had an established role in the municipality and could thus contribute ideas for good solutions in the premises," says Christer Melander. In conjunction with the remodeling of the school, a sustainability review was conducted, which resulted in a

bedrock heat installation. As a result, the property is now in the process of being Green Building certified.

More environmental initiatives under way

"Demand for eco-friendly properties is increasing by the year, not least in community service properties. During all refurbishments, we always look at how we can increase operational efficiency and implement environmental improvements, and during all new construction, we always aim to achieve some form of environmental certification," Christer Melander adds.

Hemfosa has focused intently on energy-efficiency measures in recent years, in order to both reduce costs and create properties with a lower environmental impact. Hemfosa's current property portfolio in Härnösand features seven properties with bedrock heat installations and one with an air/water installation. Eight properties are Green Building classified. The refurbishment of Sida's premises in Härnösand is a good example of a sustainability project. This involved remodeling the property according to

Green Building standards and signing a green lease with the tenant.

As a result of Hemfosa's strong local presence in Härnösand, development activities are continuously under way in collaboration with the municipality and there are many opportunities for new initiatives and projects moving forward. In the immediate future, for example, a number of modifications of premises and operations will be conducted, as well as work to improve operation and maintenance efficiency. Hemfosa engages in close and long-term cooperation with a number of municipalities in its markets and the ambition is to add to these.

"Hemfosa has a strong local presence in Härnösand and cooperates closely with both the municipality and other actors in society."



COMMUNITY SERVICE PROPERTIES

PROPERTIES FOR THE MOST IMPORTANT PEOPLE

Hemfosa specializes in acquiring, managing and developing community service properties in the Nordic region. The tenants are public authorities and judicial institutions, healthcare providers and retirement homes, preschools and schools – operations that we all encounter at various stages of life. The specialization in community service properties provides Hemfosa with a unique position in its markets and the company has established a position as a significant and powerful player in Sweden, Norway and Finland.

Specialist in community service operations

Hemfosa is currently one of the largest private owners of community service properties in Sweden and Norway and a growing player in Finland. Hemfosa is also the only publicly traded company on Nasdaq Stockholm that focuses on this type of property in these markets. At Hemfosa, a property is defined as a community service property if tenants who, directly or indirectly, are publicly financed account for at least 70 percent of the rental income.

The properties include customized premises where operations are conducted in healthcare, elderly care and other care services, law enforcement, the judiciary and education. Hemfosa's community service properties also include office space used, for example, by public authorities and municipalities. These are properties that are of vital importance to numerous societal functions and include premises that citizens encounter at various stages of life. As a result, many varying user requirements and rules and regulations

COMMUNITY SERVICE PROPERTIES

- Hemfosa is one of the largest private owners of community service properties in Sweden and the only publicly traded property company on Nasdaq Stockholm that focuses on this segment of the Nordic market.
- Hemfosa's definition of community service properties is properties with publicly financed tenants that account, directly or indirectly, for at least 70 percent of the rental income.
- Hemfosa divides its community service properties into four categories – Public-sector offices, Care services, Schools and Judicial institutions.

STABLE

Hemfosa regards ownership of community service properties as offering a number of advantages that jointly result in a low-risk operation.

- Reliable yield
- Long leases
- Stable rent levels
- Low relocation
- Low sensitivity to economic development
- Favorable financing opportunities





have to be taken into account. Having properties that also function well for the many employees who work in the operations each day is particularly important. If all of this is combined, we arrive at Hemfosa's vision - Properties for the most important people in society.

Publicly financed tenants, who can be both state/municipal and private players, are stable and creditworthy. The leasing rate for community service properties is generally high and the potential for long-term leases is greater than for other property categories. The usual length of a lease is between five and ten years, while lease terms of up to 25 years can be agreed for newly built properties, and a large share of the tenants continuously renew their leases. In total, this means that Hemfosa has stable cash flows, lower leasing costs and a limited risk, which in turn provides potential for Hemfosa to continue to invest in new modern and functional properties where they are needed. What is stated above also results in favorable financing opportunities. The long leases also create conditions for long-term collaborations and partnerships with tenants covering the development of existing and new premises.

Close and long-term partnerships

Hemfosa acquires, manages and develops community service properties with a long-term and sustainable approach. This is a significant factor underlying the close relations that Hemfosa builds with government authorities, county councils, municipalities and private operators of community service activities. A partnership often evolves whereby Hemfosa efficiently contributes to creating solutions when, for various reasons, the partner needs to modify premises and/or establish an activity in new locations.

This applies particularly to small and midsize high-growth municipalities, which in many cases need external support to create new premises for their growing community service operations and, in such cases, Hemfosa can offer premises in existing properties or extend or build new properties. Hemfosa currently cooperates closely with a number of well-established, growing community players, such as Internationella Engelska Skolan, AcadeMedia, Humana, Aleris and Capiro. The central and local government tenants include the Police Authority, the Courts of Sweden, Stockholm County Council and Region Västra Götaland.

Hemfosa's experience is significant

Hemfosa possesses a wealth of knowledge and has long-standing experience of catering for tenants that conduct community service operations. As a result, the organization understands the particular requirements and needs that frequently characterize such operations, and thus has the ability to create suitable solutions, such as in the development of premises. Depending on the type of activities being conducted, certain community service properties are subject to more meticulous customization requirements, such as security in police buildings, functional solutions for care centers or the layout of a school. A larger degree of customization usually also results in a lease renewal at a higher rent level and for a longer term.

This generally means that rigorous demands are placed on the functionality and sustainability of community service properties. In the school sector, premises are required that facilitate modern teaching methods in the form of availability, flexibility and creative learning environments and, in the care sector, demands are made for the design of care places that facilitate patient care, efficiency, integrity and a healthy work environment. Similarly, security is of vital importance in police stations and courts. In general,

far-reaching requirements are also set for a good indoor environment, materials selection and other sustainability aspects. Moreover, the regulatory framework is amended continuously and becoming increasingly comprehensive. Hemfosa has excellent knowledge of these areas and partners with leading architects, educationalists and operators in designing modern buildings that satisfy current requirements and needs and those of the future.

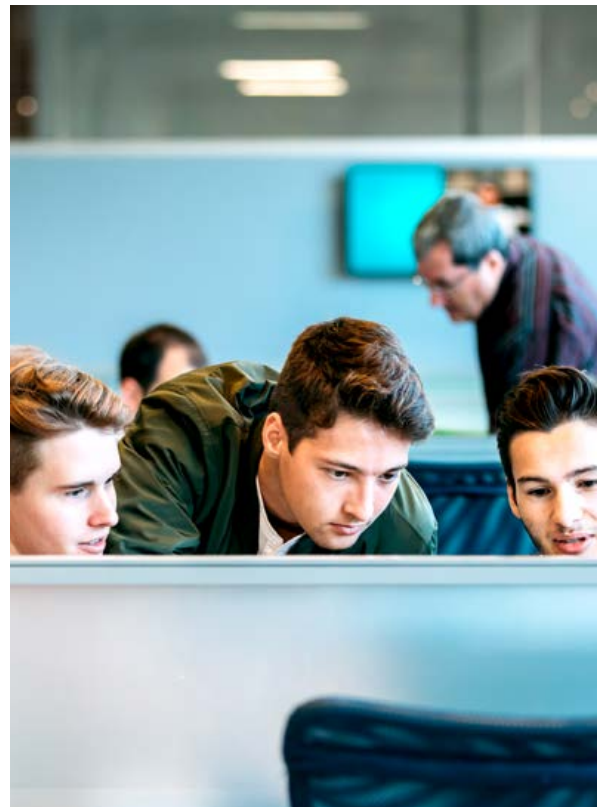
Growing need for new community service properties

Hemfosa has the expertise and capacity to pursue new builds of community service properties together with established property developers or on a proprietary basis. Demand for new community service properties exists among both municipalities and private operators, and the projects are conducted in close cooperation with the tenant, who signs a lease before construction begins. It is quite common that municipalities provide access to land and arrange land allocation competitions for the construction of, for example, schools or nursing homes. Hemfosa can also extend properties or build new ones on its own sites or close to existing properties.



COLLABORATION WITH WELL-ESTABLISHED COMMUNITY PLAYERS

Hemfosa cooperates with a number of leading operators of community service properties, both publicly financed and private. Hemfosa's largest tenants include the Police Authority, the Municipality of Härnösand, the National Courts Administration, the Norwegian Labor and Welfare Administration (NAV) and the Municipality of Haninge. The above list presents additional Hemfosa tenants that conduct community service operations.





**FANTASTIC PROPERTIES
CREATE NEW OPPORTUNITIES FOR
IMPORTANT OPERATIONS**

School properties

Account for 24 percent of Hemfosa's total property value. The properties house compulsory schools, high schools and universities and colleges that are state, municipally or privately operated.



Proportion of property value

MARKET OVERVIEW

CONSIDERABLE NEED FOR 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 various private property owners, of which Hemfosa is one of the largest in the Nordic region.

The Nordic market for Community service properties

The public sector is the predominant owner of community service properties in Sweden. A rough calculation is that some 80 percent of the portfolio of community service properties in Sweden is owned by the state, a municipality or a county council, while the remainder is owned by private operators. In recent years, a large number of community service properties in Sweden have been sold to private property owners by both county councils and municipalities and also by private individuals. The Norwegian and Finnish markets for community service properties are characterized by the same patterns, although the progress is not equally pronounced there. Specialized property companies, such as Hemfosa, Hemsö, Samhällsbyggnadsbolaget and Vacse, have emerged in this growing market. Pension funds have also invested in community service properties, since they constitute an asset category that is highly suitable for them, with a long investment horizon and a stable yield. It is difficult to assess the size of the total community service property market but, based on rough calculations, it is estimated at about SEK 1,000 billion in Sweden. Norway and Finland are adjudged to have a similar structure in respect of ownership of community service properties. Viewed as a whole, it can be stated that the Nordic market for community service properties is substantial and the proportion that is privately owned remains limited.

Considerable demand for community service properties

Demand for premises for community service operations is mainly dictated by population growth and demographics, and the increased interest in the segment is largely due to the societal trend in Hemfosa's markets. The past few years have been characterized by an aging population, a baby boom and large-scale immigration. In the years ahead, the

Swedish population pyramid will shift to a younger population, and an increased number of people aged over 80 years. This factor together with high immigration has not only led to the need for an estimated 500,000 new homes up to 2025 but also to the need for a total of some 7.7 million square meters of new land area for community service properties up to 2030. About two million square meters needs to be built to meet the needs of elderly care, some five million square meters of new floor area are needed for schools and about 0.6 million square meters of new floor area for preschools.

This places major demands on society and, in many cases, entails that municipalities and other community service operators look for external partners for developing such activities as new preschools, schools, retirement homes and nursing homes. This often occurs when new residential areas are being planned or constructed in high-growth regions. The majority of municipalities will be in dire need of new schools and retirement homes in the years ahead, and the private market will account for parts of this new production. Meanwhile, municipalities are expected to continue to divest parts of their property holdings. In NAI Svefa's 2016 survey of municipalities (consultancy report), 69 percent of municipalities in Sweden stated that they were considering selling off community service properties. Many municipalities need capital for other investments, such as for infrastructure and maintenance.

There is also a pent-up need of renovation and refurbishment of existing community service properties, whereby private property owners may have resources and be given incentives to satisfy these needs. Overall, the market trend has resulted in increasing interest in developing and investing in new community service properties in all of Hemfosa's markets.

Sweden

In 2018, 427 property transactions (of more than MSEK 40) were completed at a value of SEK 152 billion, a slight increase

compared with 151 billion in 2017. Geographically, Stockholm accounted for the largest share of the total transaction volume. Malmö increased its portion and overtook Gothenburg in terms of investment volume. Of the property categories, the office segment increased once again while the largest decline was for retail properties.

Community service properties

Compared with 2017, transactions involving community service properties declined in 2018, from SEK 15.7 billion to SEK 13.0 billion. However, interest in community service properties remained considerable and accounted for about 9 percent of the total transaction volume in Sweden during the year. In comparison, the corresponding proportion in 2015 was about 5 percent.

Norway

The Norwegian transaction market started the year weakly but then recovered and, on the whole, 2018 was a strong year in the Norwegian property market. The total transaction volume for full-year 2018 was about NOK 80 billion, which is a decline of about NOK 9 billion from 2017 but in line with the transaction volume in 2016. The logistics segment increased its share, while the retail segment continued to experience difficulties, due partly to the increase in online shopping. Stavanger became a more attractive area for investors during the year in line with continued growth in the oil industry and, overall, Stavanger accounted for 11 percent of the total transaction volume in 2018. Limited interest from foreign investors confirms that the most attractive properties are considered too expensive for international investors.

Community service properties

The Norwegian market for community service properties is following the same trend as the Swedish market, but is at a somewhat less mature stage. A growing need for new community service properties in Norway is also apparent, which is a result of demographic changes. The same applies to investments in upgrading and refurbishment. The growing market has attracted a number of players, largely financial ones, to invest in community service properties in Norway.

In the Oslo area, the market for community service properties, like that for other property classes, continued to be characterized by high activity and high prices while the volatility in less central locations was lower.

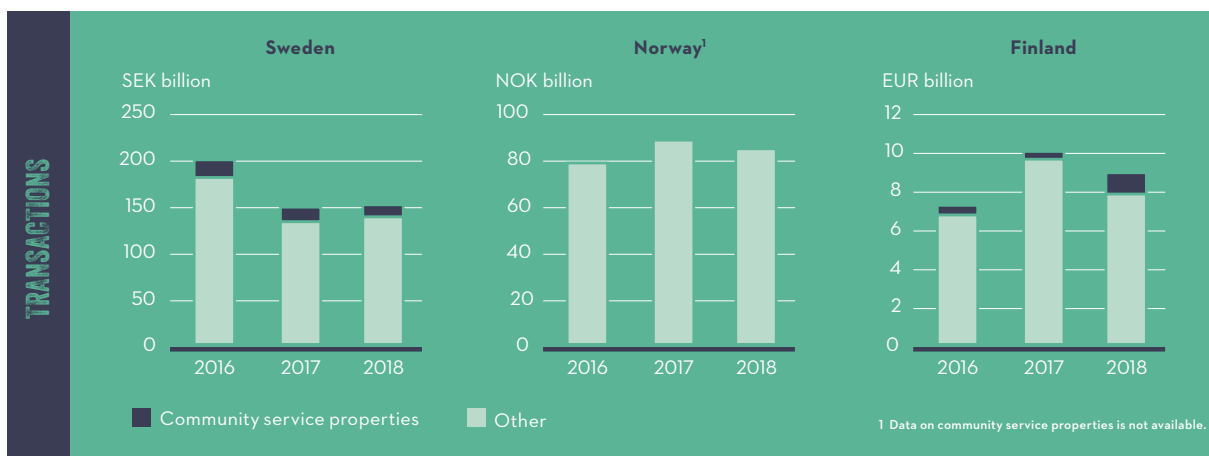
Finland

Finland experienced high activity in the property market and the total transaction volume in 2018 was EUR 8 billion, which was lower than in 2017 when full-year transaction volume reached EUR 10.2 billion, a new record level. Historically speaking, the transaction volume in 2018 was the second highest level ever noted in the Finnish property market, which indicates that the property market remains strong. Compared with 2017, there were significantly more transactions involving housing portfolios during the year. The office and logistics segments remained strong in 2018 and both of these noted new record levels, with offices remaining the most traded segment. There was also considerable trading in the healthcare properties segment in 2018, which amounted to MEUR 500, compared with MEUR 410 in 2017. Yield requirements in the most attractive areas continued to decline during the year and reached historically low levels.

Community service properties

Although the Finnish market for community service properties is not as strong as in Sweden and Norway, growth was shown in 2018. The transaction volume for community service properties accounted for a full 12 percent of trading volume during the year and rose to EUR 1.1 billion, from EUR 0.4 billion in 2017. The Finnish municipalities' ownership of community service properties is facing the same challenges as in Sweden and Norway, with a need for investment and for new community service properties. This is expected to result in the divestment of parts of the municipalities' property portfolio; for example, Helsinki City has stated that it is positive to divestment if there are professional buyers who can manage the properties. Viewed as a whole, the market for community service properties in Finland is considered to have considerable development potential.

Source: Newsec, NAI Svefa's 2016 survey of municipalities, Swedish Association of Local Authorities and Regions



INVESTMENT AND PROJECT DEVELOPMENT

SATISFYING THE NEEDS OF TENANTS

Hemfosa has a formula for offering property management that is personal, efficient and market-oriented. In response to the considerable need for new community service properties, Hemfosa also pursues growing project development work, from minor conversions and extensions of existing properties to major new-build projects. The aim is to always build long-term and trusting relationships with our tenants.

Satisfying tenant needs

For Hemfosa, efficient property management entails being accessible, providing service within the agreed time and ensuring the quality of maintenance and upkeep. It should be easy to reach property managers and tenants should receive quick and straightforward responses. In line with this, Hemfosa's organization is decentralized, agile and efficient.

While leases on community service operations are often signed for longer terms, requirements may change over time. A key element of Hemfosa's property management is to find modern, efficient and creative solutions that meet the requirements of tenants. Hemfosa can thereby partner in the development of their operations by creating efficient premises and modern technical solutions that benefit both tenants and the environment alike, while leading to sound finances.

A common situation is an operation that is growing and needs larger and more customized premises. In such cases, thanks to its size and local presence, Hemfosa can offer remodeling and extension of existing premises or relocation to other premises in the property portfolio. Another solution for creating opportunities for the tenant to grow is to build on land close to the existing property, in another location or through a land allocation from the municipality.

Value-creating investments

Certain of the acquired properties have a pent-up need for upgrading and modernization. Hemfosa has excellent opportunities and distinct incentives to implement these investments, since they generally result in leases on longer terms and higher rent levels. This may entail customizing premises to create modern and functional space for the tenant in connection with relocation or extension of leases. It could also be a way to attract completely new types of tenants to the property. Hemfosa's refurbishment projects always include efficiency enhancement of technical equipment and energy consumption to ensure that the investments that are made will be financially sustainable and contribute to reducing the environmental impact. Read more about Hemfosa's sustainability efforts on pages 31-42.

Project development of new community service properties

In response to the growing demand for community service properties among existing tenants and other players, Hemfosa also pursues extension and new build project of such structures as schools, preschools and healthcare and nursing home services. Although these projects can be conducted together with project developers, the focus is to gradually expand in-house resources for this activity. Construction may take place on sites included in Hemfosa's current property portfolio or on land allocations from municipalities. Clients are municipalities and other players in society who sign leases before the project starts and are actively involved in the process. Hemfosa aims to formulate its own concepts - for example, for preschools and retirement homes - and thereby make it easier for municipalities, while simultaneously increasing the efficiency of the projects.

A long-term approach is a core component of project development. Hemfosa acquires and develops properties in order to uphold its long-term approach and conducts proprietary property management to come closer to the tenants and their customers.

Current projects

The largest project in progress in Hemfosa's wholly owned properties is the development of the Söderbymalm 3:462 property in Haninge, where the former zoning plan only permitted office and hotel operations. A new zoning plan was formulated, which permits the establishment of community service operations, such as healthcare facilities, and schools, in addition to the existing premises. By taking a holistic approach to the property, Hemfosa has increased both the leasing rate and earnings capacity.

During the third quarter, Hemfosa completed the project it had been conducting for Internationella Engelska Skolan in Sundsvall, in the form of an extension to existing buildings and construction of a completely new building. Another project in progress in 2018 was the conversion of a building into an activity-based office for the Swedish Prison and Probation Service in Norrköping.

The largest ongoing projects in wholly owned properties, December 31, 2018

Municipality	Property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Health and care services	4	91	Q3, 2020
Gothenburg	Gamlestaden 2:10	Public-sector tenant	3	114	Q4, 2020
Västerås	Sigurd 6	City of Västerås	8	250	Q1, 2021

Hemfosa's ten largest tenants, December 31, 2018

Operations	Rental income MSEK	Percentage of total rental income, %	Number of leases	Average remaining lease term, years
The Police Authority	164	6.1	58	4.0
Municipality of Härnösand	128	4.8	93	13.4
The Courts of Sweden	110	4.1	27	3.3
LHL Eiendom AS	105	3.9	10	24.1
AcadeMedia	64	2.4	30	10.0
Swedish Migration Agency	63	2.4	11	2.9
NOF - Norwegian Labor and the Welfare Administration	63	2.4	21	3.5
Municipality of Haninge	59	2.2	40	6.7
Oslo and Akershus University College	52	1.9	5	4.6
Internationella Engelska Skolan	51	1.9	8	18.7
Total	860	32.2	303	9.2

In November, it was decided that Hemfosa will construct a building for social services on behalf of the City of Västerås. Read more about the project on pages 28–29 of this Annual Report. In Norrköping, Hemfosa has entered into a dialog with various operators for constructing a school on an existing property after a new zoning plan becomes legally effective.

Investments in existing properties

In 2018, investments totaling MSEK 482 were made in the existing property portfolio, of which MSEK 408 pertained to Sweden, MSEK 68 to Norway and MSEK 6 to Finland. Hemfosa completed a large number of transactions in 2018 and simultaneously worked on the demerger of the Group,

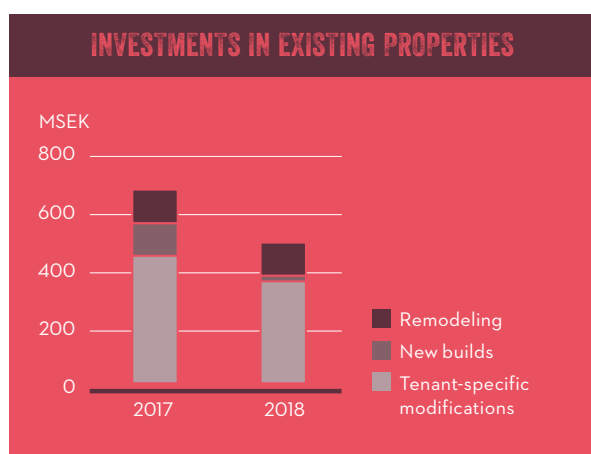
which led to lower investment activity. The plan is to increase the level in accordance with the updated strategy.

Active property management

Work on finding tenants for vacant premises is conducted centrally and Hemfosa's in-house property management organization focuses actively on this based on considerable knowledge of the local market. The property managers have a wide network of contacts, not least in the community services area, and also have close relations with local real-estate agents - which are two important ingredients for finding suitable tenants. In addition to leasing new premises, Hemfosa works actively and successfully on renegotiating and extending existing leases. An example of this can be seen in the Karolinen property in Karlstad. The municipality initially leased about 500 square meters, but gradually increased this floor space with new municipal operations and it now leases about 5,000 square meters.

Tenants and lease structure

Hemfosa has a number of major, well-reputed companies, public authorities and community services as tenants. At year-end, Hemfosa had 3,831 leases and the average remaining lease term was 6.6 years. At the same date, the ten largest tenants accounted for some 32 percent of Hemfosa's rental income, divided among 303 leases, and the average remaining lease term for these was 9.2 years. The rental value of Hemfosa's property portfolio on December 31, 2018 was MSEK 2,826.



GROWTH THROUGH ACQUISITIONS OF COMMUNITY SERVICE PROPERTIES

The acquisition of additional community service properties is a bearing feature of Hemfosa's business model for ensuring continued growth and creating value. Hemfosa has considerable transaction expertise, a wide contact network and resources to capitalize on the business opportunities that arise. Our specialization in community service properties and our long-term approach as an owner are competitive advantages in transactions with the central government, municipalities and county councils.

Hemfosa sees many acquisition opportunities in all categories of community service properties. Hemfosa also includes offices with publicly financed tenants, such as public authorities and municipalities, in its definition, which makes its potential transaction market larger than for a number of our competitors. When the central government, municipalities and county councils focus on their core operations and want to divest properties, not only schools and retirement homes but also municipal buildings and other public-sector offices, Hemfosa has an opportunity to contribute by acquiring and sustainably developing these properties. Hemfosa could be interested in both smaller properties and larger portfolios, ranging from preschools to universities and from LSS homes to full-scale hospitals.

An acquisition of a mixed property portfolio may be implemented to add an attractive larger holding of community service properties. A number of the properties originating from acquisitions of larger property portfolios can then be sold on and thus generate a profit if they do not fit in with Hemfosa's property portfolio.

Solid transaction expertise

Thanks to our solid expertise and experience in transactions involving community service properties, we are skillful at assessing potential and risks, which is of central importance to opportunities to identify and implement value-adding transactions. Our strong local organization is also important to our ability to find transaction opportunities. Property management is in continuous contact with tenants and other local players and quickly obtains information about properties that are for sale or tenants who want to build new properties. We have short decision-making paths, which enable us to act quickly when necessary. Hemfosa is one of few operators with the expertise and financial resources to implement certain comprehensive and more time-critical

transactions, such as portfolios of different property types or with a wide geographical spread.

Every single acquisition is analyzed on the basis of its unique prerequisites and great emphasis is placed on being able to identify, evaluate and manage the risks and opportunities associated with the properties. When Hemfosa evaluates a potential acquisition, the tenant and the operations conducted on the premises are key aspects of the assessment, particularly in community service properties on long leases, where a prerequisite for good long-term relations is that the tenant pursues serious and sustainable operations. Hemfosa itself is subject to corresponding requirements from the tenant for transparency, security, function, safety and sustainability. Hemfosa also evaluates how premises or the zoning plan can be refined so that, for example, community service operations can be conducted in properties that currently have no community service tenants.

The point of departure for transaction activities is to grow the property portfolio but also to continuously evaluate and restructure the portfolio on the basis of the company's strategy with a focus on community service properties.

Transactions 2018

2018 was a year of intense transactions. Alongside the work on demerging the Group, Hemfosa completed a large number of acquisitions of both individual properties and larger portfolios. The acquisitions both complemented the portfolio in existing regions and helped us to penetrate new locations.

Acquisitions in Sweden

During 2018, Hemfosa acquired properties at a total value of SEK 1.8 billion in Sweden.

Acquisitions in May included a total of 14 community service properties in southern and central Sweden, whereby Hemfosa strengthened its position as a partner to estab-



lished players in the community property sector. The acquisitions included a portfolio of nine school properties in Sollentuna. Hemfosa, which already owned a number of properties in Sollentuna, has now strengthened its position in the municipality. Another major portfolio acquisition was completed in June and comprised seven properties, mainly office properties with tenants in the community services sector. The properties are located in high-growth municipalities in northern and central Sweden, where Hemfosa has a considerable presence and thus favorably complement Hemfosa's portfolio. The largest tenants are the Swedish Transport Agency, Dalarna University and the Municipalities of Härnösand, Sollefteå and Falun.

At the end of the year, Hemfosa acquired three modern healthcare properties in Stenungsund, Uddevalla and Vänersborg. The acquisitions are a good complement to the existing portfolio and strengthen the cooperation with Region Västra Götaland, one of Hemfosa's major tenants.

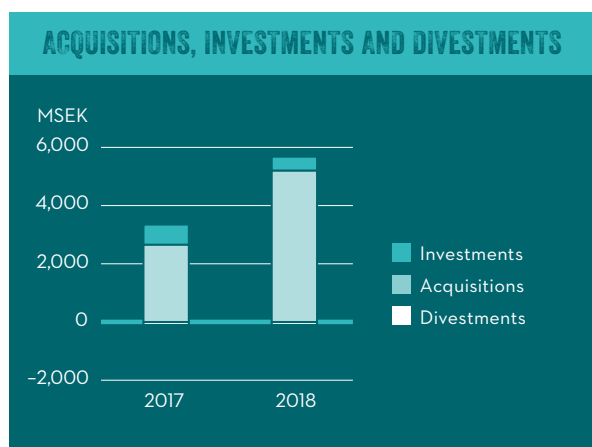
During the year, Hemfosa further strengthened its cooperation with Emrahus through eight new acquisitions of LSS homes in such cities as Örebro, Helsingborg and Västerås. Emrahus constructs its properties as passive buildings, which leads to low operating expenses and a small carbon footprint. All properties are newly built and fully leased.

Acquisitions in Norway and Finland

Acquisition activity in Norway remained high and stable during the year, with acquisitions of properties at a total value of SEK 3.4 billion. Through a number of acquisitions, Hemfosa established a stronger position in the Oslo region and increased its presence in western Norway. A property including a college and a university as tenants was acquired in Bergen. The largest acquisition in Norway was of the specialist hospital and a local medical center in Gardermoen and Hemfosa became the long-term sole owner of these properties in March, after the tenants moved in. The properties, which were constructed in a joint venture with the project developer Aspelin Ramm, satisfied meticulous sustainability requirements and the transaction was partly financed through a green bank loan. With the aim of creating a national expertise hub for health and medical care, Hemfosa sees interesting opportunities to further develop the area. In Finland, Hemfosa continued to evaluate acquisitions and establish relations with community actors and municipalities.

Divestments

The property portfolio was streamlined during the year through the sale of one property in the "other" category at a total value of MSEK 67.



PROPERTY PORTFOLIO

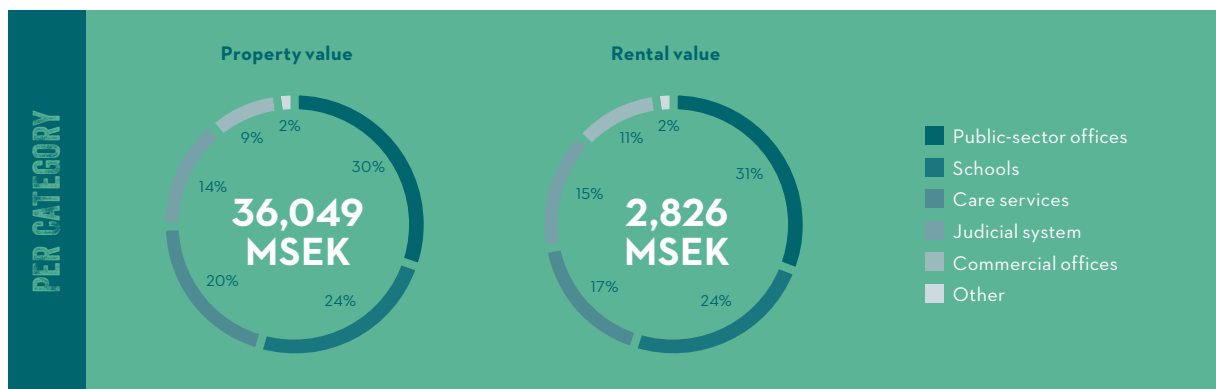
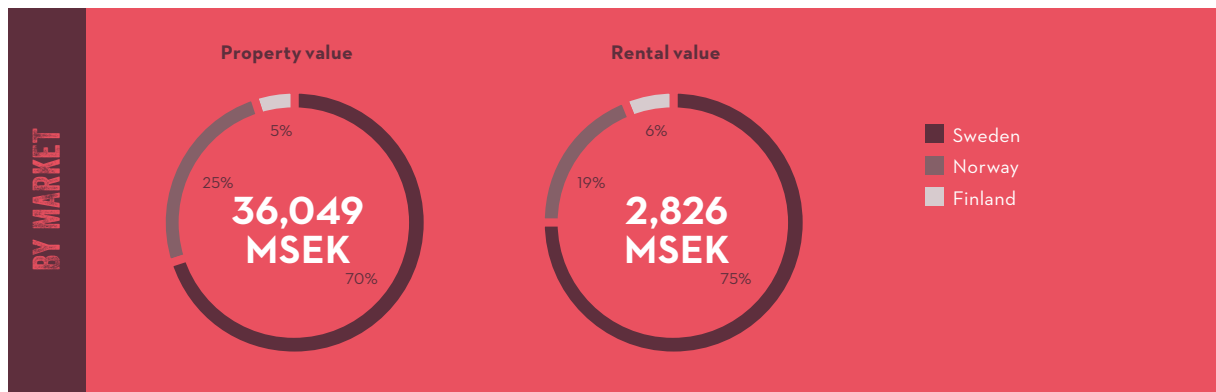
SPECIALIZED AND DIVERSIFIED

Hemfosa focuses primarily on community service properties. This means that Hemfosa is both specialized and diversified, since community service properties encompass many different categories – such as nursing homes, schools and law enforcement.

In 2018, Hemfosa continued to develop its portfolio of community service properties, which accounted for 89 percent of the Group’s year-end property value. Hemfosa’s other properties mainly comprise commercial office buildings in growth districts and they also have a large proportion of tenants in the community services sector.

Sweden is Hemfosa’s largest market, accounting for 70 percent of the Group’s property value. Geographically, the properties are located in 109 municipalities throughout Sweden with the emphasis on the Stockholm, Gothenburg

and Malmö regions and the coast of Norrland. In Norway, since the first acquisitions in 2015, Hemfosa has assembled a portfolio, primarily in the Oslo region and southern Norway, and since 2017 also in western Norway, through an acquisition in Bergen. At year-end, the Norwegian portfolio accounted for 25 percent of Hemfosa’s total property value. Finland is the third market in which Hemfosa has established operations. At year-end, the property portfolio in Finland accounted for 5 percent of Hemfosa’s total property value.





PUBLIC-SECTOR OFFICES

– PUBLIC AUTHORITIES AND MUNICIPALITIES

This category of properties comprises office premises in which the tenants conduct publicly funded operations and where the operations do not require customization of the premises. This means that they are easy to lease to a new tenant in the event of a vacancy. Government authorities in Sweden, a major tenant category for Hemfosa, are generally not permitted to sign leases of more than six years for office premises. However, the rate of extensions is high; many operations stay much longer than that. Municipalities usually sign longer leases. The above photo is of Haninge's Municipal Hall, for which the municipality signed a 15-year lease in 2014.

Events during 2018

A number of major refurbishment projects in office properties with public authorities as tenants were completed during the year. In Uppsala, the Swedish Migration Agency moved into newly refurbished premises, as did the Swedish Prison and Probation Service in Norrköping. In Norway, in Moss close to Oslo, commercial premises for the Civil Protection Agency were completed during the year, after a comprehensive remodeling and expansion of an existing community service property. In December, the Municipality of Västerås took the decision to construct a new social services property, a new build project that Hemfosa will implement on a proprietary basis on an existing site in central Västerås.

PUBLIC-SECTOR OFFICES

- Hemfosa's largest category
- **76** properties of **645,000 sqm**
- **31%** of rental value (MSEK 884)
- Leasing rate **95%**
- Length of lease **4.4 years**

THREE LARGEST TENANTS

	Rental income
NOF – Norwegian Labor and Welfare Administration	MSEK 63
Swedish Migration Agency	MSEK 61
Swedish Prison and Probation Service	MSEK 36

PROPERTY VALUE

SEK **10.8** BILLION



The Åkroken 1 property in Sundsvall
 Tenant: Mid Sweden University

SCHOOLS

– FROM COMPULSORY SCHOOLS TO UNIVERSITIES

School properties consist of compulsory schools, senior high schools, colleges and universities and generally require a high proportion of customized premises and outdoor space. This is a property category where both municipal and private operators are active and which is publicly financed; for example, through school vouchers for comprehensive and senior high schools in Sweden. Hemfosa cooperates closely with a number of school operators who are active in many locations, such as Internationella Engelska Skolan and AcadeMedia.

Events during 2018

During the year, the conversion and extension of premises for Internationella Engelska Skolan was completed in both Sundsvall and Södertälje. Hemfosa is conducting development projects for Internationella Engelska Skolan in a number of locations, such as Huddinge and Karlstad, and Hemfosa owns a total of five of this group's schools.

Hemfosa owns and manages all of the comprehensive and senior high schools in the Municipality of Härnösand and also implemented refurbishment and customization projects during 2018.

Hemfosa also has a number of planned school development projects that are pending municipal decisions.

SCHOOLS	THREE LARGEST TENANTS	PROPERTY VALUE								
<ul style="list-style-type: none"> • Hemfosa's second largest category • 94 properties of 493,000 sqm • 24% of rental value (MSEK 680) • Leasing rate 94% • Length of lease 8.5 years 	<table border="1"> <thead> <tr> <th></th> <th>Rental income</th> </tr> </thead> <tbody> <tr> <td>Municipality of Härnösand</td> <td>MSEK 70</td> </tr> <tr> <td>AcadeMedia</td> <td>MSEK 59</td> </tr> <tr> <td>Oslo and Akershus University College</td> <td>MSEK 52</td> </tr> </tbody> </table>		Rental income	Municipality of Härnösand	MSEK 70	AcadeMedia	MSEK 59	Oslo and Akershus University College	MSEK 52	<p>SEK 8.8 BILLION</p>
	Rental income									
Municipality of Härnösand	MSEK 70									
AcadeMedia	MSEK 59									
Oslo and Akershus University College	MSEK 52									



HEALTH AND CARE SERVICES

– FROM PRESCHOOLS TO SPECIALIST HOSPITALS

Operations in the health and care services category consist primarily of retirement homes, nursing homes, healthcare centers, hospitals and child care centers. The premises for these operations frequently require some form of customization. Health and care services are the property category at Hemfosa with the longest remaining lease length, 12.4 years, and the highest leasing rate, 98 percent.

Events during 2018

Following the turf-breaking ceremony in autumn 2015, the specialist hospital in Gardermoen, Norway, was completed in 2018 – within the established time schedule, according to the planned budget and with a clean bill of health at final inspection. The hospital and a local medical center, which were both built by Hemfosa together with a Norwegian project developer, marked the start of a national expertise hub for healthcare and other care services close to Oslo, where Hemfosa sees further development opportunities. Since 2018, Hemfosa has been the sole owner of these fully leased properties, which are classified in the highest environmental class.

HEALTH AND CARE SERVICES

- 128 properties of 319,000 sqm
- 17% of rental value (MSEK 472)
- Leasing rate 98%
- Length of lease 12.4 years

THREE LARGEST TENANTS

	Rental income
LHL Eiendom AS (Gardermoen specialist hospital)	MSEK 105
Municipality of Härnösand	MSEK 43
Espira (preschools in Norway)	MSEK 20

PROPERTY VALUE

SEK **7.3** BILLION



Tigrn 4, Alingsås
Tenant: The National Courts Administration

JUDICIAL SYSTEM

– FROM POLICE STATIONS TO COURTS OF LAW

The category of judicial institutions mainly includes police stations and courts of law, such as district and administrative courts. The properties are generally customized for these operations on the basis of special requirements, such as for security, and the tenants themselves often account for the investments. A large proportion of the tenants remain significantly longer than 4.1 years, which is the average lease length in this category. A number of leases are subject to a three-year extension period.

Events during 2018

During the year, Hemfosa worked on a number of projects together with the Police Authority, which is the company's largest tenant. Among other developments, Hemfosa was granted a land allocation in Örnsköldsvik, where the potential for building a new 5,000 square meter police station is being investigated. For the police authority in Kiruna, Hemfosa and LKAB have a project connected to the moving of the town center, involving the construction of a new 10,000 square meter police station. Investments in a number of properties were implemented during the year to customize premises to changed law enforcement requirements.

JUDICIAL SYSTEM	THREE LARGEST TENANTS	PROPERTY VALUE								
<ul style="list-style-type: none"> • Customized properties • 41 properties of 278,000 sqm • 15% of rental value (MSEK 420) • Leasing rate 95% • Length of lease 4.1 years 	<table border="1"> <thead> <tr> <th></th> <th>Rental income</th> </tr> </thead> <tbody> <tr> <td>The Police Authority</td> <td>MSEK 142</td> </tr> <tr> <td>The Courts of Sweden</td> <td>MSEK 105</td> </tr> <tr> <td>Poliisi</td> <td>MSEK 33</td> </tr> </tbody> </table>		Rental income	The Police Authority	MSEK 142	The Courts of Sweden	MSEK 105	Poliisi	MSEK 33	<p>SEK 5.1 BILLION</p>
	Rental income									
The Police Authority	MSEK 142									
The Courts of Sweden	MSEK 105									
Poliisi	MSEK 33									



The Gamlestaden 2:5 property in Gothenburg
Largest tenant: Region Västra Götaland

COMMERCIAL OFFICES

– WITH A LARGE PROPORTION OF COMMUNITY SERVICE OPERATIONS

Hemfosa's property portfolio also includes commercial offices, meaning office properties where rental income is not predominantly publicly financed. In high-growth municipalities, excluding Sweden's three largest cities, the supply of office premises is generally more limited and ten-

ants are thereby less inclined to move. The office tenants in high-growth municipalities are primarily services firms and a normal lease term extends over three to five years.

A number of Hemfosa's commercial office properties have a considerable proportion of community services tenants and could, if the proportion increases, switch to being classified as community service properties. This would be possible without major investments since public-sector offices generally do not require any customization.

COMMERCIAL OFFICES

- Primarily centrally located office properties in large high-growth municipalities
- **23** properties of **247,000 sqm**
- **11%** of rental value (MSEK 299)
- **48%** of rental income from community service operations
- Leasing rate **85%**
- Length of lease **3.9 years**

THREE LARGEST TENANTS

	Rental income
Finnish Red Cross (blood donor center)	MSEK 31
Telia Sverige AB	MSEK 30
Lantmännen	MSEK 9

PROPERTY VALUE

SEK **3.2** BILLION

A WELCOMING AND FLEXIBLE OFFICE

– HEMFOSA IS BUILDING SOCIALTJÄNSTENS HUS IN VÄSTERÅS

In April 2017, the City of Västerås decided to invite long-term operators to notify their interest in planning, designing, building and managing Socialtjänstens Hus (the Social Services Building). The idea was that the approximately 370 social welfare employees in the City of Västerås, who are currently spread out in various premises, would be collected centrally in the municipality. Hemfosa notified its interest and formulated a proposal. The proposal that Hemfosa presented and won the procurement with was a welcoming, flexible, sustainable and cost-effective building designed to promote cooperation within the social services.

The grounds given for choosing Hemfosa's proposal highlighted both the function and design of the proposal and Hemfosa's expertise and customer orientation in the property management phase. The sustainability perspective was another important parameter.

Implementing projects featuring large-scale remodeling or new builds is becoming an increasing and more important part of Hemfosa's operations. There is currently a growing need for functional and customized

community service properties, not least in healthcare and other care services and educational services, particularly in midsize high-growth municipalities. Hemfosa's experience, which has resulted in deep understanding of the special requirements characterizing various types of community services, was a great advantage here.

"We have previously worked with, among others, the Swedish Employment Service, the Swedish Social Insurance Agency and the Social Welfare Services in Västerås, and our

experience has made us a receptive and alert landlord. As a result, the City of Västerås felt secure in collaborating with us and appreciated our way of working," says Maria Liderås, Regional Manager in Hemfosa's Central Sweden Region.

Reliable solutions for both personnel and visitors

Creating spaces where various types of needs will meet gives rise to demands for considerable knowledge of the operations and a lot of afterthought.

"An open and welcoming building for all citizens."



Since many different types of matters are dealt with at the social welfare office, it is important to create a safe and welcoming place for the visitors. The entrance floor, where the visitors are welcomed, will be built so that it is open to the public, with space for premises for other services, such as stores or a café. By so doing, the facade creates safety-engendering openness and vibrancy towards the street.

“When we were drafting the proposal, an important part of the assignment was to find a solution that protects the privacy of visitors and provides safety for personnel – at the same time as being an open and welcoming building for all citizens,” says Maria Liderås.

Semipublic functions such as conference facilities will be offered one

story up. The remaining stories will house internal, activity-based offices. To design this, it was important, together with the tenant, to find a good flow in the building to create both flexible work spaces and simultaneously make it possible for employees to gather in their various work areas.

Being built on an existing parking lot

Hemfosa already owned the site, which is currently a parking lot, where the Socialtjänstens Hus will be built. In the northern part of the site, there is a culturally protected brick wall section, which has been preserved from the original development, that will be integrated into the new building. The new office building will have a light brick facade with elements of wood to reflect the atmosphere of the old

industrial operations conducted in the area and to simultaneously create a modern look. The property will be certified with the aim of achieving SGBC Silver.

“We have found a highly appropriate central location for the new office building. Obviously, developing a vacant space into a fully leased property has a great value for Hemfosa. Hemfosa already owns a cluster of other properties here, within the station area of Västerås, which is another benefit,” says Maria Liderås.

Construction of the property is scheduled to start in summer 2019 and the building is scheduled for completion in the third quarter of 2021.

FACTS:

No. of properties	1
Property	Sigurd 6
Total investment	approx. MSEK 250
Total area	7,800 sqm
Lease duration	15 years
Environmental certification	Sweden Green Building Council Silver





**PEOPLE YOU MEET.
ROOMS YOU VISIT. PROPERTIES
WE CAN'T DO WITHOUT.**

Healthcare and personal care properties

Account for 20 percent of Hemfosa's total property value. Such operations as healthcare, hospitals, child care and elderly care are conducted in our care properties.



Proportion of property value

SUSTAINABILITY REPORT

A LONG-TERM AND SUSTAINABLE OPERATION

As a specialist in community service properties, Hemfosa wants to be a long-term partner to our tenants and contribute properties that create new opportunities for their important social operations. The point of departure is that we and our tenants and business partners will jointly create a platform for delivering community services combined with healthy financial results, consideration for the environment and social responsibility.

When formulating the new business plan, we concluded that successful sustainability work would be based on sustainability being a natural and integral feature of our work methods. For this reason, sustainability efforts and product development must mainly be pursued operationally in our property management, with support from central units and management. This is working well already but we need to become better at communicating all the good things we do out in the properties.

To maintain and also to build on the aspects that work well, we want to adopt a new approach, linked to the new business plan, to our sustainability work. For us in Executive Management, together with a selection of colleagues with a particular passion for sustainability issues, the objective for the current year is to revise and formulate proposals for long-term sustainability targets and sub-targets for the coming five years. We also need to establish a strategy

and procedure for following up and reporting on these targets so that we can conduct more structured work on these issues. In parallel, we will also continuously increase the company's sustainability expertise.

Most of our tenants stay in our properties for a long time and want to be able to grow and develop over time in line with new needs and requirements. Similarly, Hemfosa wants to be a long-term property owner. We acquire and manage properties that we want to continue to own and develop. Since a long-term approach and financial profitability are intimately linked to sustainability, sustainability issues are becoming increasingly important parameters when we take decisions to implement acquisitions and projects.

Nacka, March 2019

Hemfosa's Group Management

SUSTAINABILITY POLICY

- Hemfosa will be a sustainable property owner and manager. For us, this means that sustainability activities are a self-evident feature of our daily work and that such a view must hallmark the entire company.
- Our sustainability work must be highly visible to our tenants, customers, own staff and other stakeholders.
- Through our sustainability work, we want to improve the environment for both tenants and society at large, while simultaneously having a positive impact on the value of our properties.
- We are working for a corporate culture that is sustainable, healthy and inclusive.

FOCUS IN 2019

Hemfosa has set focus areas for its sustainability efforts in 2019, which include:

- Reduce total energy consumption (kwh) by 3 percent per year in a comparative portfolio and climate-adjusted.
- Try out at least one new sustainability initiative per region and evaluate the result. At least one of the initiatives must encompass social sustainability.

CORE VALUES

Involved – Driven, personal, receptive, present, inclusive and active.

Value generation – Creating value for shareholders, tenants and society in a long-term, sustainable manner.

Business minded – Quick, flexible, responsible, relation-building and entrepreneurial.

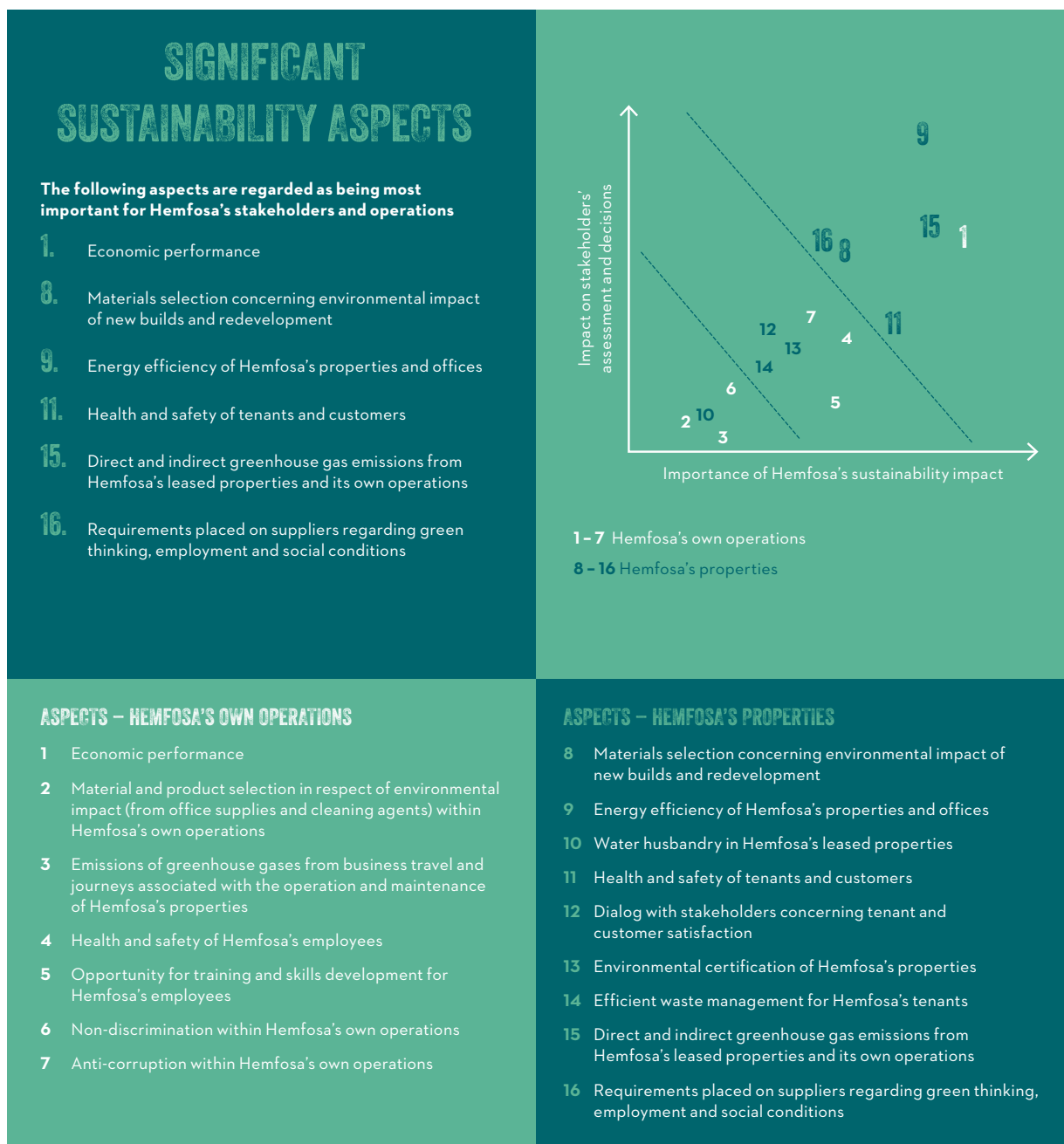
About the sustainability report

Hemfosa reports on sustainability per fiscal year, which extends from January to December. The most recent report was published on March 28, 2018 in Hemfosa's Annual Report and pertained to the 2017 fiscal year. This report pertains to the 2018 fiscal year, unless otherwise stated.

MATERIALITY ANALYSIS

Hemfosa implemented a comprehensive materiality analysis in 2016 whereby sustainability aspects were established by the company and its stakeholders. The purpose of the materiality analysis is to ensure that governance of our sustainability efforts takes the right direction and focuses on the sustainability areas where Hemfosa has the greatest impact. The materiality analysis is a feature of the work that Management will review and supplement in 2019.

HEMFOSA'S STAKEHOLDERS IN THE SURVEY CONSIST OF: TENANTS – EMPLOYEES – LENDERS – OWNERS – SUPPLIERS AND BUSINESS PARTNERS.





SIGNIFICANT EVENTS IN 2018

Green bank loans

In 2018, Hemfosa raised a so-called green bank loan for the first time as part of its financing. The loan from Swedbank pertains to the specialist hospital by Gardermoen, Norway, of which Hemfosa became sole owner in the first quarter of 2018, a property that satisfies meticulous sustainability and environmental requirements.

To be granted a green loan, the building has to fulfill a number of sustainability criteria, such as in terms of energy usage. In addition to a slightly lower interest rate, a green bank loan is evidence of a sustainable investment that fulfills meticulous sustainability demands.

Energy from groundwater

In the Åkroken 1 property in Sundsvall, comprising 11 closely gathered buildings that house premises for Mid Sweden University, Hemfosa is implementing a project aimed at reducing energy consumption by using groundwater for cooling and heat. The aquifer, which is a body of permeable rock under the properties, stores a reservoir of groundwater that will be used to heat and cool the premises. All of the permits from the Land and Environmental Court are now in place for the construction of the facilities needed in the area. Hemfosa's project engineering starts in 2019 and, when the facility is ready for use in 2020, it is estimated that energy consumption for the properties will be reduced by approximately two-thirds. This results in an environmental gain and in savings for Hemfosa of some MSEK 2 per year.

THE TEN PRINCIPLES OF THE UN GLOBAL COMPACT

Hemfosa has been affiliated to the UN Global Compact since 2016. Accordingly, Hemfosa supports and undertakes to work in accordance with the Global Compact's ten principles on human rights, labor, the environment and anti-corruption, which are based on the UN's general declaration on human rights, the ILO's declaration on fundamental principles and rights at work, the Rio declaration on the environment and development and the UN's anti-corruption convention.



Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.

2. Make sure that they are not complicit in human right abuses.

Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4. The elimination of all forms of forced and compulsory labor.

5. The effective abolition of child labor.

6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.

8. Undertake initiatives to promote greater environmental responsibility.

9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

ECONOMIC SUSTAINABILITY

Hemfosa's tenants are mainly various types of community service operations such as schools, healthcare, judicial institutions and public authorities. Hemfosa as a long-term owner, combined with tenants who are often on long leases, provides potential to make long-term investments in our properties. Hemfosa strives to grow profitably and attempts to do this with as little impact as possible on people and the environment.

A key element of Hemfosa's property management and development is finding efficient and innovative solutions that satisfy the requirements and wishes of our tenants. New technology and material, combined with modern construction methods, are often more cost-effective and eco-friendly, while simultaneously contributing to better solutions for the tenants. Hemfosa's transaction activity is conducted through a distinct financial analysis and risk assessment process, in which sustainability is included as a feature of the acquisition analysis. Hemfosa believes that sustainability risks are closely associated with financial risks.

Hemfosa's focus on community service properties with the Swedish state and municipalities as the largest tenants, combined with the long-term approach of its operations, generally results in longer leases than for other commercial properties and low tenant mobility. This generates stable cash flows and thus a limited financial risk. This also contributes to our being able to make long-term investments in, for example, preschools, schools and care centers that are important to the local community and to society at large.

Hemfosa works to ensure a long-term robust financial performance by continuously developing expertise and a business-like approach in the organization and by observing set guidelines for financing, risk, internal control and accounting. Thanks to efficient property management and development of the property portfolio, we can increase its value over time. During the year, for example, earnings capacity increased by about 21 percent. Hemfosa's earnings capacity is presented on page 9 and its profit, financial position and key performance data are presented on pages 65–66 and 72–73 of this Annual Report.

By conducting long-term work on reducing the environmental and climate impact of the properties, opportunities are provided to raise so-called green bank loans and bonds, which result in lower borrowing costs for specific projects or properties. In the first quarter of 2018, Hemfosa raised its first green bank loan from Swedbank for financing the acquisition of the outstanding shareholding in a newly built specialist hospital at Gardermoen in Norway. This is a project with a distinct environmental profile, which thus fulfills the meticulous requirements placed on green loans.

Business ethics and anti-corruption work

Hemfosa pursues a policy of acting credibly, honestly and transparently in all contexts. It is also of fundamental importance to Hemfosa that we have sound knowledge of and respect competition law, environmental and occupational health and safety laws, agreements and other regulations and provisions that impact our operations. To facilitate this, Hemfosa works to counteract all forms of fraud, theft and irregularities, both intentional and unintentional.

Hemfosa has a Code of Conduct and an employee policy designed to promote good business ethics and to counteract all forms of corrupt behavior. There are policy documents that provide guidelines for work in various areas, and compliance with these is monitored, which contributes to reducing the risk of irregularities. Hemfosa has a control system for financial reporting and risk management, for which the Board of Directors is responsible. The internal control of financial reporting is designed to manage risks and ensure high reliability in the processes for the preparation of financial statements, and for ensuring compliance with reporting requirements and other requirements to which Hemfosa is subject as a listed company.



Aerial view of Karlskrona, where Hemfosa owns a number of centrally located properties.

Code of Conduct

Hemfosa's corporate values, standpoints and processes for reporting suspicions are described in the Code of Conduct. The process makes employees and business partners aware of how they should react to irregularities, unethical/illicit activities or corruption, and how they should act should they suspect any such actions. For example, it describes the process for reporting suspicions through Hemfosa's whistleblower function. Because of, for example, concerns about being disloyal to colleagues or employers, or fear of reprisals from the person who is accused of fraudulent behavior, employees may find it difficult to report a problem. For this reason, anonymous reports are accepted and the reporting party's identity must always be protected.

The Code of Conduct is provided as an appendix to the Employee Handbook, which the manager concerned goes through with every employee on joining the company.

To further reduce the risk of unethical behavior in Hemfosa, business partners and other stakeholders are urged to report to the company any suspicions they may have concerning fraud or other irregularities. No suspicions were reported through the whistleblower function in 2018. Regular information and disclosures concerning business ethics and anti-corruption are provided to systematically raise the employees' knowledge in these areas.

The managers in the Hemfosa Group are responsible for providing information to employees, and to business partners, about the contents of the Code of Conduct and what it means in their part of the organization. The Code of Conduct is evaluated continuously by managers in the organization and annually in connection with being adopted by the Board.

ENVIRONMENTAL WORK

The choices we make in Hemfosa concerning materials, energy solutions and procurement of goods and services affect society, people and the environment. By conducting sustainable and long-term work in these areas, we contribute to countering negative environmental and climate impact and reduce the risks for our own operation. Hemfosa's environmental activities are based on the environmental policy adopted by the Board of Directors in April 2018.

Sustainability efforts are an important control parameter in both property management and development and transaction operations. By focusing proactively on the environmental aspects of the business, Hemfosa can contribute to a better environment for both tenants and society at large, while simultaneously having a positive impact on the properties' value. There is also distinct demand for sustainable properties and premises solutions among our tenants.

The prerequisites for success are a functioning structure for including sustainability aspects in the operations combined with excellent knowledge and commitment among the employees. The ambition to continuously learn more about the environmental area is also important. We impact the environment through our operations, in part in the form of energy consumption, carbon emissions and the use of materials, as well as through suppliers. Hemfosa works continuously in these areas by developing ongoing property management, in part to find solutions that are efficient for both tenants and the company's own personnel and in part to identify solutions that are cost-effective and long-term sustainable for society at large. How the work in

these areas is monitored and evaluated is described below. Active work is also conducted internally in-house to reduce the company's own environmental impact through conscious choices about, for example, travel and purchasing.

Transaction process with environmental aspects

The transaction operation includes a developed acquisition and sales process in which environmental aspects are included. In connection with the acquisition of properties, audits of both land and buildings are performed to identify potential environmental risks and to assess the actions that could be taken to ensure that the land is suitable for use, taking environmental and health considerations into account.

Green leases

In connection with all new builds or tenant renegotiations, Hemfosa currently offers green leases, which are based on an agreement template issued by the Swedish Property Federation. Green leases represent a way for the tenant and the landlord to work together to achieve more sustainable properties.

ENVIRONMENTAL POLICY

To successfully conduct environmental and sustainability work, Hemfosa has formulated an environmental policy, which provides guidance for our work.

- We shall work to actively implement energy-efficiency enhancements in our buildings and premises.
- We must be aware of the environmental risks and environmental liabilities associated with the properties and, when actions are required, draw up long-term sustainable solutions.
- We shall work with the tenants to achieve a healthy indoor environment.
- We shall implement environmentally compatible conversions and new builds.
- Subject our suppliers to environmental and sustainability requirements.
- We shall raise the level of expertise and awareness about the environment and sustainability among our employees.

Hemfosa has signed such a lease with the Municipality of Västerås and the Property Management Committee in respect of the property that will become the Socialtjänstens Hus in Västerås. According to the lease, the parties will jointly prepare an action plan for reducing the premises' and the property's environmental impact, and will update this action plan at least every second year. Within the framework of the cooperation, Hemfosa convenes consultation and follow-up meetings, initiates information meetings and provides the tenants with information on opportunities to reduce environmental impact in respect of energy, materials selection, waste management and regular maintenance.

Demand among our tenants for green leases has increased in recent years. The objective is to continue to increase the number of green leases and to create procedures for following up how the share of such leases develops.

Materials selection

During project development, such as refurbishment and remodeling, thorough environmental analyses are always conducted early in the project to ensure that we choose sound

materials from an environmental perspective and create a good indoor environment. When conducting an environmental analysis, Hemfosa studies such matters as energy consumption and energy-efficiency opportunities as well as whether the use of materials is long-term sustainable.

Suppliers

In accordance with Hemfosa's Code of Conduct and environmental policy, our suppliers are subjected to sustainability requirements in conjunction with procurements. In 2019, Hemfosa will be working to produce a new environmental appendix to be used in conjunction with procurements, which will clarify and systematize Hemfosa's sustainability requirements in relation to suppliers.

While managing and developing properties, Hemfosa endeavors to primarily select local suppliers for the provision of, for example, labor, raw materials and products. Following completion of remodeling and new build projects, we follow up how sustainability aspects have been managed and thereby gradually build increased experience and best practice in the organization.



Energy consumption

Since the property sector accounts for a large part of society's total energy consumption, it is important that property owners and property management organizations take responsibility for the issue. It is also a key consideration from a financial perspective, since heating, cooling and electricity costs represent a large proportion of total operating expenses. In connection with both new builds and property management, Hemfosa's point of departure is that properties impact the environment throughout their entire lifecycle. Since 2015, Hemfosa has exclusively used renewable electricity through agreements with the electricity producer Vattenfall. This means that all of the electricity supplied to the property portfolio derives from hydroelectric sources.

Reducing the use of electricity consumption, as well as heat and cooling, in the properties is a prioritized area for Hemfosa and a key aspect of our environmental policy. In property management, continuous actions are taken to reduce the property portfolio's energy consumption, such as reviews of operational times for ventilation or choosing more energy-efficient heating systems when older systems are replaced.

For 2019, Hemfosa has set a target of reducing energy consumption by 3 percent in a comparable portfolio, climate-adjusted.

Energy efficiency in Hemfosa's properties

To be able to monitor, reduce and increase the efficiency of energy consumption in the property portfolio, Hemfosa

uses an energy follow-up system in all properties for which we have agreements with energy suppliers. On the basis of information from the system, Hemfosa can identify the sources of deviating energy consumption by comparing similar properties and measuring energy consumption in total and per square meter. The energy measurement system monitors the property portfolio's use of district heating for heat and cooling, as well as electricity (electricity for properties and operations). The software provides real time control over Hemfosa's property portfolio, including surveillance and alarm functions.

See the data below on energy consumption in 2018. An energy measurement of 259 properties was conducted in 2018. The properties not covered by this measurement have triple net leases, whereby the tenants themselves have agreements directly with energy suppliers. In 2019, Hemfosa plans to develop the measurement method for energy consumption and carbon emissions to enable increased comparability and follow-ups.

Energy projects

During 2018, Hemfosa installed bedrock heating in an additional four properties, and there are now 15 bedrock heating installations in the portfolio. In our properties for Mid Sweden University in Sundsvall, a project is under way to create eco-friendly energy supply through the use of groundwater. Through this system, heat and cooling energy can be extracted by utilizing the aquifer, a body of permeable rock under the properties in which a reservoir of groundwater is stored. All of the permits from the Land

ENVIRONMENTAL CERTIFICATION

The environmental certification systems that are available in the property sector help to emphasize for both property owners and tenants the requirements that can be placed on properties. They also drive development towards more environmentally compatible construction and operational methods. In connection with all major new builds and conversions, Hemfosa studies the potential for some form of environmental certification. Our current property portfolio has a total of 11 properties that are environmentally certified. During 2018, two properties certified according to SGBC Silver and Green Building, respectively, were added. During 2019, it is estimated that another five properties will be certified.



GREENBUILDING

GreenBuilding is an EU initiative launched in 2004 to hasten energy-efficiency enhancement in the construction and property sector. The requirement is that the building must use 25 percent less energy than previously, or compared with the requirements of the National Board of Housing, Building and Planning.

8

properties



SGBC SILVER

Sweden Green Building Council (SGBC) is a certification system based on regulations from the Swedish construction industry and public agencies, and on Swedish construction practices. SGBC certification provides a guarantee of a building's critical qualities in terms of energy, the indoor environment and materials. SGBC is used for new builds and existing buildings - housing, commercial premises and retail properties.

3

properties

and Environmental Court are now in place for the construction of the facilities needed in the area. Hemfosa's project engineering for this started in 2019 and it will provide Mid Sweden University with heat and cooling when the facility is ready for use, which is scheduled for 2020. The assessment is that this will result in a reduction of energy consumption for the properties by about two-thirds, which will yield both eco-friendly energy and savings of some MSEK 2 per year. The knowledge we gain from the project in Sundsvall will be used when evaluating future projects where a similar solution is feasible.

Carbon emissions

Direct and indirect carbon emissions from Hemfosa's leased properties

Hemfosa's greatest environmental impact derives from carbon emissions from the heating and cooling of properties. In recent years, Hemfosa has conducted active work to reduce carbon emissions. One initiative for reducing emissions is that since 2015 Hemfosa solely purchases 100-percent eco-labeled, renewable electricity for its property portfolio.

Of Hemfosa's carbon emissions, a negligible share has a direct impact via oil and gas and via service, company and car pool vehicles. For this reason, Hemfosa reports its total carbon emissions as an indirect impact; i.e. purchased energy such as district heating/cooling and electricity.

Energy consumption ¹		
	MWh total 2018	kWh/sqm 2018
Heat	121,923	82.4
Cooling	5,753	18.1 ³
Electricity ²	95,366	62.9
Total	223,042	163.4

Carbon emissions ¹		
	tons CO ₂ total 2018	kg CO ₂ /per sqm 2018
Heat	7,478	5.1
Cooling	69	0.2 ³
Electricity ²	792	0.5
Total	8,339	5.8

1 Refers to 259 properties for which Hemfosa was a contractual partner with the energy supplier at December 31, 2018.

2 Includes electricity for properties, such as ventilation, pumps, outdoor lighting and elevators, as well as for operations, which comprises the tenants' consumption.

3 For carbon emissions from cooling, we use a standard environmental value of 12 g per kWh.

In 2018, Hemfosa's property portfolio changed significantly when most of the commercial properties in the portfolio were transferred to Nyfosa, which was distributed to Hemfosa's shareholders. Information regarding energy consumption and carbon emissions in the above tables pertains to the 259 properties for which Hemfosa was a contractual partner with the energy supplier at December 31, 2018. Our objective of reducing energy consumption by 3 percent in 2019, in a comparable portfolio and climate-adjusted, will be measured from these values.



SOCIAL SUSTAINABILITY

Hemfosa is working actively for a sustainable, healthy and inclusive corporate culture. Long-term, trusting relations are important starting points both internally and in our contacts with tenants and other parties. With Hemfosa's specialization in community services tenants, social responsibility is decisive for the success of our operations.



Requirements placed on suppliers regarding green thinking, employment and social conditions

Hemfosa acquires a large amount of materials and services from various suppliers, of which utilities, property upkeep and construction contracts account for the main share. Placing requirements on suppliers has been identified as an important measure to focus on in future sustainability work. During 2019, Hemfosa is working to choose a new digital requirements and follow-up system to clarify and systematize Hemfosa's sustainability requirements in relation to suppliers and their subcontractors.

We continuously evaluate our supplier partnerships in respect of current agreements, which includes examining compliance with the agreements and the Code of Conduct. As a feature of efforts to ensure control over the supplier chain, Hemfosa endeavors to commission a limited number of suppliers that we adjudge increase prerequisites for close cooperation and good insight.

Partnerships for greater community responsibility

Hemfosa has adopted a policy of collaborating with organizations that help vulnerable people in society, preferably with some connection to our tenants' operations. Hemfosa's community responsibility work includes supporting our business partner Emrahus in its work to increase knowledge about the requirements of residents of so-called LSS homes. We also have a sponsorship partnership with the Child Cancer Fund and Funktionshinderbanan.

Health and safety

Health and safety of tenants and customers

Hemfosa's tenants must always be able to rely on the fact that our properties offer an environment that is safe, accessible and healthy for those who work, reside or live in them. Ensuring that the properties are safe and adapted to special requirements is therefore a highly prioritized area for Hemfosa's operations, which are to a great extent governed by rules, regulations and laws. Examples of important safety features include handling icicles and snow falling from roofs, fire safety and electricity audits. Creating and maintaining efficient procedures and work methods for managing safety in and around our buildings is something that we assign a high priority and work continuously to develop.

In respect of systematic fire safety, Hemfosa complies with all prevailing requirements from public authorities, which entails regular technical checks of fire and evacuation installations, as well as training and exercises. When conducting this work, we occasionally use a computerized program, provided by a nationwide chain specializing in fire and evacuation safety, to systematize the work. Use of the system contributes to efficient management of the systematic fire safety efforts and to ensuring that planned actions are implemented on schedule and according to plan.

For various reasons, a need for decontamination or more widespread measures to rectify faults that could jeopardize health and safety may also arise, primarily in older properties. From Hemfosa's standpoint, this primarily entails conducting systematic property management work that counters the causes of such problems. When a need for decontamination arises, we have the expertise and processes to efficiently rectify the problems according to applicable laws and regulations. Communication with the tenants who are affected is candid and frequent, and we work to resolve any such problems in a way that causes the minimum impact to tenants.

Hemfosa has a responsibility to also offer a safe and secure workplace for the suppliers who work in our properties in, for example, property management, refurbishment and new builds. This is controlled through agreements and active preventive occupational health and safety efforts.

Employee health and safety

Corporate culture and employees - Hemfosa offers a creative, open and stimulating work environment with a focus on inclusion and personal development. We thus attach great importance to making sure that all employees are aware of and understand the company's business objectives and strategy. Thanks to close proximity to business decisions and inclusion in business development, employees are given the prerequisites for improved performance and increased satisfaction with their own work. The flat organization with short decision-making paths and decentralized responsibility is an important foundation for this. It also leads to market awareness and proximity to the tenants. By accepting considerable personal responsibility for performing their work, employees have potential to decide on their own working hours to a considerable extent, which can be of substantial value, particularly in creating a well-functioning employment situation with a balance between work and leisure.

Hemfosa's future development depends to a great extent on the knowledge, experience and commitment of the employees. It is believed that a healthy work environment, interesting duties and the opportunity for personal development contribute to this. As part of efforts to prevent ill health, Hemfosa offers regular medical checkups to all employees, and all of Hemfosa's employees are covered by medical expenses insurance, as well as an annual physical wellness allowance. During 2018, Hemfosa's sick leave corresponded to 2.5 percent.

Focus on expertise - For Hemfosa, a distinct focus on expertise and results is the path to lasting business success. The specific focus on community service properties and growth requires relevant experience, broad networks of contacts and a wealth of employee knowledge.

Since Hemfosa's inception, we have worked actively to safeguard skills development and ensure the supply of qualified expertise at all levels of the rapidly growing property company. A key part of skills supply is permitting employees to grow within the organization with gradually increasing responsibility. During the year, in light of the distribution of Nyfosa, we focused a lot of energy on complementing the organization and also on strengthening expertise in key functions such as transactions. Development of the organization will be a prioritized area in 2019 too.

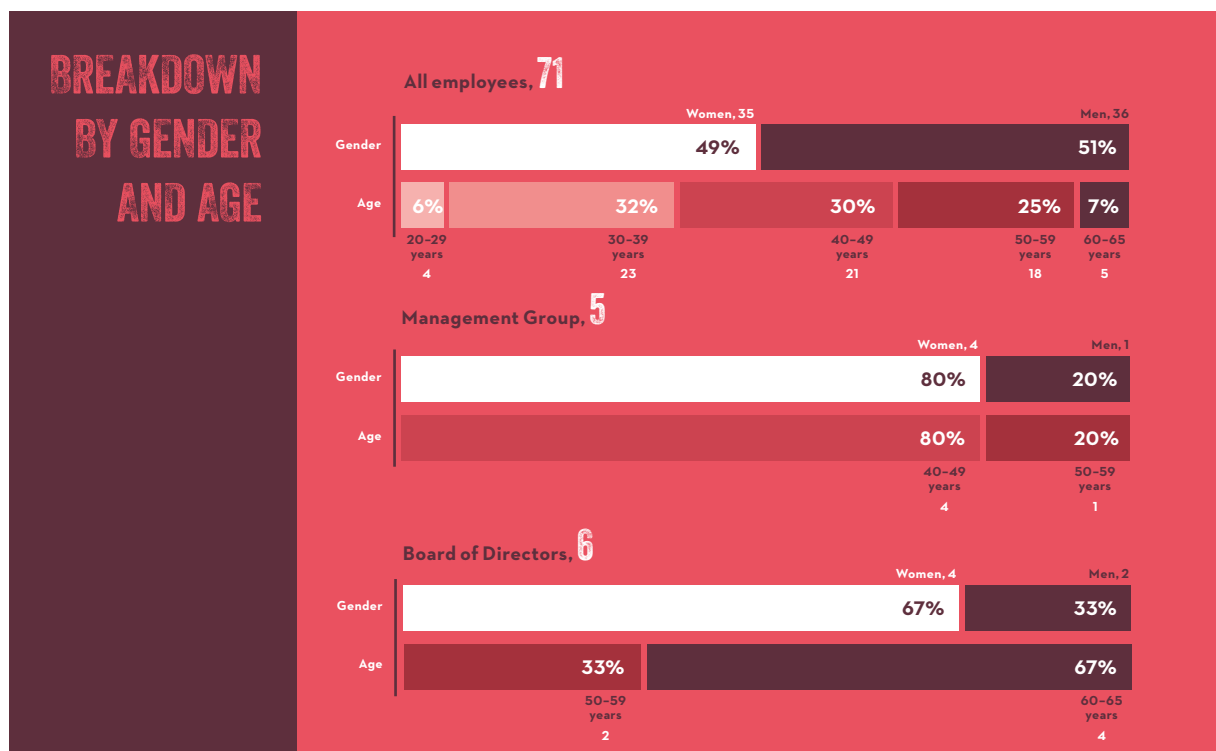
Equal opportunities, diversity and equal treatment - The conditions, rights and development opportunities of all employees must be equal throughout the company and not be dependent on gender, background, origin or age. Hemfosa aims to ensure that all employees feel that they are active in a safe and productive work environment where they all have equal opportunities, the potential for development and are treated in the same manner.

Equal opportunities, diversity and equal treatment are closely connected to skills supply to the company. To ensure that all of the skills inherent in the organization are utilized optimally and for the employees to feel that they are able to develop, every individual must be judged strictly on their own merits. Expertise must also be decisive in efforts to have the best employees join the company.

Hemfosa's Code of Conduct contains guidelines for equality and diversity efforts and the aim is that this work will be a natural feature of operations. This is of vital importance to recruitment activities, business development and the development of Hemfosa as a workplace. We also work actively according to the Code of Conduct to eliminate all forms of discriminatory treatment of employees and to promote good business ethics within Hemfosa. The Code of Conduct is adopted annually by the Board of Directors and checks are made in conjunction with this to ensure that it is being complied with. Hemfosa also works to ensure that governance by the Board of Directors is characterized by equality and diversity; also refer to the Corporate Governance Report section.

Hemfosa generally has an even distribution between men and women. Of the company's total workforce of 71 employees, women account for 49 percent, while they account for 80 percent of members of the Executive Management Group. Women account for 67 percent of the Members of the Board.

Equal opportunities, diversity and equal treatment are also important matters when designing our buildings and the areas surrounding our properties.





RIGHT PREMISES FOR COMMUNITY SERVICES

Judicial institutions

Account for 14 percent of Hemfosa's total property value.
Our properties for judicial institutions house police
stations and courts of law.



Proportion of property value

FINANCING

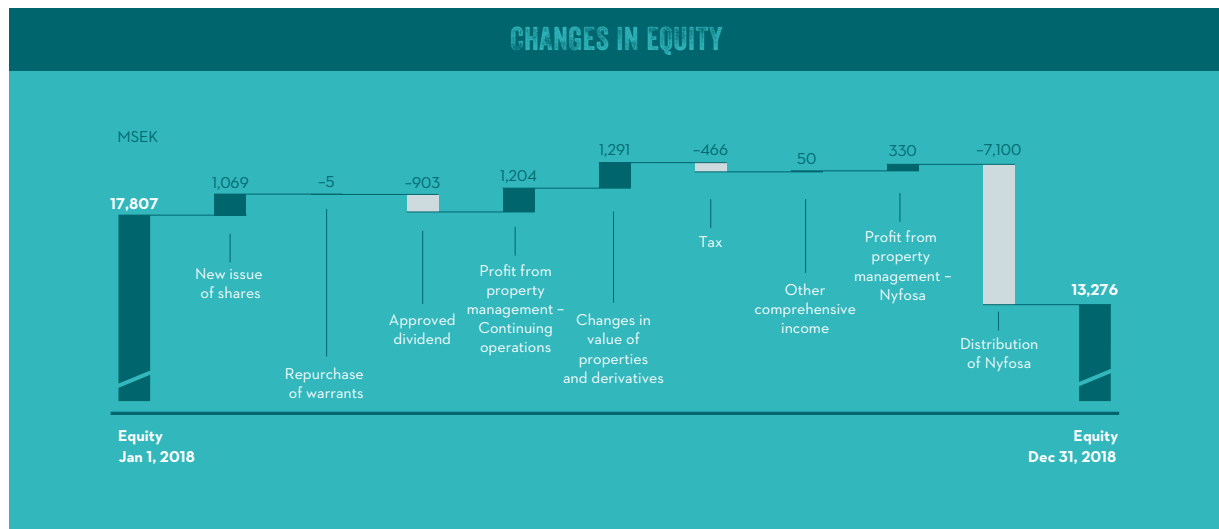
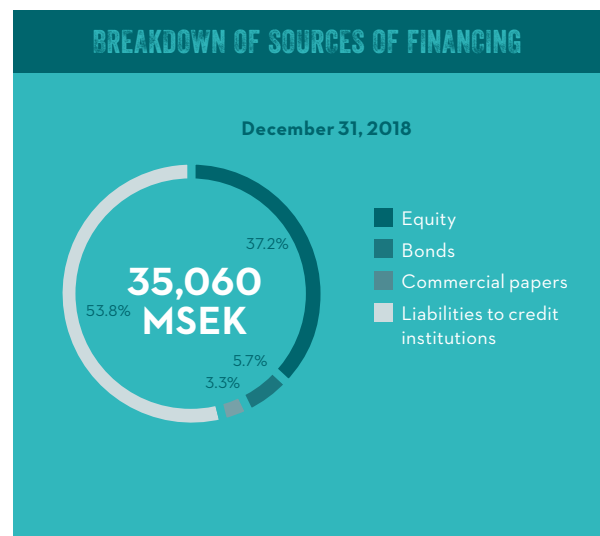
FINANCING

Hemfosa’s operations are financed by a combination of equity, interest-bearing liabilities and other liabilities, primarily interest-bearing liabilities in the form of debts to credit institutions, bonds and a commercial paper program. Equity accounts for 37 percent of the financing, while liabilities to credit institutions represent 54 percent. Bonds and commercial paper jointly account for 9 percent.

Equity

At December 31, 2018, Hemfosa’s equity totaled MSEK 13,276 (17,807), equal to an equity/assets ratio of 35.4 percent (40.4). Hemfosa’s financial target is an equity/assets ratio of at least 30 percent. The Parent Company’s equity amounted to MSEK 8,079 (11,214) at December 31, 2018. At year-end, preference capital totaled MSEK 1,791 (1,791). The 2018 Annual General Meeting resolved to pay dividends totaling MSEK 793 to ordinary shareholders and MSEK 110 to preference shareholders, subject to quarterly payment. At year-end, dividends of MSEK 674 had been paid, with the remaining dividends expensed in the Statement of financial position.

Hemfosa’s extraordinary general meeting on September 13, 2018 resolved in accordance with the Board of Directors’ motion to distribute all shares in the subsidiary Nyfosa AB to Hemfosa’s ordinary shareholders. The distribution was implemented during the fourth quarter in a total amount of MSEK 7,100.



Interest-bearing liabilities

Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial paper. At December 31, 2018, Hemfosa's interest-bearing liabilities amounted to MSEK 22,027 (24,110), with MSEK 18,873 (19,619) pertaining to loans from credit institutions, MSEK 2,000 (2,473) to bonds, MSEK 1,150 (1,995) to commercial paper, MSEK 4 (7) to vendor's mortgages and MSEK 0 (16) to other liabilities. Hemfosa has committed covered lines of credit of MSEK 2,000 (1,800). Credit facilities are facilities to back up the outstanding commercial paper program. Hemfosa also has overdraft facilities totaling MSEK 527 (450), which were unutilized at December 31, 2018. Hemfosa's year-end cash and cash equivalents totaled MSEK 974 (541). The Group also has loans raised in NOK pertaining to the property portfolio in Norway, as well as loans raised in EUR for the Finnish property portfolio.

The net loan-to-value ratio was 58.2 percent (57.1). At December 31, 2018, the average interest rate was 2.05 percent (1.94).

Fixed-rate period

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. Due to these loan agreements, Hemfosa is not able to fully capitalize on the lower interest rates. At December 31, 2018, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,906 (4,706) and interest-rate caps MSEK 8,232 (11,405). Most of the interest-rate swaps had a negative fair value at December 31, 2018.

Taking into account the concluded interest-rate swaps and interest-rate caps, together with the loans that carry fixed interest rates, 59.8 percent (69.1) of Hemfosa's loan portfolio is interest-rate hedged. At year-end, the average remaining fixed-rate period was 1.5 years (1.5).

Change in loan portfolio

MSEK	2018	2017 ²
Interest-bearing liabilities at the beginning of the period	24,110	20,666
New bank loans	13,268	5,521
Repayment of bank loans	-8,614	-3,794
Redemption of commercial paper	-845	-
Issue of commercial paper	-	1,100
Issue of bonds	-	1,973
Redemption of bonds	-473	-1,248
Exchange-rate difference	44	-108
Changes attributable to Nyfosa, which has been distributed to shareholders	-5,463	-
Interest-bearing liabilities at the end of the period¹	22,027	24,110

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

² Including Nyfosa.

Key performance data concerning the loan portfolio

MSEK	2018	2017 ¹
Net loan-to-value ratio, %	58.2	57.1
Average interest rate, %	2.05	1.94
Average remaining fixed-rate period, years	1.5	1.5
Average remaining loan maturity period, years	2.8	2.3
Interest-rate hedged portion of liabilities, %	59.8	69.1
Fair value of derivatives, MSEK	-27	-34

¹ Including Nyfosa.

Fixed-rate period per instrument

MSEK	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate caps, MSEK	Amount, MSEK	Proportion, %
<1 year	21,985	-4,409	-6,321	11,255	51
1-2 years	4	690	3,634	4,327	20
2-3 years	-	200	1,511	1,711	8
3-4 years	-	0	1,177	1,177	5
4-5 years	-	3,519	-	3,519	16
>5 years	38	-	-	38	0
Total	22,027	-	-	22,027	100

Sensitivity analysis

MSEK	Change, %	Impact on earnings, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+100 / -38
Interest expenses assuming change in average interest rate ²	+/-1	+/-220
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/-1	+/-161

¹ Taking derivative agreements into account.

² Without taking derivative agreements into account.

Maturity structure, interest-bearing liabilities

MSEK	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, MSEK ²	Total interest, MSEK
2019	2,863 ¹	13	406	35	441
2020	5,958	27	306	34	340
2021	2,733	12	230	33	262
2022	2,470	11	173	32	206
2023	7,902	36	48	11	59
>2024	100	0	33	-	33
Total	22,027	100	1,197	144	1,341

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

² The net rate is attributable to interest-rate swaps with negative value, according to IAS 39.

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 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 frequently 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	2018	2017
Exposure in EUR	91	82
Exposure in NOK	3,653	2,707

RISK MANAGEMENT

RISKS AND UNCERTAINTIES

OPERATIONS AND ORGANIZATION

RENTAL INCOME

Risk description:

The leasing rate and the amount of rental income largely depend on the company's own input but are also affected by economic conditions.

A long-term downward trend in market rents would adversely impact the company's rental income and a recession would increase the risk of large-scale vacancies in the portfolio. When a vacancy occurs, this could entail costs for customizing the premises for a new tenant, and a risk that the vacancy will be long-term. In a recession, the risk that tenants may not be able to fulfill their rental obligations to Hemfosa increases.

Both rental income and cash flow will be affected if the above risks are realized.

Risk management:

- Hemfosa's property portfolio is geographically diversified, with a large number of tenants with differentiated lease tenures.
- Most of the tenants conduct publicly financed community service operations characterized by a long-term approach and with a high credit rating.
- The risk of bad debts is also managed by conducting credit assessments of tenants for all new leases and continuously during the lease term. If necessary, the lease may have to be supplemented with surety, a rental deposit or a bank guarantee. All rents are paid in advance on a quarterly or monthly basis.
- Hemfosa enters into a number of separate leases with major tenants, usually per unit or per property and subject to differentiated lease tenures. See the table showing the largest tenants on page 19 of this Annual Report.
- A certain level of vacancies may have a positive effect, since it provides scope in the form of new leases and flexibility in relation to existing tenants.
- Hemfosa's rental income is connected to the trend in the Consumer Price Index, thus providing protection against increases in operating and interest expenses.

PROPERTY EXPENSES

Risk description:

Operating expenses consist primarily of rates-based costs such as costs for electricity, cleaning, water and heat.

Unforeseen and major repairs could have an adverse impact on profit and the company's financial position, as could maintenance costs to uphold a property's standard. Similarly, changed or increased requirements from the market or public authorities could lead to refurbishment or upgrading costs. Certain community service properties are subject to specific requirements in terms of, for example, accessibility, indoor climate and environment considerations, which can change over time.

Risk management:

- Hemfosa works continuously with measures to increase the efficiency of property management in terms of, for example, improved energy systems that reduce energy consumption and environmental impact.
- By means of long-term planning of maintenance of the properties, Hemfosa keeps maintenance costs under control and unforeseen and major repairs can be minimized.
- All properties are insured against impact from damage.
- Through its property management organization, Hemfosa has excellent knowledge of and continuously monitors requirements involving community service properties and any changes in them to enable it to plan necessary measures at an early stage.

TRANSACTION-RELATED RISKS

Risk description:

Property acquisitions are a key component of Hemfosa's strategy. In order to complete an acquisition, suitable investment objects must be on the market at reasonable price levels. Acquisitions may also be subject to risks associated with the seller and the acquired operation and property.

Risk management:

- Hemfosa occupies a strong position in the Nordic transaction market for community service properties, with extensive experience and excellent knowledge of complex portfolio transactions.
- The organization has a large network of contacts within and excellent knowledge of the players active in the market for community service properties, with long-term cooperation with a number of established operators, which generates opportunities for acquisitions of properties and development projects.
- The process for evaluating a potential transaction is well established in Hemfosa's organization. Both tenants and the property are assessed in order to support the valuation and decision-making.
- Prior to an acquisition, decision-making material (a petition) is prepared, in which a risk analysis of the acquired properties is documented. This risk analysis is of central importance to the assessment that is made of the various decision measures that address the acquisition.

PROJECT DEVELOPMENT

Risk description:

Hemfosa works continuously with tenant-specific modifications and project development, and also engages in major projects involving new builds of community service properties in cooperation with other players or on a proprietary basis.

Large-scale, customized projects entail considerable investments, which could lead to an increased credit risk if tenants fail to fulfill their obligations to pay rent and Hemfosa is unable to find other tenants for the particular premises.

In the event of a delay or when cost calculations are exceeded, there is a risk of Hemfosa incurring increased costs.

Risk management:

- In connection with tenant-specific modifications, Hemfosa is able to renegotiate leases so that they are adapted to the level of investment. In conjunction with negotiations, the tenant's ability to complete an investment is always assessed.
- Hemfosa usually only enters into agreement on the takeover of newly built properties after completion and when floor areas are fully leased.
- The development and new-build projects in which Hemfosa is involved in cooperation with other parties are managed by experienced project development companies.
- Prior to a major project, decision-making material (a petition) is prepared, in which a risk analysis of the project is documented. This risk analysis is of central importance to the assessment that is made of the various decision measures that address the project.

TAX

Risk description:

The regulatory framework governing taxation of the type of business operated by Hemfosa is complex and comprehensive in terms of both income tax and VAT/property taxation and can vary from jurisdiction to jurisdiction. Moreover, interpretation and application of these regulations by courts of law can change over time.

Changes in these regulations, or in their interpretation by judicial bodies, could impact Hemfosa's earnings and position either positively or negatively.

The regulations governing the recognition of taxes, and the property sector's application of these accounting regulations, are also complex.

Examples of regulatory changes that could have a negative impact on Hemfosa are raised tax rates, a deterioration in opportunities to utilize deductions for interest payments, a deterioration in opportunities to utilize tax-related depreciation or restrictions on opportunities to utilize loss carryforwards.

The Swedish Tax Agency is normally permitted to reassess a company's taxation within two years of the end of a fiscal year, but in certain cases tax returns can be reassessed up to five years back in time. From time to time, Hemfosa has cases under review by, and ongoing dialogs with, the Tax Agency regarding individual taxation matters. The Tax Agency makes tax rulings that can be appealed and reviewed in administrative courts of appeal (Administrative Court, Administrative Court of Appeal and Supreme Administrative Court). The regulatory framework is complex, the Tax Agency's review possibilities are comprehensive and the judicial bodies' interpretation and reviews take place in many stages, which means that it can take a long time to establish the correct application of legislation. This may entail that actions taken or completed transactions that were previously considered permissible according to the regulatory framework may need to be reappraised at a later juncture.

Risk management:

- Hemfosa carefully follows political developments and continuously monitors developments in the regulatory area to identify proposals for regulatory changes at an early stage. This monitoring ensures that Hemfosa understands the effects of any regulatory changes well in advance and that Hemfosa is well prepared should new regulations require an adaptation of internal processes to ensure compliance with the new regulations.
- Hemfosa monitors the taxation laws and practices that are in effect whenever it files tax returns. To further safeguard the quality of both tax returns and financial statements, Hemfosa continuously checks its judgments of complex tax matters with external experts. Hemfosa's assessments and calculations in the tax area are reassessed at the end of each reporting period.
- Within Hemfosa, financial and control functions, the management organization and the transaction team work together through clear-cut processes to satisfy regulatory requirements for continuous reporting and payment of taxes and to identify and manage tax risks.

ENVIRONMENTAL RISKS

Risk description:

Properties affect the environment, in part during construction and continuous upkeep, and in part by the operations conducted in them.

According to the Swedish Environmental Code, the party that operates a business that has contributed to environmental contamination may be held responsible for remediation. If the business operator is unable to perform or defray the cost of such remediation, the party who owns the property may be held responsible. This means that under certain conditions claims could be made against Hemfosa for soil remediation or reclamation relating to the presence or suspicion of contamination in a building, soil, catchment areas or groundwater.

Properties with a negative environmental profile in respect of, for example, energy consumption could be perceived as less attractive for tenants, generate higher energy costs in relation to other properties and give rise to costs for upgrades.

Risk management:

- Acquisitions of new properties are always preceded by environmental investigations to determine the properties' environmental status, thus minimizing the risk that Hemfosa acquires properties with some form of environmental debt.
- Hemfosa works on the basis of an environmental policy adopted by the Board with the overriding purpose of reducing negative environmental impact.
- When conducting project engineering and in day-to-day property management, the focus is on energy-efficiency enhancements in order to reduce the properties' climate impact. Among other measures, Hemfosa has installed an energy measurement system for monitoring the energy consumption of properties and to analyze where there is potential to improve energy performance.
- Hemfosa also endeavors to make environmentally compatible choices of materials and to safely manage waste and chemicals in its properties.

CHANGES IN VALUE OF PROPERTIES

Risk description:

Changes in value affect the company's profit and key performance indicators.

The value of the properties is affected by a number of factors, in part property-specific circumstances such as the leasing rate, rent level and operating expenses, and in part such market-specific circumstances as the required yield and the cost of capital, which are derived from comparable transactions in the property market.

Risk management:

- Hemfosa owns a large number of properties that are geographically spread over three markets, which gives a balanced risk profile.
- Hemfosa's focus on community service properties results in stable tenants with a high credit rating and long leases.
- The market value of Hemfosa's total portfolio of investment properties is assessed every quarter by external, independent property appraisers.

INTERNAL PROCESSES AND CONTROLS

Risk description:

Within the framework of its continuing operations, Hemfosa could be adversely impacted by faulty procedures, inadequate control or irregularities within and outside the organization.

Risk management:

- Hemfosa complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating a company's internal control over financial reporting, which contains the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.
- Hemfosa has policy documents/handbooks for governing internal processes in various operating areas, such as transactions, property management, accounting and insider trading.
- Hemfosa's Code of Conduct contains guidelines for the conduct of employees in certain situations and includes an established whistleblowing procedure.

EMPLOYEES AND EXPERTISE

Risk description:

Hemfosa's future development depends to a great extent on the employees' knowledge, experience and commitment.

The company has decided to have a relatively small organization in order to work swiftly and effectively, which could result in a certain dependence on individual employees.

Risk management:

- Hemfosa is working, by means of both training and additional recruitments, to gradually strengthen the organization in order to reduce dependency on specific individuals.
- Competency needs are evaluated continuously in order to adapt the organization to prevailing requirements and active work is conducted to promote internal manager sourcing.

FINANCING

INTEREST-RATE RISK

Risk description:

Interest-rate risk refers to the risk that changes in interest rates could affect Hemfosa's interest expenses, which represent the company's single largest cost item.

In the longer term, changes in interest rates have a material effect on Hemfosa's profit and cash flow.

Risk management:

- Interest-rate swaps and interest-rate caps are used to limit the interest-rate risk and increase the predictability of Hemfosa's profit from property management. Hemfosa mainly works with floating interest rates in its loan agreements.
- 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.
- Interest-rate caps and swaps are entered into to adapt the company's fixed-rate periods to the decided financial policy and existing loan agreements.

FINANCING

Risk description:

Hemfosa's strategy is to continue to grow through acquisitions. If raising loans becomes more difficult or more expensive, this would adversely impact the company's potential to acquire properties and implement investments and projects. To this should be added the risk that financing cannot be obtained or renewed when the loan expires, or only at sharply higher costs.

Risk management:

- Hemfosa works in accordance with a financial policy established by the Board, which includes general rules for the company's financing and how the risks associated with financing operations are to be limited.
- The company engages in continuous discussions with existing and prospective financiers to ensure that the necessary financing can be obtained in all situations.
- The assessment is that a stable financial position combined with a strong balance sheet and a high credit rating provides continued favorable potential for Hemfosa's ability to secure access to financing.
- To broaden the capital base, Hemfosa works with bank loans, commercial paper and bonds.

LIQUIDITY RISK

Risk description:

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term to be able to honor the Group's payment obligations.

Risk management:

- Hemfosa performs its work by using short-term liquidity forecasts that establish payment obligations on a week-by-week basis and also by using long-term rolling 12-month liquidity forecasts. The forecasts are updated continuously on a weekly and quarterly basis.
- In accordance with the financial policy, continuous work on refinancing the long-term loans concerned is conducted. The financial policy also addresses the matter of the investment of surplus liquidity. In addition, the Group has overdraft facilities to ensure more flexible cash management and to effectively deal with peaks and troughs in payment streams.

CURRENCY EXPOSURE

Risk description:

Due to Hemfosa's presence in Norway and Finland, the Group is exposed 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.

Risk management:

- Hemfosa's currency exposure is limited to equity, because both properties and external financing are raised in the same currency.
- The overall assessment is that it is currently most cost-effective not to hedge net equity exposure. It is not impossible that the company could enter into currency hedges from time to time.

SENSITIVITY ANALYSIS

The sensitivity analysis shows how Hemfosa's full-year earnings would be affected, positively or negatively, were selected income and cost items to change. The effect of changed income statement items is calculated based on earnings capacity.

December 31, 2018	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 32
Economic leasing rate according to earnings capacity	+/- 1	+/- 32
Property expenses according to earnings capacity	+/- 1	+/- 9
Net operating income according to earnings capacity	+/- 5	+/- 115
Changes in SEK/NOK exchange rates	+/- 10	+/- 269
Change in SEK/EUR exchange rate	+/- 10	+/- 80
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+ 94/-19
Interest expenses assuming change in average interest rate ²	+/- 1	+/- 241
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/- 1	+/- 66

¹ Taking derivative agreements into account.

² Without taking derivative agreements into account.

THE HEMFOSA SHARES

ORDINARY AND PREFERENCE SHARES

Hemfosa’s ordinary share and preference share have been listed on Nasdaq Stockholm since March 21, 2014 and December 12, 2014, respectively. At year-end, Hemfosa’s market capitalization slightly exceeded SEK 13.5 billion.

Hemfosa has two classes of shares: ordinary shares and preference shares. The difference between the classes of shares comprises different voting rights and different rights to the company’s assets and profit. At December 31, 2018, the number of Hemfosa shares was 178,728,248, of which 167,728,249 were ordinary shares and 10,999,999 preference shares. On June 19, 2018, Hemfosa carried out a private placement of 10,000,000 ordinary shares within the framework of the Board’s authorization from the AGM. On account of the directed share issue, the company increased its share capital by SEK 5,000,000, which thereafter amounts to SEK 89,364,124.

Ordinary share

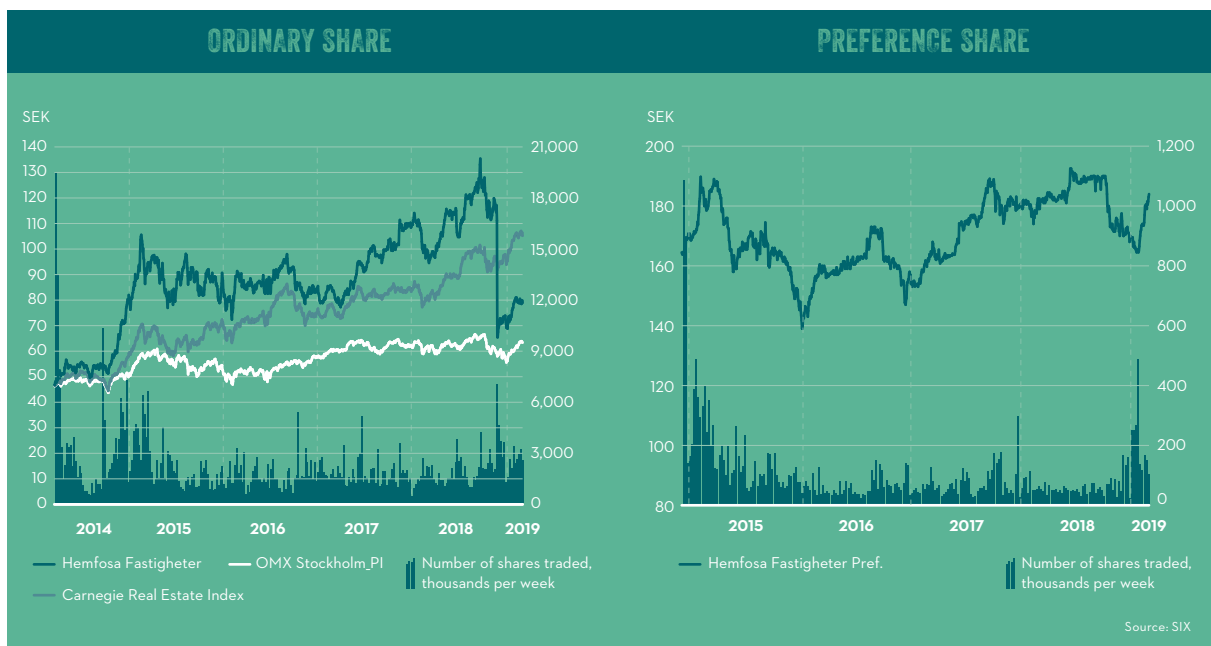
The closing price for the ordinary share on December 28, 2018 was SEK 69.90. This reflected a price increase of 1.4 percent during the year. During 2018, the Nasdaq Stockholm PI index rose 7.7 percent, while the Carnegie Real Estate Index rose 13.3 percent. A total of 154,333,289 ordi-

nary shares were traded during 2018. Each trading day on Nasdaq Stockholm, an average of 617,333 ordinary shares were traded and the average daily turnover in relation to market capitalization was 0.25 percent, which matches the average for the Nasdaq Large Cap list. Of total trading in Hemfosa’s ordinary shares, 75.5 percent occurred on Nasdaq Stockholm, 10.6 percent on Cboe CXE, 6.9 percent on Cboe BXE, 2.3 percent on Cboe Periodic, 2.2 percent on Aquis, 1.7 percent on Turquoise and 0.8 percent on other exchanges.

Each ordinary share carries one voting right, while preference shares carry one tenth of a voting right. The Hemfosa ordinary share is traded under the “HEMF” ticker.

Warrants program for employees

A warrants program for employees of the Hemfosa Group has been established in accordance with the resolution of the AGM held in April 2017. A maximum of 1,450,000 warrants were issuable with a total dilution of not more





than about 0.85 percent of the total number of shares and 0.90 percent of the total number of votes in the company, assuming that all warrants are exercised to subscribe for shares. The warrants confer rights to subscribe for shares during the periods May 1–31, 2022 and August 1–31, 2022. As per December 31, 2018, there were 719,000 warrants outstanding after the company bought back warrants during the year for employees who had moved to the subsidiary Nyfosa or had terminated their Hemfosa employment for other reasons.

In accordance with an AGM resolution, the Board also offered an incentive program comprising synthetic options to employees of Hemfosa's Norwegian organization. A total of 61,500 options were subscribed for, equal to 56 percent of the total number of synthetic options issued. These options entail exercise rights during the periods May 1–31, 2022 and August 1–31, 2022. Hemfosa is entitled to issue ordinary shares instead of paying cash remuneration to holders of synthetic options.

Preference share

The closing price for the preference share on December 28, 2018 was SEK 170.00, representing a price decline of 5.8 percent during the year. Preference shares carry one tenth of a voting right while ordinary shares carry one voting right. Preference shares provide preferential rights, in precedence to ordinary shares, to an annual dividend of SEK 10.00 per preference share. A total of 2,973,159 Hemfosa preference shares were traded during 2018. Each trading day on Nasdaq Stockholm, an average of 11,893 preference shares were traded. Of total trading in Hemfosa's preference share, 97.7 percent occurred on Nasdaq Stockholm and 2.3 percent on other exchanges. Hemfosa's preference share is traded under the "HEMF PREF" ticker.

Dividends

Hemfosa's dividend policy entails that the dividend is to amount to about 40 percent of distributable earnings, which are defined as profit from property management

excluding the share in profit in joint ventures and after paid tax. Distributable earnings for the year amounted to MSEK 1,212. For the 2018 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 2.40 per ordinary share with quarterly payment of SEK 0.60 per ordinary share. The proposed record dates are May 9, July 10 and October 10 and January 10. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per preference share. The proposed record dates for the dividend on preference shares are January 10, April 10, July 10 and October 10. The proposed dividend corresponds to 46 percent of distributable earnings for 2018.

Distribution of Nyfosa

Hemfosa's extraordinary general meeting on September 13, 2018 resolved in accordance with the Board of Directors' motion to distribute all shares in the subsidiary Nyfosa, Corp. Reg. No. 559131-0833, to Hemfosa's ordinary shareholders. The distribution was carried out in the fourth quarter and Nyfosa AB was listed on Nasdaq Stockholm Large Cap and its first day of trading was November 23, 2018.

Shareholder information

At December 31, 2018, Hemfosa had 26,288 shareholders, of whom Swedish investors, institutions and private individuals owned 44.9 percent of the shares and 43.1 percent of the voting rights. International institutional investors owned 28.5 percent of the shares and 29.7 percent of the votes. Other and anonymous shareholders held 26.6 percent of the shares and 27.2 percent of the votes. The ten largest owners jointly controlled 32.4 percent of the share capital and 34.0 percent of the voting rights.

Trend in share capital

MSEK	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate caps, MSEK	Amount, MSEK	Proportion, %
Paid-in share capital	Jan 2013	50,000	-	0	51
New issue, ordinary shares	Jun 2013	22,207,103	-	22	20
New issue, ordinary shares	Jun 2013	2,792,897	-	3	8
Reduction in ordinary shares	Jun 2013	-50,000	-	0	5
Share issue offsetting debt, ordinary shares	Mar 2014	30,937,495	-	31	5
New issue, ordinary shares	Mar 2014	9,782,608	-	10	5
New share issue, preference shares	Dec 2014		5,000,000	5	5
Share split 2-for-1	May 2015	65,720,104	5,000,000	-	5
Private placement, preference shares	Sep 2015		999,999	1	5
New issue, ordinary shares	May 2016	26,288,041	-	12	5
Private placement, ordinary shares	Jun 2018	10,000,000	-	5	5
Total		167,728,249	10,999,999	89	100

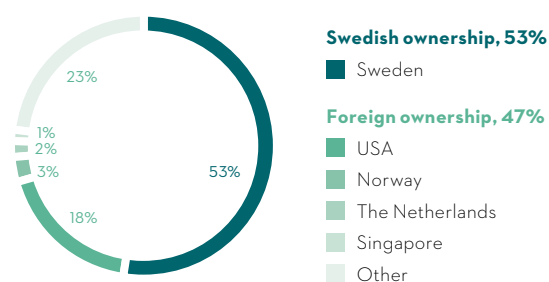
Ownership structure, December 31, 2018

MSEK	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur Funds	9,846,942	-	5.5	5.8
Kåpan Pensioner Försäkringsförening	8,716,274	-	4.9	5.2
Länsförsäkringar Fondförvaltning AB	7,838,012	-	4.4	4.6
Vanguard	5,043,773	529,765	3.1	3
Fourth AP Fund	4,767,825	-	2.7	2.8
Norges Bank	4,651,675	-	2.6	2.8
BlackRock	4,464,267	-	2.5	2.6
ICA-handlarnas Förbund	4,344,349	-	2.4	2.6
Handelsbanken Funds	4,240,000	-	2.4	2.5
Other	113,815,132	10,470,234	69.5	68.1
Total	167,728,249	10,999,999	100	100

Ownership structure by size of holding, December 31, 2018

Holdings	Number of known shareholders	Capital, %	Voting rights, %
1 - 500	18,989	1.5	1.2
501 - 1,000	3,426	1.5	1.2
1,001 - 5,000	3,054	3.7	2.8
5,001 - 10,000	384	1.6	1.2
10,001 - 15,000	124	0.9	0.7
15,001 - 20,000	49	0.5	0.4
20,000 -	272	72.4	73.7
Anonymous ownership		18.0	18.8
Total	26,298	100.0	100.0

Percentage of share capital, December 31, 2018



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 December 31, 2018.

CORPORATE GOVERNANCE REPORT 2018

CORPORATE GOVERNANCE REPORT 2018

At Hemfosa, the purpose of corporate governance is to ensure that rights and obligations are allocated among the company's various bodies in accordance with applicable laws, regulations and processes. Efficient and transparent corporate governance enables the owners to assert their interests in relation to the company's management at the same time as the division of responsibility between management and the Board, but also within the company, is clear cut. Such efficient and transparent corporate governance enables decisions to be taken efficiently, thus enabling Hemfosa to act swiftly when new business opportunities arise.

Hemfosa is a Swedish public limited-liability company whose shares were listed on Nasdaq Stockholm in March 2014. Corporate governance in Hemfosa is based on laws, the Articles of Association, the Nasdaq Stockholm Issuers Rules, the Swedish Corporate Governance Code (the Code) and the rules and recommendations issued by relevant organizations. The Code is based on the "comply or explain" approach. This means that a company applying the Code may choose to depart from specific rules, but must then provide an explanation for such non-compliance, and describe the solution chosen instead. The Code is available at www.corporategovernanceboard.se, where the Swedish model for corporate governance is also described. During 2018, Hemfosa complied with the Code without any deviations. During the year, Hemfosa also applied the Nasdaq Stockholm Rule Book for Issuers and generally acceptable practices in the stock market.

This Corporate Governance Report is being issued in accordance with the Swedish Annual Accounts Act and the Code and provides an account of Hemfosa's corporate governance during 2018.

General Shareholder Meetings

Under the Swedish Companies Act, General Meetings of Shareholders are the company's highest decision-making body and shareholders are entitled to pass resolutions concerning the company at such meetings. Provisions regulating General Meetings of Shareholders are contained in the Swedish Companies Act, the Code and in Sections 12 and 13 of the Articles of Association. In addition to what is stipulated by law, it is stated in Hemfosa's Articles of Association concerning a shareholder's entitlement to attend a General Meetings of Shareholders that pre-notification must be completed no later than the day specified in the notice to attend the Meeting.

Notice to attend a General Meeting is issued by publishing the notice on the company's website and placing an advertisement in Post- and Inrikes Tidningar (the Swedish Official Gazette). At the same time, information confirming that official notification has taken place is published in Svenska Dagbladet or, should the national distribution of Svenska Dagbladet be discontinued, in Dagens Nyheter. The AGM is to be held at the location of the Board of Directors' registered office or in Stockholm and the AGM is to be held within six months of the end of the fiscal year. The company's fiscal year extends from January 1 to December 31.

2018 AGM

Resolutions passed at Hemfosa's 2018 AGM included authorization of the Board on one or more occasions during the period up to the following AGM, either applying or disapplying the existing shareholders' preferential rights, to decide on the issuance of ordinary shares. The total number of ordinary shares that may be issuable pursuant

HEMFOSA'S 2019 ANNUAL GENERAL MEETING

Hemfosa Fastigheter's Annual General Meeting will take place at 2:00 p.m. on May 7, 2019, at Berns Stockholm (Kammarsalen), Berzelii Park in Stockholm. A form for notifying attendance at the Meeting will be available on www.hemfosa.se.

Hemfosa always endeavors to ensure that the Board of Directors, Executive Management Team, Nomination Committee and the auditor attend general meeting of shareholders.

NOMINATION COMMITTEE 2019

Hemfosa's Nomination Committee prior to the 2019 AGM has the following members: Lennart Francke, who was appointed by the largest shareholder in terms of votes, is Chairman of the Nomination Committee. Prior to the 2019 AGM, the Nomination Committee held six minuted meetings during 2018.

- Lennart Francke, Chairman, *Swedbank Robur Funds*
- Eva Gottfridsdotter-Nilsson, *Länsförsäkringar Fondförvaltning AB*
- Thomas Ehlin, *Fourth AP Fund*
- Gunnar Balsvik, *Kåpan Pensioner*
- Bengt Kjell, *Chairman of Board of Hemfosa*

to this authorization may correspond to no more 10 percent of the total number of ordinary Hemfosa shares at the time of exercising the authorization. The AGM also resolved to authorize the Board of Directors to make decisions on the acquisition and transfer of ordinary Hemfosa shares. The acquisition of ordinary Hemfosa shares will be permissible in a number that ensures the company at any time after the acquisitions holds a total of no more than 10 percent of all of the Hemfosa shares. Transfer of ordinary shares is permissible in a number not exceeding the total number of ordinary treasury shares held by Hemfosa at the particular time. The authorization in respect of resolutions concerning the new issue of shares was exercised during the year; also refer to Ordinary and preference shares on page 51.

Extraordinary General Meeting, September 13, 2018

An Extraordinary General Meeting of Hemfosa was held on September 13, 2018. Attorney at law Wilhelm Lünig was elected Chairman. A total of 82,261,789 shares were represented at the Meeting, corresponding to approximately 46 percent of the company's 178,728,248 shares and about 48 percent of the voting rights. The Extraordinary General Meeting of Hemfosa resolved to distribute all of the shares in the wholly owned subsidiary Nyfosa AB to the ordinary shareholders of Hemfosa. It was resolved that one ordinary Hemfosa share would confer the right to one Nyfosa share and that preference shares would not confer entitlement to Nyfosa shares. It was also resolved that the value of the distributed Nyfosa shares would be established on the basis of the carrying amount at the time of the distribution of the shares to ordinary Hemfosa shareholders by applying the applicable accounting policies.

A resolution was also passed authorizing the Board of Directors to determine the record date for entitlement to the distributed shares.

The Hemfosa share and shareholders

The number of shares in the company on December 31, 2018 was 178,728,248, divided between two classes of shares: 167,728,249 ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 168,828,248.9. The preference shares provide entitlement and precedence to a dividend of SEK 10 per preference share but confer no further rights to the company's assets. The preference shares are limited in terms of the number of voting rights that each share carries, namely 1/10 of a voting right per preference share. At year-end, the share capital amounted to SEK 89,364,124 and the quotient value per share was SEK 0.5.

The number of shareholders on December 31, 2018 was 26,288. No shareholders, directly or indirectly, hold shares that represent one tenth or more of the votes for all shares in the company.

Articles of Association

Hemfosa's Articles of Association were adopted by the AGM on May 7, 2015 and are presented in full at www.hemfosa.se.

The Articles of Association state that the company is to, directly or indirectly, own and manage properties and property-related assets and engage in related activities. The Board of Directors has its registered office in Nacka. The company is not permitted to take any decisions that conflict with the Articles of Association without first refer-

The company's five largest shareholders on December 31, 2018

MSEK	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur Funds	9,846,942	-	5.5	5.8
Kåpan Pensioner Försäkringsförening	8,716,274	-	4.9	5.2
Länsförsäkringar Fondförvaltning AB	7,838,012	-	4.4	4.6
Vanguard	5,043,773	529,765	3.1	3
Fourth AP Fund	4,767,825	-	2.7	2.8

ring such a matter to a shareholders' meeting for resolution and a possible amendment of the Articles of Association. The Articles of Association contain no specific clauses governing the appointment or dismissal of Board members or regarding amendment of the Articles of Association.

Nomination Committee

The AGM of Hemfosa on March 4, 2014 adopted instructions for the Nomination Committee's work. According to the instructions, the task of the Nomination Committee, which is to include the Chairman of the Board and four representatives of the four largest shareholders in the company in terms of voting rights, according to Euroclear's transcript of the share register at August 31, is to issue proposals to the AGM concerning the number of Board members and composition of the Board, including the Chairman of the Board, and proposals concerning fees to Board members, including any separate fees for Committee work. The Nomination Committee is also to present a proposal for the Chairman of the AGM and, where appli-

cable, for auditors and their fees. Insofar as it is considered necessary, the Nomination Committee is also to present proposals concerning amendment to the current rules of the Nomination Committee.

Board of Directors

According to the Articles of Association, Hemfosa's Board of Directors is to comprise at least four and no more than ten members. The AGM on April 18, 2018 resolved to reelect Bengt Kjell, Jens Engwall, Anneli Lindblom, Per-Ingemar Persson, Caroline Sundewall, Ulrika Valassi and Gunilla Högbom as Board members. Against the background of the distribution of Hemfosa's former wholly owned subsidiary Nyfosa, Jens Engwall announced on November 28, 2018 that he was stepping down from Hemfosa's Board of Directors to focus fully on his assignment as President and CEO and Member of the Board of Nyfosa. For information about the Board members, their assignments outside the Group and their shareholdings in Hemfosa, refer to the "Board of Directors and auditors" section on pages 62-63.

The Board has a number of scheduled meetings with standing items on the agenda. In addition, there are meetings in connection with transactions and other potential issues.



The Board is required to satisfy the shareholders' long-term interests and is ultimately responsible for the company's organization and the administration of the company's affairs. The Board has adopted Rules of Procedure for its activities and an instruction for the CEO. The Board has also established a number of overall policies, guidelines and instructions for the company's operations. These include a financial policy, communication policy, insider policy, IT policy and a Code of Conduct. All of these internal governing documents are evaluated at least once annually and thereto updated continuously to comply with legislation, or should other requirements arise. According to the Code, a majority of the Board members elected by the Meeting shall be independent in relation to the company and the company's management. At least two of these are also to be independent in relation to the company's major shareholders. The company's Board is deemed to meet the independence requirements, since all AGM-elected Board members are independent in relation to the company and Group Management. All of the Board members have also been deemed to meet the independence requirement in relation to major shareholders.

Chairman of the Board

The Chairman of the Board is elected by a general meeting of shareholders and directs the work of the Board of Directors. The Chairman of the Board is required to ensure that the work of the Board of Directors is conducted efficiently, that the Board fulfills its commitments and that the Board's decisions are executed by the company and company management. The Chairman is to ensure that the Board receives the information and the decision base necessary for making well-founded decisions.

Board of Directors work during 2018

The company's Board held 29 meetings during 2018, including a statutory Board meeting. The agenda ahead of each scheduled Board meeting included a number of

standing items: The CEO's review of the operations, acquisitions, divestments and investments, organization and organizational development as well as financial reporting. In 2018, the Board addressed the Group's demerger process, several major acquisitions, divestments and investments, as well as financing and refinancing programs. The relatively large number of meetings during the year was mainly due to a number of strategy meetings prior to and in conjunction with the decisions to evaluate, propose and execute a demerger of Hemfosa.

Composition of the Board

The composition of the Board of Directors in 2018, the year the members were elected to the Board, their date of birth, total director fees, the members' independence and their attendance of Board meetings in 2018 are presented below.

Evaluation of the Board and the CEO

Once annually, in accordance with the Board of Directors' rules of procedure, the Chairman of the Board initiates an evaluation of the Board's work. The 2018 evaluation was performed via a questionnaire answered by the Board members. In addition, the Chairman of the Board had some separate contacts with the members. The purpose of the evaluation was to gain an impression of the Board members' views concerning how the work of the Board is conducted and the type of measures that could be implemented to increase the efficiency of the Board's work. Another aim was to gain an impression of the type of matters that the Board should be given more scope to address and the areas that could potentially require additional experience and expertise on the Board. The results of the evaluation were reported within the Board and were forwarded by the Chairman of the Board to the Nomination Committee.

Committee

The Board currently has two committees: an Audit Committee and a Remuneration Committee. The members of

COMPOSITION OF THE BOARD

AGM-elected	Elected, year	Born in	Total annual fee, SEK	Independent in relation to shareholders	Independent in relation to company and management	Attendance Board meetings
Chairman of the Board						
Bengt Kjell	2013	1954	475,000	Yes	Yes	29/29
Members						
Anneli Lindblom	2013	1967	270,000	Yes	Yes	29/29
Caroline Sundewall	2013	1958	245,000	Yes	Yes	29/29
Ulrika Valassi	2013	1967	210,000	Yes	Yes	28/29
Per-Ingemar Persson	2016	1956	210,000	Yes	Yes	24/29
Gunilla Högbohm	2017	1958	245,000	Yes	Yes	29/29
Jens Engwall ¹	2013	1956	-	Yes	No	27/28

¹ Jens Engwall was a member of the Hemfosa Board through November 28, 2018.

the committees are appointed for one year at a time at the statutory Board meeting and the work conducted by the committees and their decision-making rights are regulated in annually adopted committee instructions. The committees have a preparatory and administrative role. The matters addressed at committee meetings are minuted and reported at the next Board meeting.

Audit committee

The Audit Committee works according to an annually established agenda and is tasked with monitoring the company's financial statements and the efficiency of the company's internal control and risk management activities. The Audit Committee also keeps itself informed of the audit of the Annual Report and the consolidated financial statements and evaluates the way in which the audit contributes to the reliability of the financial statements. The Committee is also tasked with reviewing and monitoring the auditor's independence and objectivity, paying particular attention to whether the auditor provides services outside the scope of his/her audit. Prior to the AGM, the Audit Committee is also to submit a recommendation to the Nomination Committee concerning the choice of auditor. According to the Swedish Companies Act, Committee members may not be employed by the company and at least one member must be adept in accountancy or auditing. In 2018, the Audit Committee comprised Board members Anneli Lindblom (Chair), Caroline Sundewall and Gunilla Högbom, who are all deemed independent in relation to the company, Group Management and the company's major shareholders.

During 2018, the Audit Committee held six meetings. All committee members attended all meetings. The meetings addressed such matters as the company's interim reports, the orientation of the external audit and the company's internal control over the financial reporting.

Remuneration Committee

The Remuneration Committee is tasked with preparing matters in respect of remuneration policies for the CEO and other senior executives, as well as individual remuneration for the CEO in accordance with the remuneration policy. The policies encompass the relationship between fixed and any variable components of the remuneration as well as the link between performance and remuneration, the principal terms of any bonus and incentive schemes and the general terms for non-monetary benefits, pensions, employment termination and severance pay. The Board in its entirety determines the remuneration and other terms of employment for the CEO. However, share-based incentive schemes for Group Management are determined by the AGM.

The Committee is also to assist the Board in monitoring the system by which the company complies with laws, stock-exchange rules and the Code of rules governing the disclosure of information related to remuneration of the

CEO and other senior executives, and to monitor and evaluate any schemes that are ongoing or have been concluded during the year for variable remuneration of the CEO and other senior executives, the application of guidelines for remuneration of the CEO and other senior executives that the AGM is legally obliged to resolve and current remuneration structures and levels. According to the Code, the Chairman of the Board may chair the Committee and other AGM-elected members must be independent in relation to the company and company management. In 2018, the Remuneration Committee comprised Board members Bengt Kjell (Chair), Ulrika Valassi and Per-Ingemar Persson, who were all adjudged to be independent in relation to the company and Group management.

In 2018, five meetings of the Remuneration Committee were held. All committee members attended all meetings. The meetings addressed such matters as the company's guidelines for remuneration of senior executives and remuneration levels for the CEO and other senior executives, as well as the incentive plan for all employees that was introduced during the year.

Remuneration

At the AGM on April 18, 2018, the Meeting resolved that until the next AGM, an annual fee of SEK 475,000 (previously SEK 450,000) would be paid to the Chairman of the Board and that SEK 210,000 (previously SEK 200,000) would be paid to each of the other Board members who are not employed by the company. It was also resolved that fees for Committee work amounting to SEK 60,000 (unchanged) were to be paid to the Chairman of the Audit Committee and SEK 35,000 (unchanged) to each of the other members of the Audit Committee. It was resolved that no fee would be paid for work on the Remuneration Committee.

CEO and other senior executives

The CEO is appointed by the Board and is responsible for the daily management of the company and the Group's activities in accordance with the Board's instructions and regulations. The division of responsibilities between the CEO and the Board is defined in the Board's Rules of Procedure, as well as the CEO Instructions and Delegation of Authority established by the Board. The CEO functions as Chairman

GROUP MANAGEMENT

Group Management comprises the following people.

- Caroline Arehult, CEO
- Peter Anderson, CFO
- Linda Eriksson, Head of Finance
- Annika Ekström, Head of Property Management
- Anna Alsborger, Head of Transactions



of Group Management and makes decisions in consultation with other members of Group Management. Group Management meets every month or otherwise as required.

Guidelines for remuneration of senior executives

In accordance with the guidelines adopted at the company's AGM on April 18, 2018, Hemfosa is to apply the remuneration levels and employment terms and conditions required to be able to recruit and retain a management team with high expertise and the capacity to achieve set goals. The forms of remuneration will be designed to motivate senior executives to do their utmost to ensure shareholder interests.

Accordingly, the forms of remuneration are to be on market terms and competitive. They will also be simple, long-term and measurable. Remuneration of senior executives may comprise a fixed and variable portion. The fixed salary for senior executives is to be market-aligned and based on expertise, responsibility and performance. The purpose of the variable increment, which must be capped, is to reward target-related performance and improvements in simple and transparent structures. An outcome must relate to the fulfillment of pre-set goals with respect to earnings, cash flow, growth, value and individual measurable targets. Variable remuneration of the various senior executives must not exceed four months' salary and is not to be pensionable. The variable salary for the entire team of senior executives in the Group may not exceed MSEK 4.

Senior executives may be offered incentive programs that are to primarily be share or share-price based. The aim of an incentive program must be to ensure long-term commitment to the company's development and be implemented on market-based terms. Share and share-price based incentive programs must be resolved by the AGM.

The company is to be permitted to make cash payments connected to the senior executives' acquisition of shares or share-based instruments. Such cash remuneration should normally not exceed 15 percent of fixed salary.

Pension conditions for senior executives are to be based on defined-contribution pension plans and comply with or correspond to the general pension plan, the ITP1 plan in Sweden. Termination salary and severance pay for a senior executives must not exceed a total of 18 monthly salaries if notice is served by the company and six monthly salaries if notice is served by the executive. Senior executives in this connection are defined as the Chief Executive Officer, CFO and other members of Group Management. The Board of Directors is entitled to deviate from the above guidelines for remuneration of senior executives if there are special reasons in individual cases. Should the Board of Directors deviate from the guidelines for remuneration of senior executives, this must be reported at the immediately following AGM.

In the 2018 fiscal year, remuneration was paid to the CEO and certain other senior executives in accordance with the table in Note 5.

Auditor

The company's financial statements and accounting records, and the administration of the Board and management, are reviewed and audited by the company's auditor. At the AGM on April 18, 2018, the registered firm of accountants KPMG AB was elected auditor for the period up to the end of the 2019 AGM. Authorized Public Accountant Björn Flink was appointed Auditor in Charge. During the year, Björn Flink stepped down as Auditor in Charge and was succeeded by Authorized Public Accountant Peter Dahllöf.



The auditor shall report significant accounting errors and suspected irregularities to the Audit Committee. On at least two occasions per year, normally in connection with the meeting to address the annual accounts, the auditor is to report his/her observations during the audit of the company and assessment of the company's internal control to the company's Board. The auditors also participate in the Annual General Meeting to present the Auditors' Report, which describes the audit process and any observations made.

In 2018, above and beyond the audit assignment, KPMG was engaged for additional services, primarily tax matters and transaction counseling. Such services were always, and solely, provided to the extent that is consistent with the regulations in the Swedish Auditing Act and FAR's rules of professional conduct pertaining to the objectivity and independence of auditors.

Diversity policy

Hemfosa, through the Nomination Committee, applies rule 4.1 of the Swedish Code of Corporate Governance as its diversity policy when formulating proposals concerning the

election of Board members. This rule entails that, taking into account the company's operations, development phase and other relationships, the Board of Directors must have an appropriate composition characterized by versatility and breadth with respect to the AGM-elected Board members' expertise, experience and background. An even gender distribution is sought. The aim of the diversity policy is to satisfy the importance of sufficient diversity on the Board of Directors in respect of gender, age and nationality, as well as experience, professional background and lines of business.

The Nomination Committee stated ahead of the 2018 AGM that the proposed members possess the versatility and breadth in terms of expertise, experience and background that is required to understand the company's operations. It was also stated that the proposal entails that the Board of Directors will consist of four women and three men and that the proportion of men is nearly 43 percent. This was established to accord with the Swedish Corporate Governance Board's stated objective of about 40 percent for the least represented gender.

Internal control over financial reporting and risk management

Hemfosa's internal control over the financial reporting is designed to manage risks and ensure high reliability in the processes for the preparation of financial statements, and for ensuring compliance with applicable reporting requirements and other requirements to which Hemfosa is subject as a listed company. According to the Swedish Companies Act and the Code, the Board is responsible for the internal control of the company's financial reporting. Hemfosa complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating a company's internal control over financial reporting, which contains the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The division and delegation of responsibilities has been documented and communicated in internal governing documents for the Board and the company including:

- Board of Directors' rules of procedure
- CEO instructions
- Delegation of Authority
- Attestation ordinance
- Other internal governing documents (such as the accounting manual and business policy)

All internal governing documents are regularly updated to include changes in, for example, legislation, accounting standards or listing requirements, and when otherwise required.

Risk assessment

In accordance with the Rules of Procedure, the Board and the Audit Committee undertake an annual evaluation of the company's internal control. Risks considered to exist are identified and measures are established to reduce these risks. The auditor is invited to present his/her report of the effectiveness of the internal control activities to a Board meeting and the Audit Committee.

The primary risks identified by Hemfosa are project risks, declining property value and the loss of key personnel.

Control activities

Since the company's accounting system is structured so that the conclusion of agreements, payment of invoices and so forth must comply with the decision paths, signing and payment authorizations set out in the internal governing documents, an underlying control structure has been established to counteract and prevent the risks identified by the company.

In addition to these control structures, a number of control activities are performed to further detect and correct errors and deviations. Such control activities comprises monitoring at various levels of the organization, such as

the Board's monitoring and verification of compliance with Board decisions, a review and comparison of profit/loss items, reconciliation of accounts and approval and recognition of business transactions by the accounts department.

Information and communication

Hemfosa has built an organization that ensures the company's financial reporting is correct and effective. The internal governing documents clarify who is responsible for what, and the daily interaction between the officers concerned ensures that the necessary information and communication reaches all relevant parties.

Group Management is regularly supplied with certain financial information about the company and its subsidiaries to keep itself informed of the development of leasing and other property management work, and to review and monitor ongoing and future investments and liquidity planning. The Board is informed by Group management in respect of risk management, internal control and financial reporting.

The company's communication policy ensures that all information disclosed both externally and internally is correct and issued at the appropriate time on each occasion.

Monitoring

As presented above, regular follow-up activities are performed at all levels of the organization. The Board performs regular evaluations of the information submitted by the company's management and the auditors. The company's auditors also personally report their audit observations and assessment of the internal control activities directly to the Board. Monitoring undertaken by the Board to develop internal control activities and to ensure that measures are taken to deal with any problems and proposals that arise is particularly significant. This control is largely the responsibility of the Audit Committee.

Evaluation of the need for a separate internal audit function

Hemfosa currently has no internal audit function. The Board has addressed this matter and concluded that the existing follow-up and evaluation structures provide a satisfactory basis. On the whole, this has resulted in it not being considered warranted to have a special internal audit unit. The decision is re-evaluated annually.

Differences in relation to the code

Hemfosa applies the Code. As mentioned above, the Code is based on the "comply or explain" principle. This means that a company applying the Code may choose to depart from specific rules, but must then provide an explanation for the non-compliance. During 2018, Hemfosa complied with the Code without any deviations.

BOARD OF DIRECTORS



Bengt Kjell

Chairman of the Board of the company since 2013, and Chairman of the Remuneration Committee. Chairman of the Board of the Group since 2009.

Born: 1954

Education: Graduate in business administration, Stockholm School of Economics.

Other assignments: Chairman of the Board of SSAB, Nyfosa AB and Expassum AB and Deputy Chairman of Indutrade AB and Pandox AB. Member of the Board of AB Industrivärden and ICA Gruppen AB, among other companies.

Shareholding in the company (incl. any shares held by related parties): 2,355,000 ordinary shares.

Independent in relation to the company, Group Management and the company's major shareholders.



Anneli Lindblom

Board member of the company since 2013 and Chairman of the Audit Committee. No previous assignments in the Group.

Born: 1967

Education: School of Economics Degree, Frans Schartaus Business Institute, Stockholm.

Other assignments: CFO of Acando AB (publ). Chairman of the Board of NoClds AB and Board assignments within the Acando Group.

Shareholding in the company (incl. any shares held by related parties): 2,400 ordinary shares.

Independent in relation to the company, Group Management and the company's major shareholders.



Caroline Sundewall

Board member of the company since 2013, and member of the Audit Committee. No previous assignments in the Group.

Born: 1958

Education: Graduate in business administration, Stockholm School of Economics.

Other assignments: Chairman of the Board of the Streber Cup Foundation. CEO and Member of the Board of Caroline Sundewall AB. Member of the Board of Cramo Oy (Finland), Elanders AB, SinterCast, Stiftelsen Tillväxt Helsingborg and Mertzig Asset Management.

Shareholding in the company (incl. any shares held by related parties): 3,000 ordinary shares and 2,000 preference shares.

Independent in relation to the company, Group Management and the company's major shareholders.



Ulrika Valassi

Board member of the company since 2013, as well as member of the Remuneration Committee. No previous assignments in the Group.

Born: 1967

Education: Graduate in business administration, Uppsala University.

Other assignments: CEO and Member of the Board of AU Management AB. Member of the Board and Chairman of the Audit Committee of Ålandsbanken Abp.

Shareholding in the company (incl. any shares held by related parties): 3,200 ordinary shares.

Independent in relation to the company, Group Management and the company's major shareholders.



Per-Ingemar Persson

Board member of the company since 2016, and member of the Remuneration Committee. No previous assignments in the Group.

Born: 1956

Education: M.Sc., Lund Technical University

Other assignments: Chairman of the Board of ELU Konsult AB and NEWS AB, Member of the Board of Finja Prefab AB, Fabege, Wihlborgs, PEKE Konsult AB and a number of wholly owned or associated companies in the Veidekke Group.

Shareholding in the company (incl. any shares held by related parties): 4,400 ordinary shares.

Independent in relation to the company, Group Management and the company's major shareholders.



Gunilla Högbom

Member of the company's Board since 2017, and member of the Audit Committee. No previous assignments in the Group.

Born: 1958

Education: Master of Science in Engineering, Stockholm Royal Institute of Technology.

Other assignments: CEO, Fastighets AB Virtuosen, Member of the Board of Sydholmarna Kapitalförvaltning AB and the Danvikshem Foundation.

Shareholding in the company (incl. any shares held by related parties): 1,000 ordinary shares.

Independent in relation to the company, Group Management and the company's major shareholders.

Details apply to December 31, 2018.

MANAGEMENT



Caroline Arehult

CEO

Born: 1973

Education: Master of Engineering, Stockholm Royal Institute of Technology and Institute of Technology in Hamburg.

Background: Previously, 19 years of experience at Skanska, among other senior positions, most recently as CEO of Skanska Fastigheter Stockholm.

Shareholding in the company (incl. any shares held by related parties): 14,000 ordinary shares.



Peter Anderson

CFO

Born: 1970

Education: Graduate in business administration, Stockholm School of Economics.

Background: Positions within the property and finance sector, most recently as CFO of Kungsleden. Previously, CFO of ICA Fastigheter, CFO of Steen & Ström Sweden and auditor in KPMG property group.

Shareholding in the company (incl. any shares held by related parties): –



Annika Ekström

Head of Property Management

Born: 1965

Education: Master of Engineering from Stockholm Royal Institute of Technology.

Background: Several positions at Aberdeen Asset Management Sweden, most recently as business area manager, in addition to being a Board member of Fastighetsgrunden i Mölndal Förvaltning.

Shareholding in the company (incl. any shares held by related parties): 24,666 ordinary shares and 75,000 warrants.



Linda Eriksson

Head of Finance

Born: 1975

Education: Master of Engineering from Stockholm Royal Institute of Technology.

Other assignments: Member of the Board of Frälsningsarméns Förlagsaktiebolag.

Background: Experience from the finance and property sector. In such positions as Head of Finance at Kungsleden, researcher at AGL and Property Manager and Project Controller at KF fastigheter.

Shareholding in the company (incl. any shares held by related parties): 1,000 ordinary shares and 50,000 warrants.



Anna Alsborger

Head of Transactions

Born: 1977

Education: Master of Engineering from Stockholm Royal Institute of Technology.

Background: A number of positions involving transactions and strategy, most recently as Head of Transactions at Hemsö.

Shareholding in the company (incl. any shares held by related parties): –

AUDITOR

KPMG AB

Auditor-in-charge: Peter Dahllöf, born 1972. Auditor of the Group since 2018. Authorized Public Accountant and partner at KPMG.

Selection of other audit assignments: Eastnine, Humlegården, Intea, Midstar Hotels, Peab Fastighet

Details apply to December 31, 2018.



OUR CUSTOMERS ARE ACCUSTOMED TO DECIDING

Commercial offices

Account for 9 percent of Hemfosa's total property value. These are primarily centrally located office properties in large high-growth municipalities with private tenants.



Proportion of property value

Multi-year review

Consolidated statement of profit/loss and other comprehensive income, MSEK

Full-year	2018 ¹	2017 ¹	2016 ²	2015 ²	2014 ²
Rental income	2,525	2,103	2,642	2,443	1,612
Property expenses and property administration	-733	-618	-825	-773	-538
Net operating income	1,792	1,484	1,817	1,670	1,074
Central administration	-141	-128	-128	-112	-74
Other operating income and expenses	43	11	21	0	62
Profit from shares in joint ventures and associated companies	24	187	542	255	239
Financial income and expenses	-514	-381	-440	-450	-480
Profit from property management	1,204	1,173	1,812	1,363	821
Change in value of properties	1,305	1,275	1,594	1,500	695
Change in value of financial instruments	-14	44	18	-42	-277
Current tax	-69	5	-18	-5	-2
Deferred tax	-397	-549	177	-478	-113
Profit for the year	2,030	1,949	3,583	2,339	1,124
Profit after tax for Nyfosa that has been distributed to shareholders	330	1,215	-	-	-
Profit for the year	2,360	3,163	3,583	2,339	1,124
Other comprehensive income	50	-104	156	-132	-
Comprehensive income for the year	2,409	3,059	3,739	2,207	1,124

¹ The income statements for 2017-2018 have been recalculated to take into account the distribution of Nyfosa and pertains to continuing operations.

² The income statements for 2014-2016 have been recalculated to take into account the distribution of Nyfosa.

Consolidated statement of financial position, MSEK

Dec 31	2018	2017	2016	2015	2014
Investment properties	36,049	41,119	34,668	29,553	24,718
Shares in joint ventures	60	2,096	1,676	1,075	609
Shares in associated companies	164	123	56	-	-
Derivatives and other fixed assets	13	17	13	7	10
Current receivables	200	190	140	82	94
Cash and cash equivalents	974	541	1,221	732	594
Total assets	37,459	44,086	37,774	31,449	26,025
Equity	13,276	17,807	15,570	10,749	8,949
Interest-bearing liabilities	21,944	24,033	20,605	18,898	15,760
Derivatives	29	43	87	103	105
Deferred tax liabilities	1,229	1,184	506	701	492
Other liabilities	981	1,019	1,006	997	718
Total equity and liabilities	37,459	44,086	37,774	31,449	26,025

Consolidated statement of cash flow, MSEK

	2018	2017	2016	2015	2014
Cash flow from operating activities	2,116	1,542	1,108	1,220	627
Cash flow from investing activities	-7,293	-4,955	-3,247	-3,943	-7,504
Cash flow from financing activities	5,607	2,732	2,621	2,862	7,187
Total cash flow	430	-681	482	138	310

Key performance data

Key financial data

	2018	2017	2016	2015	2014
Return on equity, %	15.1	19.0	27.1	23.7	19.7
Equity/assets ratio, % ¹	35.4	40.4	41.2	34.2	34.4
Net loan-to-value ratio, properties, % ¹	58.2	57.1	55.9	61.5	61.4
Debt/equity ratio, multiple ¹	1.7	1.3	1.3	1.8	1.8
Interest coverage ratio, multiple ¹	3.3	3.6 ²	3.9	3.5	2.2

Share-related key figures, ordinary shares

	2018	2017	2016	2015	2014
Profit from property management, SEK per share ¹	6.52	6.74 ²	11.49	9.22	7.11
Profit after tax, SEK per share before dilution	11.78	11.66 ²	23.25	16.28	9.78
Profit after tax, SEK per share after dilution	11.77	11.65 ²	23.25	16.28	9.78
Equity, SEK per share	67.62	101.01	86.95	65.71	53.71
Net asset value (EPRA NAV), SEK per share ¹	75.11	112.20	93.87	73.98	71.91
Cash flow from operating activities, SEK per share	5.07	6.05	6.73	8.16	5.59
Approved dividend, SEK per share	4.80	4.40	4.20	3.00	-
Weighted average number of shares, 000s	162,934	157,728	148,149	131,440	109,954
Number of shares outstanding at balance-sheet date, 000s	167,728	157,728	157,728	131,440	131,440

Share-related key figures, preference shares

	2018	2017	2016	2015	2014
Equity, SEK per share	162.85	162.85	162.85	162.85	162.5
Dividend, SEK per share	10 ³	10	10	10	1.25
Number of shares outstanding at balance-sheet date, 000s	11,000	11,000	11,000	11,000	10,000

Property-related key figures

	2018	2017	2016	2015	2014
Number of properties at year-end.	381	472	432	411	353
Rental value at year-end, MSEK ¹	2,826	3,397	2,999	2,768	2,520
Leasable area at year-end, 000s of sqm	2,059	2,918	2,627	2,607	2,516
The properties' fair value in the balance sheet, MSEK	36,049	41,119	34,668	29,553	24,718
Property value, SEK per sqm	17,508	14,092	13,195	11,336	9,824
Economic leasing rate, %	94.4	92.5	91.1	90.4	90.7
Surplus ratio, % ¹	71.0	70.6 ²	68.8	68.4	66.6
Yield, % ¹	5.4	5.4	5.5	5.8	6.1

¹ 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 127. Components included in these performance measures are presented on page 16 of the Year-end report for January–December 2017.

² Excluding Nyfosa.

³ Proposed dividend.

Administration report

The Board of Directors and the CEO of Hemfosa Fastigheter AB (publ) ("Hemfosa"), postal address Box 2020, SE-131 02 Nacka and Corp. Reg. No. 556917-4377, hereby submit the Annual Report and consolidated financial statements for the 2018 fiscal year.

Comparisons within parentheses pertain to the preceding year. Since the financial statements are presented in millions of Swedish kronor (MSEK), rounding-off differences may arise.

Operations

Hemfosa's business concept is to utilize local presence to acquire, own over the long term, develop and actively manage community service properties in the Nordic region.

Hemfosa focuses on community service properties with tenants who directly or indirectly conduct publicly financed operations, such as schools, judicial institutions, care services and public authorities. At Hemfosa, a property is defined as a community service property if tenants who directly or indirectly are publicly financed account for at least 70 percent of the rental income. This specialization provides Hemfosa with a strong position in its markets: Sweden, Norway and Finland.

Hemfosa Fastigheter owns properties in Sweden, Norway and Finland with a fair value of SEK 36.0 billion (41.1). At year-end, the property portfolio comprised 381 properties (472) with leasable area of 2,059,000 square meters (2,918,000). The economic leasing rate was 94.4 percent (92.5).

Since continued growth is important for Hemfosa, it has set an objective of achieving a property value of SEK 50 billion within five years. This growth is to be attained while maintaining a low risk level and profitability. The profitability target is to increase cash earnings per share by an average of at least 10 percent per year. Although growth is sought in all three countries, a particular initiative will be implemented in Finland, where Hemfosa's market position is not as strong as in Sweden and Norway.

Organization

Hemfosa's operational organization consists of a strong, locally anchored proprietary management organization that is supported by Group-wide functions.

In Sweden, Hemfosa's property portfolio is divided into five regions: North, Stockholm, Central, West and South. Each region is headed by a regional manager with operational responsibility for the properties in the region.

Hemfosa has a total of 13 local property management offices in Sweden.

The Norwegian organization has five local property management offices and is managed from the office in Oslo.

All assignments in Finland are currently performed by a local business partner.

Hemfosa's Group-wide functions are located at the Head Office in Nacka, Stockholm. These are Transactions and Analysis, Accounting, Financing, Legal Affairs and Marketing/Communication.

Hemfosa's Group management has five members and is presented in the Corporate Governance Report on pages 58 and 63 of this Annual Report.

At December 31, 2018, the number of employees in Hemfosa was 71 (74).

Corporate governance

A separate Corporate Governance Report is presented on pages 54-61 of this Annual Report.

Guidelines for remuneration of and other terms of employment for senior executives

The most recent Annual General Meeting (AGM) resolved on guidelines for remuneration of senior executives. The guidelines largely entail that members of company management are to receive salaries and other terms of employment that are market aligned. Remuneration may be paid in the form of a fixed and a variable increment. Pension conditions are to be based on defined-contribution pension plans and comply with or correspond to the general pension plan, the ITP1 plan in Sweden. Termination salary and severance pay for a senior executive must not exceed a total of 18 months' salary if notice is served by the company and six months if notice is served by the executive.

Opportunities and risks

Hemfosa is exposed to various operational and financial risks through its business activities. Financial risks involve market, liquidity and credit risks associated with financial instruments.

By analyzing risk exposure and how this can be managed in the short and the long term, the risks can also constitute opportunities in many cases. A more exhaustive description is provided in Note 19 Financial risks and risk management on pages 97-99.

Change in value, properties

The change in value of properties is of vital importance to a property company's risk level. Hemfosa's properties are geographically spread over three markets, which gives a balanced risk profile. The focus on community service properties results in stable tenants with a high credit rating and long leases.

Interest-rate risk

Changes in interest rates can impact Hemfosa's largest cost item: interest expenses. In order to limit the effects of changes in interest rates, the Group has entered into and regularly enters into derivative agreements in the form of interest-rate swaps and interest-rate caps. This means that changes in interest rates do not gain their full impact on interest expenses.

Liquidity risk

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term in relation to the Group's payment obligations. Hemfosa works continuously with short and long-term liquidity forecasts, as well as refinancing issues connected to its current loans. Hemfosa uses overdraft facilities to ensure secure and flexible cash management, and to manage peaks and troughs in payment streams.

Credit risk

Credit risk is the risk that a counterparty is unable to fulfil its commitments, thus resulting in a loss for Hemfosa. The most significant credit risk faced by Hemfosa is that its tenants are unable to honor their rental payments under leases. The directly or indirectly publicly financed tenants in the lease portfolio accounted for by far the majority of rental value on the balance-sheet date. These tenants represent a lower credit risk. According to the leases, rents are paid in advance, which helps to reduce the credit risk.

Sustainability effort

Hemfosa Fastigheter aims to be a good community citizen and a responsible landlord. The point of departure is long-term relationships whereby Hemfosa creates a platform for healthy financial results, consideration for the environment and social responsibility. The sustainability aspect is to pervade all parts of the operations and be considered in decisions. In a dialog with stakeholders and in a materiality analysis, Hemfosa has decided on the areas that are most relevant. The focus is on energy consumption, emissions of greenhouse gases, materials selection and subjecting suppliers to requirements. Hemfosa's environmental policy states that the organization is to focus actively on energy optimizing its buildings and premises. The company must keep itself informed of the environmental risks associated with the properties and strive to increase competencies and awareness in the environmental and sustainability fields. Hemfosa shall aim to develop solutions that are sustainable long term and engage in environmentally compatible conversions and new builds, while subjecting its suppliers to environmental and sustainability demands. Together with the tenants, the company works to achieve a healthy indoor environment. Read more about the company's sustainability work under the heading Sustainability Reporting on pages 31-42 of this Annual Report, which together with page 69 constitute the company's sustainability report.

HEMFOSA'S SUSTAINABILITY WORK

The guidelines for the company's sustainability efforts are established by the Board of Directors and executed by Group management. The sustainability aspect is to pervade all parts of the operations and be considered in decisions. Hemfosa's governance activities in the areas of

anti-corruption, the environment and human rights as well as social conditions and employees are summarized below. It is also specified where in the Annual Report that it is possible to read more about the various areas.

	ANTICORRUPTION	ENVIRONMENT	HUMAN RIGHTS	SOCIAL CONDITIONS AND EMPLOYEES
	Hemfosa has set guidelines for promoting good business ethics and counteracting fraud, theft and irregularities, and the Group has a process for reporting suspicions.	Hemfosa has governing documents for its environmental activities and has established in a materiality analysis the areas that it is most relevant to focus on. The focus is on energy consumption, emissions of greenhouse gases, materials selection and subjecting suppliers to requirements.	Hemfosa applies a Code of Conduct for employees and suppliers, with applicable laws and the regulatory framework as the starting point, as well as the UN's principles on human rights, labor practices, environment and anticorruption.	Hemfosa has governing documents whose aim is that all employees will perceive their work environment as safe, equal, developmental and productive. Health and safety is also a high-priority area in respect of tenants and suppliers.
POLICY AND GOVERNING DOCUMENTS	<ul style="list-style-type: none"> • Hemfosa's Code of Conduct • Whistleblower guidelines • Control system for financial reporting 	<ul style="list-style-type: none"> • Hemfosa's environmental policy • Hemfosa's Code of Conduct 	<ul style="list-style-type: none"> • Hemfosa's Code of Conduct 	<p><i>Hemfosa's Code of Conduct</i> includes</p> <ul style="list-style-type: none"> • Equal opportunities and equal treatment • Guidelines for work on occupational health and safety, and the work environment
CONTROL AND MONITORING	<ul style="list-style-type: none"> • Information on the Code of Conduct and the whistleblower function issued to employees and business partners • Review of the Code of Conduct in connection with employment, plus follow-up • Follow-up and assessment of supplier partnerships • Annual assessment of the Code of Conduct in connection with the Board of Directors' assumptions 	<ul style="list-style-type: none"> • Information on the Code of Conduct issued to employees and business partners • Continuous follow-up in relation to policy documents • Follow-up and assessment of supplier partnerships in relation to agreements and Code of Conduct • Assessment of the Code of Conduct in connection with the Board of Directors' assumptions 	<ul style="list-style-type: none"> • Since 2016, Hemfosa has been a member of the UN's Global Compact and undertakes to work according to its principles • Follow-up and assessment of the Code of Conduct for employees • Follow-up and assessment of supplier partnerships • Assessment of the Code of Conduct in connection with the Board of Directors' assumptions 	<ul style="list-style-type: none"> • Regular surveys of the work environment • Evaluation of health and safety work for tenants as part of property management • Assessment of the application of the Code of Conduct by managers and annually in connection with the Board of Directors' assumptions
ADDITIONAL INFORMATION	<p><i>Read more about:</i></p> <p>Business ethics and anti-corruption page 34</p> <p>Whistleblower function page 35</p>	<p><i>Read more about:</i></p> <p>Environmental policy page 36</p> <p>Materials selection page 37</p> <p>Suppliers page 37</p> <p>Energy consumption page 38</p> <p>Carbon emissions page 39</p>	<p><i>Read more about:</i></p> <p>Code of Conduct pages 35, 42</p> <p>Health and Safety page 41</p> <p>Equal opportunities, diversity and equal treatment page 42</p>	<p><i>Read more about:</i></p> <p>Requirements placed on suppliers pages 37, 41</p> <p>Health and Safety page 41</p> <p>Equal opportunities, diversity and equal treatment page 42</p> <p>Diversity policy page 60</p>

Commentary on financial development during the year

Earnings of continuing operations

Net operating income: Rental income for the year totaled MSEK 2,525 (2,103). The increase of 20 percent was attributable to a larger property portfolio as a result of acquisitions and projects, as well as lease renegotiations, the signing of new leases and indexation according to leases. Rental income also includes other property income, which amounted to MSEK 35 (25) for the period. At year-end, the leasable area of Hemfosa's property portfolio was 2,059,000 square meters (1,782,000). The economic leasing rate was 94.4 percent (93.9).

Property expenses amounted to MSEK 652 (562) and costs for property administration to MSEK 82 (56). The surplus ratio was 71.0 percent (70.6). The yield for the entire portfolio was 5.4 percent (5.4).

Profit from property management: Central administration costs totaled MSEK 141 (128). Net financial items amounted to MSEK -514 (-381). At December 31, the average interest rate in the loan portfolio was 2.05 percent (1.94).

Profit from property management amounted to MSEK 1,204 (1,173).

Changes in value: Changes in property value amounted to MSEK 1,305 (1,275), whereby improved net operating income, a somewhat lower yield requirement and revaluations after acquisitions represented the main explanations.

Changes in the value of financial instruments amounted to an expense of MSEK 14 (income: 44) and were explained by reduced interest rates, which impacted the fair value of concluded interest-rate swaps.

Tax: The tax cost amounted to MSEK 466 (545). Hemfosa's effective tax rate during the year was 19 percent (22).

Equity

The subsidiary Nyfosa was distributed to ordinary shareholders during the year, whereby Hemfosa's shareholders' equity at December 31, 2018 decreased to MSEK 13,276 (17,807). A new issue of shares strengthened equity by MSEK 1,069 net. The equity/assets ratio was 35.4 percent (40.4) at December 31, 2018.

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to MSEK 21,944 (24,033) at December 31, 2018, of which MSEK 4,287 (8,894) falls due for payment within 12 months.

Cash flow from operating activities

Cash flow from operating activities, before changes in working capital, amounted to MSEK 1,185 (983). Cash flow from operating activities totaled MSEK 961 (1,065).

Investing activities impacted cash flow in the amount of MSEK -4,836 (-3,264), mainly comprising acquisitions of properties of MSEK -5,185 (-2,565) and investments in existing properties of MSEK -503 (-696).

Financing activities had an impact of MSEK 3,213 (1,611) on cash flow for the period. A new issue of shares strengthened cash assets by MSEK 1,069 (0). During the year, MSEK 876 (799) was paid in dividends to Hemfosa's shareholders.

Parent Company

For 2018, the Parent Company recognized profit after tax of MSEK 549 (922). The Parent Company's fee for central and property administrative services on behalf of Group companies (incl. Nyfosa) during the period was MSEK 49 (33). Profit for the year corresponds to comprehensive income for the year.

SIGNIFICANT EVENTS DURING THE FISCAL YEAR

- The subsidiary Nyfosa was distributed to ordinary shareholders and listed on Nasdaq Stockholm Large Cap and its first day of trading was November 23, 2018.
- Jens Engwall accompanied Nyfosa and thus stepped down as Chief Executive Officer and Member of the Board.
- Caroline Arehult took office as the new Chief Executive Officer. Peter Anderson took office as the new CFO and Anna Alsborger as the new Head of Transactions.
- Hemfosa became the sole long-term owner of a specialist hospital and local medical center close to Gardermoen Airport in Norway.
- A number of acquisitions were implemented, including a large portfolio of properties in northern and central Sweden, a portfolio of school properties in Sollentuna and a series of properties in Norway.

At December 31, 2018, the Parent Company had equity totaling MSEK 8,079 (11,214), of which restricted equity accounted for MSEK 89 (84). Intra-Group liabilities totaled MSEK 583 (2,208) and intra-Group receivables MSEK 5,972 (11,490).

The share

Hemfosa has two classes of shares: ordinary share and preference shares, which are listed on Nasdaq Stockholm, Large Cap. For a list of the largest Hemfosa shareholders, reference is made to the section "Ordinary and preference shares" on pages 51-53 of the Annual Report.

At year-end, the share capital amounted to MSEK 89 (84). On the balance-sheet date, the company had 167,728,249 ordinary shares (157,728,249) and 10,999,999 preference shares (10,999,999) with a quotient value of SEK 0.50 each (0.50). Each ordinary share carries one voting right and each preference share carries one tenth of a voting right. The number of shareholders on the balance sheet date was 26,288.

Expectations concerning future development

Hemfosa does not provide a forecast on its future financial development. During 2019, the company will develop and add value to the property portfolio and be an active player in the transactions market in order to continue to show favorable growth.

Board Of Directors' dividend proposal

The following funds in the Parent Company Hemfosa Fastigheter AB (publ) are available for distribution by the Annual General Meeting (AGM). For the 2018 fiscal year, the Board proposes that the AGM resolve to pay a dividend to ordinary shareholders of SEK 2.40 per ordinary share with quarterly payment of SEK 0.60 per share, as well as a dividend to preference shareholders of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per share. Information on record dates is presented in Note 26 Shareholders' equity.

Unrestricted equity, SEK	Dec 31, 2018
Premium reserve	10,829,140,133
Retained earnings	-3,388,453,536
Profit for the year	548,623,022
Total unrestricted equity	7,989,309,619
Funds available for distribution by the AGM	7,989,309,619
Dividend payable to holders of ordinary shares, SEK 2.40 per ordinary share, a total of	402,547,798
Dividend payable to holders of preference shares, SEK 10.00 per preference share, a total of	109,999,990
To be carried forward	7,476,761,831
Total	7,989,309,619

Regarding the company's earnings and position in other respects, reference should be made to the following income statements and balance sheets and the accompanying notes to the accounts.

Trend in share capital

Trend in share capital	Date	Change in number of ordinary shares	Change in number of preference shares	Quotient value SEK	Changes in share capital, MSEK
Paid in share capital	January 2013	50,000		1	0
New issue, ordinary shares	June 2013	22,207,103		1	22
New issue, ordinary shares	June 2013	2,792,897		1	3
Reduction in ordinary shares	June 2013	-50,000		1	0
Share issue offsetting debt, ordinary shares	March 2014	30,937,495		1	31
New issue, ordinary shares	March 2014	9,782,608		1	10
New share issue, preference shares	December 2014		5,000,000	1	5
Share split 2-for-1	May 2015	65,720,104	5,000,000	0.5	-
Private placement, preference shares	September 2015		999,999	0.5	1
New issue, ordinary shares	May 2016	26,288,041		0.5	12
New issue, ordinary shares	June 2018	10,000,000		0.5	5
Total		167,728,249	10,999,999	0.5	89

Consolidated statement of profit/loss and other comprehensive income

Continuing operations			
MSEK	Note	2018	2017
Rental income	3	2,525	2,103
Property expenses			
Operating expenses	4	-403	-342
Maintenance costs		-175	-154
Property tax		-74	-66
Property administration		-82	-56
Net operating income		1,792	1,484
Central administration	5, 6, 7	-141	-128
Other operating income and expenses	22	43	11
Share in profit of joint ventures	12	2	168
Share in profit of associated companies	13	22	19
Financial income and expenses	8	-514	-381
Profit from property management		1,204	1,173
Changes in value of properties, realized	11	-2	-6
Changes in the value of properties, unrealised	11	1,307	1,281
Change in value of financial instruments		-14	44
Profit before tax		2,495	2,493
Tax	9	-466	-544
Profit after tax for the year, continuing operations		2,030	1,949
Discontinued operations	28		
Profit after tax from Nyfosa to be distributed to shareholders		1,407	1,215
Loss on distribution of Nyfosa		-1,077	-
Profit for the year		2,360	3,163
Other comprehensive income			
Translation differences in translation of foreign operations		50	-104
Comprehensive income for the year		2,409	3,059
<i>Profit for the year attributable to:</i>			
Parent Company shareholders		2,327	3,142
Non-controlling interests		31	21
Profit for the year		2,360	3,163
<i>Comprehensive income for the year attributable to:</i>			
Parent Company shareholders		2,378	3,042
Non-controlling interests		31	18
Comprehensive income for the year		2,409	3,059
Earnings per share for the year, SEK			
- before dilution		13.81	19.22
- after dilution		13.79	19.21
Profit for the year for continuing operations per share, SEK			
- before dilution		11.78	11.66
- after dilution		11.77	11.65

Consolidated statement of financial position

MSEK	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Investment properties	11	36,049	41,119
Tangible assets		5	3
Shares in joint ventures	12	60	2,096
Shares in associated companies	13	164	123
Derivatives	18, 19	2	9
Other financial assets		6	5
Total fixed assets		36,286	43,355
Rent receivables	18, 19	69	22
Current receivables	14	131	168
Cash and cash equivalents	15, 18	974	541
Total current assets		1,174	731
TOTAL ASSETS		37,459	44,086
EQUITY AND LIABILITIES			
Equity			
Share capital	26	89	84
Other contributed capital		7,485	7,509
Translation reserves		-51	-102
Retained earnings including profit for the year		5,610	10,231
Shareholders' equity attributable to Parent Company shareholders		13,134	17,723
Non-controlling interests		143	85
Total shareholders' equity		13,276	17,807
Liabilities			
Non-current interest-bearing liabilities	16, 18, 19	17,657	15,139
Other non-current liabilities	16, 18, 19	4	9
Derivatives	18, 19	29	43
Deferred tax liabilities	17	1,229	1,184
Total non-current liabilities		18,919	16,375
Current interest-bearing liabilities	16, 18, 19	4,287	8,894
Other current liabilities	18, 20	977	1,010
Total current liabilities		5,264	9,904
Total liabilities		24,183	26,279
TOTAL EQUITY AND LIABILITIES		37,459	44,086

Consolidated statement of changes in equity

Reconciliation of shareholders' equity, (MSEK)	Equity attributable to Parent Company shareholders					Non- controlling interests	Total Share- holders' equity
	Share capital	Other con- tributed capital	Transla- tion reserve	Retained earn- ings incl. profit for the year	Total		
Opening equity, Jan 1, 2017	84	7,509	21	7,891	15,506	64	15,570
Transactions with the Group's shareholders							
Contributions from and distributions to shareholders							
New issue, ordinary shares	-	-	-	-26 ²	-26	-	-26
Issue of warrants	-	-	-	5	5	-	5
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-694	-694	-	-694
Increase in non-controlling interests inflow	-	-	-	-	-	3	3
Reversal of translation reserve	-	-	-24	24	0	-	0
Total transactions with the Group's shareholders	-	-	-24	-801	-825	3	-819
Net profit, Jan-Dec 2017	-	-	-	3,142	3,142	21	3,163
Other comprehensive income, Jan-Dec 2017	-	-	-101	-	-101	-3	-104
Comprehensive income, Jan-Dec 2017	-	-	-101	3,142	3,042	18	3,059
Closing equity, Dec 31, 2017	84	7,509	-102	10,231	17,723	85	17,807
Opening equity, Jan 1, 2018	84	7,509	-102	10,231	17,723	85	17,807
Transactions with the Group's shareholders							
Contributions from and distributions to shareholders							
New issue, ordinary shares	5	-	-	1,064 ³	1,069	-	1,069
Exercise of warrants	-	-	-	-5	-5	-	-5
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-793	-793	-	-793
Increase in non-controlling interests inflow	-	-24	-	-0	-24	28	4
Other	-	-	-	-3	-3	-	-3
Distribution of Nyfosa	-	-	-	-7,100	-7,100	-	-7,100
Total transactions with the Group's shareholders	5	-24	-	-6,947	-6,942	28	-6,915
Net profit, Jan-Dec 2018	-	-	-	2,327	2,327	31	2,360
Other comprehensive income, Jan-Dec 2018	-	-	50	-	50	-	50
Comprehensive income, Jan-Dec 2018	-	-	50	2,327	2,378	31	2,409
Closing shareholders' equity, Dec 31, 2018	89	7,485	-51	5,610	13,134¹	143	13,276

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 2016.

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

Consolidated statement of cash flows

MSEK	Note	2018	2017
Operating activities			
Profit from property management		1,204	1,173
Adjustments for non-cash items	23	-9	-187
Income tax paid		-10	-3
Cash flow from operating activities before changes in working capital		1,185	983
Cash flow from changes in working capital			
Changes in operating receivables		83	4
Changes in operating liabilities		-307	78
Cash flow from operating activities in Nyfosa, which has been distributed to the shareholders		1,155	477
Cash flow from operating activities		2,116	1,542
Investing activities			
Direct and indirect acquisition of investment properties	23	-5,185	-2,565
Direct and indirect divestment of investment properties		66	-12
Investments in existing properties		-503	-696
Acquisition of joint ventures and associated companies		-18	-62
Acquired/divested tangible assets		2	-2
Other		802	73
Cash flow from investing activities in Nyfosa, which has been distributed to the shareholders		-2,457	-1,691
Cash flow from investing activities		-7,293	-4,955
Financing activities			
New issue		1,085	-
Issue of bond loans		-	1,250
Loans raised		12,954	5,302
Repayment of loans		-9,916	-4,127
Dividend paid		-876	-799
Increase in non-controlling interests		-	6
Issue of warrants		-	5
Exercise of warrants		-5	-
Issuance costs		-16	-26
Other		-13	-
Cash flow from financing activities in Nyfosa, which has been distributed to the shareholders		2,394	1,121
Cash flow from financing activities	23	5,607	2,732
Cash flow for the year		430	-681
Exchange-rate difference in cash and cash equivalents		4	0
Cash and cash equivalents at the beginning of the year		541	1,221
Cash and cash equivalents at the end of the year		974	541

Income statement for the Parent Company

MSEK	Note	Full-year 2018	Full-year 2017
Net sales		49	33
Other external costs	6	-67	-47
Personnel costs	5	-32	-32
Depreciation/amortization		-0	-0
Profit before financial income and expenses		-51	-46
Profit from shares in Group companies	8	550	897
Interest income and similar income items	8	20	26
Interest expenses and similar expense items	8	-70	-71
Profit before appropriations		449	806
Appropriations			
Group contributions received/paid		100	116
Profit before tax		549	922
Deferred tax	9	-0	0
Profit for the year		549	922

Profit for the year corresponds to comprehensive income for the year.

Balance sheet for the Parent Company

MSEK	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Tangible assets		1	1
Financial fixed assets			
Shares in Group companies	25	5,510	5,326
Non-current receivables from Group companies		227	810
Total financial fixed assets		5,736	6,136
Total fixed assets		5,737	6,137
Current receivables from Group companies		5,972	11,490
Other current receivables		30	45
Cash and bank balances		355	0
Total current assets		6,357	11,535
TOTAL ASSETS		12,095	17,672
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	26	89	84
Unrestricted equity			
Premium reserve		10,829	9,771
Retained earnings		-3,388	437
Profit for the year		549	922
Equity		8,079	11,214
Liabilities			
Bond		1,000	2,000
Non-current liabilities to Group companies		8	8
Other non-current liabilities		1	3
Total non-current liabilities	27	1,009	2,011
Bond		1,000	-
Liabilities to credit institutions		1,150	1,995
Current liabilities to Group companies		583	2,208
Other current liabilities		274	244
Total current liabilities		3,007	4,447
Total liabilities		4,016	6,458
TOTAL EQUITY AND LIABILITIES		12,095	17,672

Statement of changes in equity for the Parent Company

MSEK	Restricted equity	Unrestricted equity		Total share-holders' equity
	Share capital	Premium reserve	Retained earnings incl. profit for the year	
Opening equity, Jan 1, 2017	84	9,792	1,242	11,117
Transactions with the company's owners				
New issue, ordinary shares	-	-26 ¹	-	-26
Issue of warrants	-	5	-	5
Dividend, preference shares	-	-	-110	-110
Dividend, ordinary shares	-	-	-694	-694
Total transactions with the company's owners	-	-21	-804	-825
Net profit, Jan-Dec 2017	-	-	922	922
Closing equity, Dec 31, 2017	84	9,771	1,360	11,214
Opening equity, Jan 1, 2018	84	9,771	1,360	11,214
Transactions with the company's owners				
New issue, ordinary shares	5	1,064 ²	-	1,069
Buy-back, warrants	-	-5	-	-5
Dividend, preference shares	-	-	-110	-110
Dividend, ordinary shares	-	-	-793	-793
Distribution of Nyfosa	-	-	-3,845	-3,845
Total transactions with the company's owners	5	1,059	-4,748	-3,684
Net profit, Jan-Dec 2018	-	-	549	549
Closing shareholders' equity, Dec 31, 2018	89	10,829	-2,839	8,079

¹ Costs for raising capital attributable to new issue of shares in 2016.

² The amount includes costs for raising capital totaling MSEK 16.

Cash-flow statement for the Parent Company

MSEK	Note	Full-year 2018	Full-year 2017
Operating activities			
Profit before appropriations		449	806
Adjustments for non-cash items	23	-550	-897
Income tax paid		0	-
Cash flow from operating activities before changes in working capital		-101	-90
Cash flow from changes in working capital			
Changes in operating receivables		2	15
Changes in operating liabilities		55	-22
Cash flow from operating activities		-44	-97
Investing activities			
Acquisition of financial assets		-	-131
Lending to joint ventures		14	-14
Shareholders' contribution paid		-184	-
Acquisition of tangible assets		-	0
Deposits and lending to/from Group companies		1,227	-964
Cash flow from investing activities		1,056	-1,109
Financing activities			
New issue		1,085	-
Issuance costs		-16	-26
Dividend paid		-876	-796
Issue of bond loans		-	1,250
Loans raised			102
Repayment of loans		-845	-
Issue of warrants			5
Exercise of warrants		-5	
Cash flow from financing activities		-657	535
Cash flow for the year		355	-671
Cash and cash equivalents at the beginning of the year		0	671
Cash and cash equivalents at the end of the year		355	0

Notes to the financial statements

1
NOTE

Significant accounting policies

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

The Parent Company applies the same accounting policies as the Group except in cases listed below in the section "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for publication by the Board and the CEO on March 26, 2019. The consolidated statement of profit/loss and of other comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet will be subject to adoption by the Annual General Meeting (AGM) on May 7, 2019.

Measurement basis applied to the preparation of the financial statements

Assets and liabilities are recognized at historical cost, except for fixed-income derivative instruments and investment properties that are measured at fair value.

Functional currency and reporting currency

The functional currency is Swedish kronor (SEK), which is also the reporting currency. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million.

Judgements and estimates in the financial statements

The preparation of the financial statements in accordance with IFRS requires that company management make judgements 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 judgements and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. Judgements made by company management in the application of IFRS that have a significant impact on the financial statements and estimates made that may entail significant adjustments in the following year's financial statements are described in more detail in Note 24.

Significant accounting policies applied

The accounting policies stated below have been applied consistently to all periods presented in the consolidated financial statements. The Group's accounting policies have also been applied consistently by the Group's companies, regarding joint ventures by making adjustments to the Group's policies as necessary.

Amended accounting policies

IFRS 9 Financial Instruments is applied as of 2018 and entails new classification and measurement policies for financial assets and liabilities. The new model for credit provisions for expected customer bad debts has essentially no impact on Hemfosa since these accounts receivable consist primarily of rent receivables from tenants with very high credit-

worthiness. The disclosure requirements that the standard entails have been satisfied through, inter alia, Note 18.

As of January 1, 2018, IFRS 15 Revenue from Contracts with Customers replaces existing IFRSs governing revenue recognition. The Group's revenue essentially comprises rental income recognized under IAS 17 Leases, which is why IFRS 15 only applies to sales of property management services, media and other service revenue. Service revenue is not recognized on a separate line in the consolidated Statement of profit/loss and other comprehensive income but information on this is presented in Note 3.

Other amendments of IFRSs that are being applied as of January 1, 2018 have had no material impact on the consolidated financial statements.

New IFRS that have not yet been applied

IFRS 16 Leases will be applied as of January 1, 2019 and thus not retrospectively. Recognized right-of-use assets will be assigned the same value as the recognized lease liability on January 1, 2019. Hemfosa has concluded that the transition to IFRS 16 will not have any material impact on the Group's earnings, financial position or statement of cash flow. A review and analysis of the Group's leases has been performed and site leaseholds were identified as the single most significant. Other than site leaseholds, only a number of minor leases were identified, for example, for vehicles, office equipment and similar items. The lease liability on January 1, 2019 for site leaseholds amounts to MSEK 119 for which a corresponding right-of-use asset has been recognized. The costs for the ground rent will be recognized as a financial expense in its entirety, which differs from the current policy under which it is recognized as an operating expense charged to net operating income. However, profit from property management will remain unchanged.

Other new and amended IFRSs with future application are not expected to have any material impact on the company's financial statements.

Classification etc.

Non-current assets and non-current liabilities essentially comprise amounts expected to be recovered or paid more than 12 months of the balance sheet date. Virtually all significant current assets and current liabilities in the Parent Company and Group consist of amounts expected to be recovered or paid within 12 months of the balance sheet date.

Non-current assets held for sale and discontinued operations

The implication of a non-current asset (or a disposal group) being classified as a holding held for resale is that its carrying amount will be recovered primarily through a sale and not through use. A discontinued operation is a part of a company's operations that represents an independent operating segment or a material operation within a geographical area, or is a subsidiary that has been acquired solely with a resale in mind. Classification as a discontinued operation occurs on divestment or at an earlier date when the operation fulfills the criteria for being classified as a holding held for resale. A disposal group that is being discontinued may also qualify for being classified as a discontinued operation if it fulfills the size criteria described above.

Profit after tax from a discontinued operation is recognized on a separate line in the income statement and in other comprehensive

income. When an operation is classified as discontinued, the presentation of the income statement and other comprehensive income for the comparative year is amended so that it is recognized as if the discontinued operation had been discontinued at the beginning of the comparative year. The presentation of the balance sheet for the current and preceding year is not changed in a corresponding manner.

In accordance with IFRIC 17 Distribution of Non-cash Assets to Owners, assets distributed to the owners are to be recognized as a liability measured at fair value at the time the distribution decision was made. A corresponding reduction in shareholders' equity is recognized at the same date. At every point in time that a financial report is prepared, a revaluation of the liability to fair value is conducted, with any changes in value recognized in shareholders' equity. If, on the distribution date, there is a difference between fair value and the consolidated value, this is recognized in profit or loss as a discontinued operation.

Operating segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate revenues and incur costs and for which independent financial information is available. The earnings of an operating segment are also followed up by the chief operating decision maker for evaluation of results and for allocating resources to the operating segment. Hemfosa's segments are Sweden, Norway and Finland.

Consolidation principles

Subsidiaries

Subsidiaries are companies that are under the controlling influence of Hemfosa. Controlling influence is achieved when Hemfosa has control over the investment object, is exposed or entitled to a variable return from its holding in the company and can exercise control over the investment to influence the return. When assessing whether controlling influence prevails, potential vote-carrying shares are taken into account, as is whether the company has de facto control.

Acquisitions of companies can be classified either as business combinations or as asset acquisitions according to IFRS 3. This is an individual assessment that is made for each individual acquisition. Should the corporate acquisition essentially only comprise property/ies and not significant processes, the acquisition is classified as an asset acquisition. Other corporate acquisitions are classified as business combinations and thus include strategic processes associated with the operation. In the case of an asset acquisition, deferred tax attributable to the property acquisition is not recognized. Instead, a possible discount for non-tax-deductible cost reduces the property's cost. During subsequent measurement of an acquired property at fair value, the tax discount will be replaced in full or in part by a recognized change in value of the property. When selling an asset subject to a tax discount, a negative change in value will arise, which matches in full or in part the tax discount provided. Acquisitions conducted to date have been assessed as constituting asset acquisitions.

When acquisitions of subsidiaries entail an acquisition of net assets that do not constitute an operation, the cost is allocated to the individual identifiable assets and liabilities based on their fair value on the acquisition date. Transaction expenses are added to the cost of the acquired net assets.

Should the acquisition not pertain to 100% of the subsidiary, non-controlling interests arise. There are two alternative ways of recognizing non-controlling interests. These two alternatives are recognizing the non-controlling interest's proportionate share of net assets

or recognizing the non-controlling interest at fair value, which means that the non-controlling interest has a share of goodwill. The choice between these two alternative methods of recognizing non-controlling interests is made from acquisition to acquisition.

Acquisitions of non-controlling interests

Acquisitions from non-controlling interests are recognized as a transaction in equity, meaning between the Parent Company shareholders and the non-controlling interest. This is the reason why goodwill does not arise in these transactions. The change in non-controlling interests is based on their proportionate share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests in which the controlling influence is retained are recognized as a transaction in equity, meaning between the Parent Company shareholders and the non-controlling interest. The difference between the payment received and the non-controlling interest's proportionate share of acquired net assets is recognized as retained earnings.

Joint ventures

For accounting purposes, joint ventures are defined as companies in which the Group has a controlling influence through cooperation agreements with one or more partners, whereby the Group is entitled to the net assets rather than a direct right to assets and commitments pertaining to liabilities. In the consolidated financial statements, holdings in joint ventures are consolidated in accordance with the equity method. The equity method entails that the value of the share in joint ventures recognized in the consolidated financial statements corresponds to the Group's share of the joint ventures' equity and consolidated goodwill as well as any other remaining values of consolidated surpluses or deficits. The Group's share of the profit/loss of joint ventures adjusted for any depreciation/amortization, impairment and dissolution of acquired surpluses or deficits is recognized in the Group's net profit for the year as "Share in profit/loss of joint ventures." These shares in profit less dividends received from joint ventures comprise the main change in the carrying amount of participations in joint ventures. The Group's share in other comprehensive income in joint ventures is recognized on a separate line in the Group's Other comprehensive income. Any differences arising from the acquisition between the cost of the holding and the owner company's share of the net fair value of the joint venture's identifiable assets and liabilities are recognized in accordance with the same policies as for acquisitions of subsidiaries. Transaction expenditure that arises is included in cost.

When the Group's share of recognized losses in joint ventures exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in joint ventures. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the joint venture. The equity method is applied until the date on which the significant influence ceases.

Associated companies

Associated companies are companies in which the Group has a significant, but not a controlling, influence over operational and financial control, usually through holdings of participations of between 20 and

50 per cent of the number of votes. Participations in associated companies are recognised in the consolidated financial statements in accordance with the equity method from the date on which the significant influence was obtained. In connection with acquisitions, any differences between the cost of the acquired holding and the owning company's share in the net fair value of the associated company's identifiable assets and liabilities are recognized in accordance with the same policies as those used for the acquisition of subsidiaries.

Transaction costs, except for transaction costs attributable to an issue of equity instruments or debt instruments, that arise are included in cost.

The equity method is applied until the date on which the significant influence ceases.

Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income and expenses, and unrealized gains or losses arising from transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared. Unrealized gains arising from transactions with joint ventures and from joint ventures are eliminated to the extent corresponding to the Group's participating interest in the company. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that no impairment requirement exists.

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other surplus and deficit value consolidated value, are translated from the foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing on the balance sheet date. Revenues and costs in foreign operations are translated to SEK at the average exchange rate representing an approximation of the exchange rates prevailing on the transaction date. Translation differences arising from translation of foreign operations are recognized in the statement of comprehensive income and accumulated as a separate component of equity, known as the translation reserve. In cases where the foreign operation is not wholly owned, the translation difference is allocated to non-controlling interest on this basis of its proportional shareholding. When controlling influence, significant influence or common control ceases for a foreign operation, the translation differences attributable to the operation are realized, whereby they are restated from translation reserve in equity to net profit for the year. In the event that divestment occurs but the controlling influence remains, the proportional share of the accumulated translation differences from the translation reserve are transferred to non-controlling interest.

On the divestment of portions of associated companies and joint ventures when material influence or common control remains, the proportional share of the translation differences is transferred to profit or loss.

Net investment in a foreign operation

Monetary non-current receivables or liabilities from/to a foreign operation for which settlement is not scheduled or will probably not occur in the foreseeable future are essentially a part of the company's net investment in foreign operations. An exchange-rate difference arising from the monetary non-current receivable or liability is recognized in other comprehensive income and accumulated as a separate component of equity, known as the translation reserve. When a foreign operation is divested, the accumulated exchange-rate differences attributable to monetary non-current receivables or liabilities are to be included in the accumulated translation differences that are reclassified from the translation reserve in equity to net profit for the year.

Rental income

Rental income also includes such surcharges as property tax, insurance payments and any administrative revenue. Rental income is recognized straight line in profit or loss based on the conditions of the agreement. The total cost of discounts provided is recognized as a decrease in rental income straight line over the leasing term.

Leases are classified as operating leases. Rental income is distributed over time according to the lease. Advance rent is recognized as prepaid rental income. Rental income from acquired properties is recognized from the day of taking possession.

Rent discounts are accrued over the lease term.

Service revenue

In cases where Hemfosa acts as the principal, rather than an agent, in its leases in respect of the tenant's purchases of heating and other utility costs, the revenue for this is recognized as other revenue. Revenue is recognized straight line in profit or loss based on the conditions of the agreement.

Gains/losses from property sales

Gains/losses from the sale of properties and shares and participations in property-owning companies are recognized under the heading "Changes in value of properties, realized" and correspond to the difference between the obtained selling price less selling expenses and the most recent carrying amount, plus investments implemented following the latest value date.

Gains/losses from property sales are recognized on the date of taking possession, unless the risks and benefits have been transferred to the buyer on an earlier occasion. If the risks and benefits have been transferred, the property sale is recognized at the earlier date.

Circumstances beyond the control of the seller and/or buyer that could affect completion of the transaction are also taken into consideration. Any provisions for such items as non-invoiced selling expenses or other remaining costs attributable to the transaction conducted are made on the sales date.

Other operating income

Other operating income refers to income from secondary activities in the normal business operations such as capital gains on tangible assets, exchange-rate gains on receivables and operating liabilities.

Leases

Leases under which the lessor accounts for essentially all risks and benefits associated with ownership are classified as operational leases. All leases attributable to investment properties are to be considered operating leases. Refer to the policy for income, for information on recognition of these leases. Expenses attributable to operating leases are recognized in profit or loss straight line over the leasing term. Discounts received when an agreement is signed are recognized in profit or loss as a decrease in leasing fees straight line over the term of the lease. Variable fees are expensed in the periods in which they arise. Hemfosa does not currently have any leases for company cars. These are, by definition, financial leases, but they are recognized as operating leases since they are not deemed to be significant. The Group does not have any financial leases in which the Group is lessor.

Financial income and expenses

Financial income comprises interest income on invested funds and dividend income. Interest income is recognized at the rate in which it is earned.

Financial expenses refer to interest, fees and other expenses arising when Hemfosa takes up interest-bearing liabilities. Borrowing costs are recognised in profit or loss applying the effective interest-rate method.

Financial expenses are charged to profit or loss for the period to which they are attributable. Exchange-rate gains and exchange-rate losses are recognized at net amount.

Derivatives are utilized to financially hedge the risks of interest-rate exposure to which the Group is exposed. Interest payments regarding fixed-income derivatives (interest-rate swaps) are recognized as interest expenses in the period to which they refer. Other changes in the fair value of fixed-income derivatives are recognized on a separate line in profit or loss.

Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete may always be recognized as interest expense. In the Hemfosa Group, these borrowing costs are to be expensed in the legal entity. In the Group, borrowing costs are capitalized as the cost of investment properties.

Taxes

Income tax comprises current tax and deferred tax. Current tax is tax that is to be paid or received in the current year, with the application of the tax rates that have been decided or are decided in practice on the balance sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not recognized for differences arising on initial reporting of assets and liabilities that are not business combinations that, at the time of the transaction, affect neither recognized nor taxable earnings. Temporary differences attributable to participations in subsidiaries and joint ventures that are not expected to be reversed in the foreseeable future are also not taken into consideration.

The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance sheet date. Deferred tax assets on deductible temporary differences and loss carryforwards are only recognized to the extent that it is likely that it will be possible to utilize these. Upon acquisition of an asset, deferred tax is not recognized separately on the date of acquisition; instead the asset is recognized at cost corresponding to the fair value of the asset less any discount for non-tax-deductible cost. During subsequent measurement of an acquired property at fair value, the tax discount will be replaced in full or in part by a recognized change in value of the property. After the acquisition date for asset acquisitions, deferred tax is only recognized for changes in the carrying amount and changes in the tax-assessment value arising after the acquisition date. Changes in the deferred tax asset/tax liability are recognized in profit or loss as deferred tax. Deferred tax assets and tax liabilities are offset where they relate to income tax debited by the same authority and where the Group intends to settle the tax in a net amount.

Financial instruments

Financial instruments recognized in the statement of financial position include such assets as cash and cash equivalents, rents and accounts receivables and derivatives. Liabilities include accounts payable, loans and notes payable, as well as derivatives.

Recognition in and derecognition from the Statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to it in accordance with the instrument's contractual conditions. A receivable is recognized when the Group has performed and a contractual obligation for the counterparty to pay exists, even if an invoice has not been sent.

Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed and a contractual obligation for the company to pay exists, even if an invoice has not yet been received.

Accounts payable are recognized when an invoice has been received. A financial asset is derecognized from the statement of financial position when the contractual rights have been realized, expire or the company loses control of them. The same applies to portions of a financial asset. A financial liability is derecognized from the statement of financial position when the contractual obligation is met or extinguished in another manner. The same applies to a portion of a financial liability. A financial asset and a financial liability are offset and recognized in a net amount in the statement of financial position only when a legal right exists to offset the amounts and there is an intention to settle the item in a net amount or to simultaneously realize the asset and settle the liability. Acquisitions and divestments of financial assets are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Classification and measurement

Financial instruments, which are not derivatives, are initially recognized at cost, corresponding to the fair value of the instrument plus transaction expenses. Derivative instruments are initially recognized at fair value without additions or deductions for transaction expenses; transaction expenses are recognized in profit or loss. A financial instrument is classified upon initial recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured following initial recognition, as described below.

Financial assets measured at amortized cost

Amortized cost is determined based on the effective rate calculated on the acquisition date. Rents and accounts receivable are recognized at the amount that is expected to flow in, meaning after deductions for doubtful receivables. Other current receivables have short terms and are thus recognized in nominal amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash, as well as immediately available balance in banks and corresponding institutes. Recognition is applied in nominal amounts.

Financial liabilities measured at amortized cost

Loans and other financial liabilities, such as accounts payable and liabilities to Group companies, are included in this category. Liabilities are recognized at amortized cost.

Financial assets and liabilities measured at fair value with value changes recognized in profit for loss

Fixed-income derivatives are used to financially hedge the interest-rate risks to which the Group is exposed. Derivative instruments are classified in the category financial assets/liabilities measured at fair value through profit or loss. The derivatives are measured at fair value according to measurement at Level 2, with changes in value in profit or loss. Hedge accounting is not applied for fixed-income derivatives.

Tangible assets

Tangible assets comprise equipment that has been recognized at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to transport the asset to the correct site and prepare it for the manner intended by the acquisition.

Depreciation takes place straight line over the estimated useful life of the asset. The estimated useful lives are:

Equipment 5–10 years

The asset is depreciated from the acquisition date. The useful life is the period during which the asset is expected to be available for use in the Group.

Investment properties

Investment properties are properties held for the purpose of receiving rental income or an increase in value or a combination of the two. Properties under construction and conversion intended to be used as investment properties when the work is completed are also classified as investment properties.

Measurement

Investment properties are initially recognized at cost, which includes expenses directly attributable to the acquisition such as expenses for land registration and taking out mortgage deeds. Investment properties are measured at fair value in the statement of financial position. Fair value is based on valuations performed by independent appraisers with recognized qualifications and adequate expertise in valuing this type of property and in the relevant locations. All properties are valued every quarter. Investments are also performed of properties that have not been visited by the appraiser in the past two years. Fair values are based on market values, which is the amount estimated to be received in a transaction on the value date between well-informed parties that are independent in relation to each other and are interested in the transaction being carried out according to standard market practice in a situation in which both parties are assumed to have acted insightfully, wisely and without compulsion.

Additional expenses are capitalized only when it is probable that the Group will receive future financial benefits associated with the asset and the expenses can be reliably determined. Other repair and maintenance costs are expensed in the period in which they occur.

Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete for their intended use or sale are included in cost. For the Hemfosa Group, this is mainly the case in conjunction with the construction of or major conversion projects for investment properties. Borrowing costs are calculated based on the financial requirements of the project and the Group's borrowing costs. Borrowing costs comprise interest and other expenses arising when a company borrows money.

Both unrealized and realized changes in value are recognized in profit or loss, after profit from property management. Rental income and income from property sales are recognized in accordance with the policies described under the section on income recognition.

A description of the measurement method applied, material input data in value measurements and the level in the fair value hierarchy that applies to the various components of the property portfolio is presented in Note 11.

Impairment

The recognized assets are impairment tested on every balance sheet date. IAS 36 is applied for the impairment of assets other than financial assets recognized in accordance with IAS 9, deferred tax assets and investment properties recognized at fair value (IAS 40). The carrying amounts of the exempted assets above are calculated according to the respective standard.

Equity**Preference shares**

The issued preference shares are classified as equity since Hemfosa is not subject to an obligation to either pay dividends on or redeem/buy back the preference shares. Dividends are recognized as an owner transaction directly in equity when the AGM has resolved on such a dividend.

Dividends

Dividends are recognized as liabilities after the Annual General Meeting has approved the dividend.

Earnings per ordinary share

The calculation of earnings per share before dilution is based on consolidated net profit for the year attributable to the Parent Company's owners, reduced by the pre-emptive rights to a dividend of preference shares, in relation to the weighted average number of shares outstanding during the year.

When calculating earnings per share after dilution, the weighted average number of shares is increased if the subscription price of the warrants in the Group's incentive program were lower during the report period than the average market price during the period. If the difference between the subscription price and the average market price during the period is minor, dilution will also be minor. If the difference is larger, dilution will also be larger.

Remuneration of employees**Defined-contribution pension plans**

In the Hemfosa Group, there are only defined-contribution pension plans. Defined-contribution pension plans are those plans in which the company's obligation is limited to the contributions the company undertakes to pay. In such cases, the amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration). The company's obligation regarding contributions to defined-contribution plans are recognized as an expense in profit and loss at the rate in which they are earned by employees performing services for the company during a period.

Short-term remuneration

Short-term remuneration such as salaries to employees is calculated without discounting and is recognized as an expense when the related services are received. A provision is recognized for the anticipated cost of bonus payments and when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and when the obligation can be reliably calculated.

Severance pay

A liability and expenses for severance pay are recognized at the earliest of the following times:

- When the company can no longer withdraw the offer of such remuneration
- When the company recognizes expenses for restructuring that are within the scope of IAS 37 and encompass payment of employee benefits.

When remuneration is provided to employees due to the employee having accepted an offer of remuneration in exchange for terminating employment, the time at which the company can no longer withdraw the offer of remuneration is the earliest of the following times:

- When the employee accepts the offer, meaning signs a contract
- When a limit to the company's ability to withdraw the offer comes into effect

Incentive programs

Within the framework of an incentive program, employees have acquired warrants at fair value. The warrants provide entitlement to subscribe for Hemfosa shares at a certain subscription price. Assuming continued employment two and four years after the start of the program, a bonus corresponding to half of the amount paid by the employee is received on each of these two occasions. The warrants program is considered to constitute equity-settled share-based remuneration, for which no cost is recognized, because the fair value was paid. Disclosures are provided concerning the share-based remuneration. Because the bonus amount does not depend on the value of the share but on the amount initially paid, a cost for long-term remuneration of employees is recognized, with the expected final payment accrued over two and four years.

Employees outside Sweden have purchased synthetic (cash-settled) options and correspondingly receive a bonus after two and four years of employment. The bonus is recognized in the manner shown above. The synthetic options are initially recognized as a debt in the paid-in amount. Thereafter, the debt is remeasured at fair value at the end of each reporting period, with the change in value recognized in profit or loss.

Provisions

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision. A provision is recognized in the Statement of financial position when there is an existing legal or informal obligation due to an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provision is posted in an amount that represents the best estimate of what will be required to settle the existing obligation on the balance-sheet date. Where the effect of

when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

A contingent liability is recognized when there is a possible commitment originating from events that have occurred and whose occurrence will be confirmed only by one or several uncertain future events or when there is a commitment that is not recognized as a liability or provision because it is probable that an outflow of resources will be required.

Parent Company's accounting policies

The Parent Company prepares its annual financial statements in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities.

The statements regarding listed companies as issued by the Financial Reporting Board were also applied. Under RFR 2, in its Annual Report for the legal entity, the Parent Company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. This recommendation specifies the exceptions from and additions to IFRSs that may be applied.

Unless otherwise stated below, the Parent Company's accounting policies were amended in 2018 in the same manner as stated above for the Group.

Differences between the accounting policies of the Group and the Parent Company

The differences in accounting policies are presented below.

Classification and presentation

In the Parent Company, an income statement and a statement of profit and other comprehensive income are presented, while for the Group these two statements are combined into a statement of profit and other comprehensive income. For the Parent Company, the designations balance sheet and cash-flow statement are used for the statements that in the Group are designated statement of financial position and cash-flow statement, respectively. The income statement and balance sheet for the Parent Company are prepared according to the stipulations of the Annual Accounts Act while and the statement of profit and other comprehensive income, statement of changes in equity and cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively. The differences compared with the Group's statements that apply in the Parent Company's income statement and balance sheet mainly comprise the recognition of fixed assets and equity.

Subsidiaries

Shares in subsidiaries are recognized in the Parent Company according to the cost method. This means that transaction charges are included in the carrying amount of holdings in subsidiaries. The value of contingent considerations is based on the probability that the consideration will be paid. Possible changes to the provision/receivable

are added/deducted from the cost.

Financial instruments

The Parent Company does not recognize financial instruments in accordance with IFRS 9 and the categories specified in this standard. Long-term receivables are recognized at accrued cost, as are non-current interest-bearing liabilities. Receivables and financial liabilities that are current are recognized at nominal amounts, since the maturity is short and the impact of discounting is immaterial. Financial assets are impairment tested continuously.

Operating segment reporting

The Parent Company does not report segments according to the same distribution and scope as the Group. In the Parent Company, no breakdown of net sales is provided.

Borrowing costs

In the Parent Company, borrowing costs are charged to profit or loss for the period to which they are attributable.

Group contributions

Group contributions received from or granted by the Parent Company to subsidiaries are recognized as appropriations in the Income statement for the Parent Company.

Financial guarantees

The Parent Company's financial guarantee agreements consist mainly of sureties for the benefit of subsidiaries. Financial guarantees entail that the company has a commitment to compensate the holder of a debt security for losses incurred by the holder due to a specific debtor not making payments when due in accordance with the contractual conditions. For the recognition of financial guarantee agreements, the Parent Company applies one of the relief rules permitted by the Swedish Financial Reporting Council, as compared with the rules of IAS 39. The relaxation rule pertains to financial guarantees written on behalf of subsidiaries. The Parent Company recognizes financial guarantees as a provision in the balance sheet when the company has a commitment for which payment will probably be required to regulate the commitment.

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NOTE

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 includes directly attributable items and items that can be allocated reasonably and reliably among the segments. Shared property-management expenses are allocated according to the cost-price principle.

Investments and changes in the value of properties are also monitored by segment; see Note 11 Investment properties.

MSEK	Sweden		Norway		Finland		Total consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Rental income	1,872	1,653	482	299	171	151	2,525	2,103
Property expenses								
Operating expenses	-370	-317	-10	-5	-23	-20	-403	-342
Maintenance costs	-161	-145	-6	-5	-8	-4	-175	-154
Property tax	-60	-54	-5	-4	-9	-8	-74	-66
Property administration	-79	-55	-3	-1	-0	0	-82	-56
Net operating income	1,203	1,083	458	284	131	118	1,792	1,484
Central administration							-141	-128
Other operating income							43	11
Share in profit from joint ventures and associated companies							24	187
Financial income and expenses							-514	-381
Profit from property management							1,204	1,173
Change in value of properties							1,305	1,275
Change in value of financial instruments							-14	44
Profit before tax							2,495	2,493

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NOTE

Operating leases

Hemfosa rents out its investment properties according to operational leasing agreement. The carrying amount of MSEK 2,525 for rental income in 2018 is broken down as MSEK 2,436 in rental income and MSEK 89 in service revenue. Service revenue amounts to 3.5 percent of total rental income. The average remaining lease term is 6.6 years (5.5). Leases expiring during the year ahead are expected to be renegotiated at corresponding rent levels. The expiration years of contractual rental income at December 31 are shown in the table below.

Maturity structure of existing leases, Dec 31, 2018

MSEK Lease expiry	Number of leases	Leasable area, 000s of sqm	Contractual annual rent	Proportion, %
2019	2,103	164	215	8
2020	563	285	360	13
2021	343	270	384	14
2022	251	220	316	12
2023	101	173	294	11
>2023	470	722	1100	41
Total	3,831	1,834	2,669	100

Maturity structure of existing leases, Dec 31, 2017

MSEK Lease expiry	Number of leases	Leasable area, 000s of sqm	Contractual annual rent	Proportion, %
2018	1,553	160	205	9
2019	452	229	295	14
2020	305	227	287	13
2021	171	177	266	12
2022	114	119	169	8
>2022	349	684	957	44
Total	2,944	1,595	2,179	100

Contractual future rental income

MSEK	2018	2017
Within one year	2,610	2,124
Between one and five years	7,211	5,828
Longer than five years	7,981	5,147

4
NOTE**Ground rent****Ground rent**

Ground rent pertains to the annual fee that the owner of a building on municipally owned land has to pay to the municipality. The charge for these leaseholds is currently calculated so that the municipality receives real interest on the estimated market value. The ground rent is allocated over time and is usually renegotiated at intervals of ten to 20 years. Total costs during the year for ground rent amounted to MSEK 4 (3).

MSEK	2018	2017
Within one year	4	3
Between one and five years	14	9
Longer than five years	4	2
Total	22	14

5
NOTE**Employees, personnel expenses and remuneration of senior executives****Group**

MSEK	2018	2017
<i>Management Group</i>		
Salaries and other compensation, etc.	16	13
Pension costs, defined-contribution plans	4	3
Social security contributions	6	5
<i>Of which, Chief Executive Officer</i>		
Salaries and other compensation, etc.	5	4
Pension costs, defined-contribution plans	1	1
Social security contributions	2	2
<i>Other employees</i>		
Salaries and other compensation, etc.	42	41
Pension costs, defined-contribution plans	4	5
Social security contributions	12	13
Total costs of employee benefits	84	80

Average number of employees

Group	2018		2017	
	Number of persons	Proportion women	Number of persons	Proportion women
Average number of employees in Sweden	62	50%	62	52%
Average number of employees in Norway	10	24%	7	14%
Average number of employees in Finland	-	-	1	0%

At the end of the year, the number of employees was 71 (76).

Warrants

Hemfosa launched a long-term incentive program for employees during 2017 in the form of a warrants program. At the end of June 2017, employees of Swedish companies acquired 1,294,000 equity-settled warrants for SEK 3.84 apiece, which constituted the fair value of the warrants calculated using the Black & Scholes model. Employees in foreign subsidiaries acquired 61,500 synthetic (cash-settled) options for the same value. Options held by employees whose employment is terminated before mid-2019 may be bought back by Hemfosa at the prevailing fair value. Employees may transfer their options/warrants, in which case Hemfosa has the right of first refusal. The options/warrants are exercisable during the months of May and August, 2022.

Employees who continue to be employed two years after the program start will receive a premium subsidy of 50 percent of the purchase price paid. Employees who are employed four years after the program start will receive a further premium subsidy of 50 percent. Hemfosa's undertaking for this is recognized as non-current employee remuneration accrued over two or four years. The recognized debt for the synthetic option is SEK 252,000 (252,000) and a change in fair value of SEK 0 (0) has been recognized in profit.

No. of warrants

	Equity settled		Synthetic	
	2018	2017	2018	2017
No. of warrants, January 1	1,284,000	-	61,500	-
Issued during the year	-	1,294,000	-	61,500
Bought back during the year	-565,000	-10,000	-	-
No. of warrants, December 31	719,000	1,284,000	61,500	61,500

Board of Directors

Director fees have been paid to five of the Members of the Board in accordance with resolutions passed at the Annual General Meeting. The fees totaled MSEK 1.7 for 2018 and MSEK 1.4 for 2017, excluding social security contributions.

Agreements about severance pay

Termination salary and severance pay for a senior executive must not exceed a total of 18 months' salary, if termination is from the company and six months if termination is from the senior executive. Senior executives in this connection mean the CEO, CFO and other members of Group management.

Gender distribution in company management

Group	2018		2017	
	Number of persons	Proportion women	Number of persons	Proportion women
Board of Directors	6	67%	7	57%
Other senior executives	5	80%	8	75%

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NOTE

Cont.

Salary and other remuneration for senior executives**Parent Company**

KSEK	Basic salary, director fees		Variable remuneration		Pension contributions		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chairman of the Board										
Bengt Kjell										
Remuneration from Parent Company	475	428	-	-	-	-	-	-	475	428
Board member										
Anneli Lindblom										
Remuneration from Parent Company	270	250	-	-	-	-	-	-	270	250
Board member										
Caroline Sundewall										
Remuneration from Parent Company	245	225	-	-	-	-	-	-	245	225
Board member										
Ulrika Valassi										
Remuneration from Parent Company	210	190	-	-	-	-	-	-	210	190
Board member										
Per-Ingemar Persson										
Remuneration from Parent Company	210	190	-	-	-	-	-	-	210	190
Board member										
Gunilla Högbom										
Remuneration from Parent Company	245	135	-	-	-	-	-	-	245	135
Current Chief Executive Officer, Sept 14, 2018 – Dec 31, 2018										
Caroline Arehult										
Remuneration from Parent Company	1,217	-	-	-	439	-	1,400	-	3,056	-
Preceding Chief Executive Officer, Jan 1, 2018 – Sept 13, 2018										
Jens Engwall										
Remuneration from Parent Company	2,752	3,985	-	-	938	950	32	65	3,722	5,072
Other senior executives, (10 (8) persons)										
Remuneration from Parent Company from subsidiaries	8,730	5,863	2,489	3,166	2,115	1,906	9	27	13,343	10,890
Total	14,354	11,266	2,489	3,166	3,492	2,856	1,441	92	21,776	17,380

Parent Company

MSEK	2018	2017
<i>Management Group</i>		
Salaries and other compensation, etc.	14	11
Pension costs, defined-contribution plans	3	2
Social security contributions	5	4
<i>Of which, Chief Executive Officer</i>		
Salaries and other compensation, etc.	5	4
Pension costs, defined-contribution plans	1	1
Social security contributions	2	2
<i>Other employees</i>		
Salaries and other compensation, etc.	7	9
Pension costs, defined-contribution plans	1	2
Social security contributions	1	3
Total costs of employee benefits	32	31

Average number of employees

Parent Company	2018		2017	
	Number of persons	Propor- tion women	Number of persons	Propor- tion women
Average number of employees	16	69%	21	68%

Gender distribution in company management.

Parent Company	2018		2017	
	Number of persons	Propor- tion women	Number of persons	Propor- tion women
Board of Directors	6	67%	7	57%
Other senior executives	5	80%	8	75%

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NOTE

Total fees and remuneration to auditors

Group		2018	2017
MSEK			
<i>KPMG</i>			
Auditing assignments		5	5
Remuneration for audit activity in addition to auditing assignments		0	0
Tax advisory services		1	1
Other assignments		0	0
Total fees and remuneration to auditors		6	6

Auditing assignments are defined as the statutory auditing of the Annual Report and consolidated accounts, as well as the administration of the Board of Directors and the CEO, and the audit and other review conducted in accordance with contracts or agreements.

This includes other assignments that are the responsibility of the company's auditors, as well as guidance and assistance occasioned by observations made in conjunction with such reviews or the completion of such other work assignments.

Parent Company

MSEK	2018	2017
<i>KPMG</i>		
Auditing assignments	2	2
Remuneration for audit activity in addition to auditing assignments	0	0
Tax advisory services	0	0
Other assignments	0	0
Total fees and remuneration to auditors	2	2

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NOTE

Operating costs distributed by type

MSEK	2018	2017
Operating expenses ¹	-403	-342
Maintenance costs	-175	-154
Property tax	-74	-66
Depreciation/amortization	1	-1
Other external costs	-136	-101
Personnel costs	-87	-82
Total operating expenses	-874	-747

¹ Operating expenses include externally purchased services for property management.

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NOTE

Financial income and expenses

Group		2018	2017
MSEK			
Interest income		0	0
Exchange gains		0	0
Other financial income		4	0
Financial income		4	0
Interest expenses ¹		-430	-348
Other financial costs		-88	-34
Financial expenses		-518	-382
Net		-514	-381

¹ Interest on liabilities measured at accrued cost accounted for MSEK 384 (304) of the Group's interest expenses.

Parent Company

MSEK	2018	2017
Dividend from Group companies	550	897
Profit from shares in Group companies	550	897
Interest income from Group companies	20	26
Interest income	20	26
Interest expenses, credit institutions	-54	-53
Exchange-rate losses	-4	-5
Other financial costs	-12	-13
Interest expense	-70	-71
Net	500	852

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NOTE

Income taxes

During 2018, nominal corporate tax rates were 22 percent in Sweden, 23 percent in Norway and 20 percent in Finland. The table below shows the sub-items underlying the effective tax rate in Hemfosa.

The effective tax rate for full-year 2018 was -18.7 percent (-18.6), which differs from the nominal tax rate of 22 percent. This is mainly a result of the deferred tax being calculated at 20.6 percent.

Group

Reconciliation of effective tax		2018		2017 ¹	
Profit before tax		2,492		3,887	
Tax at applicable tax rate	-22.0%	-548	-22.0%	-855	
Non-deductible costs	-0.0%	-0	-0.1%	-5	
Non-taxable income	0.2%	6	0.4%	16	
Profit/loss from shares in joint ventures	0.2%	5	3.2%	125	
Reversal of deferred tax in property sales	0.1%	3	0.3%	12	
Tax exempt sales of properties	0.0%	0	0.1%	5	
Effect of changed tax rates	1.8%	44	0.4%	15	
Tax attributable to previous years	-0.1%	-3	-0.1%	-4	
Other	1.1%	29	-0.8%	-32	
Recognized effective tax	-18.7%	-466	-18.6%	-723	

Current tax expense		2018		2017 ¹	
Current tax expense		-66		26	
Adjustment of tax attributable to prior years		-3		-4	
Total		-69		-30	

Deferred tax expense		2018		2017 ¹	
Deferred tax attributable to investment properties		-333		-566	
Deferred tax attributable to derivative instruments		-3		-11	
Deferred tax attributable to the year measured during the year		-46		-116	
Other		-15		-	
Total		-397		-693	
Total recognized tax		-466		-723	

¹ Including Nyfosa.

Parent Company

Reconciliation of effective tax		2018		2017	
Profit before tax		549		922	
Tax according to applicable tax rate for Parent Company	-22.0%	-121	-22.0%	-203	
Non-taxable income	22.0%	121	21.3%	196	
Utilization of loss carryforwards not capitalized in prior years	-	-	0.7%	6	
Standard tax on tax allocation reserve	-	-	0.1%	1	
Tax attributable to previous years	-	-	0.0%	-	
Recognized effective tax	0.0%	0	0.0%	0	

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NOTE

Earnings per share

In accordance with an AGM resolution adopted in April 2017, an incentive program for employees was introduced during the year. 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.

	2018		2017	
Profit for the year attributable to Parent Company shareholders, MSEK	2,328		3,142	
Dividend on preference shares, MSEK	-110		-110	
Profit attributable to Parent Company ordinary shareholders before dilution, MSEK	2,217		3,032	
Average weighted number of ordinary shares, millions	163		158	
Earnings per share, SEK				
- before dilution	13.81		19.22	
- after dilution	13.79		19.21	
Profit for continuing operations per share, SEK				
- before dilution	11.78		11.66	
- after dilution	11.77		11.65	

Average weighted number of ordinary shares, Thousands		2018		2017	
Weighted average number of ordinary shares during the year, before dilution	162,934		157,728		
Effect of warrants	162		24		
Weighted average number of ordinary shares during the year, after dilution	163,082		157,752		
Estimated dilution, %	0.10		0.04		



Investment properties

Investment properties are recognized according to the fair value method. The table below shows the changes in value within each segment.

MSEK	Total		Sweden		Norway		Finland	
	2018	2017	2018	2017	2018	2017	2018	2017
Fair value at the beginning of the year	41,119	34,668	34,359	28,778	4,988	4,359	1,772	1,531
Cost of investment properties, asset acquisition	5,198	4,342	1,781	3,573	3,419	592	-	177
Investment in existing portfolio	482	956	408	942	68	2	6	13
Divestment of investment properties	-67	-301	-67	-301	-	-	-	-
Realized change in value of divested properties	-2	22	-2	22	-	-	-	-
Unrealized changes in value of properties	1,307	1,629	729	1,346	575	281	1	2
Translation differences	25	-197	-	-	-51	-246	77	49
Changes attributable to Nyfosa, which has been distributed to shareholders	-12,014	-	-12,014	-	-	-	-	-
Fair value at the end of the year	36,049	41,119	25,194	34,359	8,999	4,988	1,856	1,772

Realized and unrealized changes in value are recognized after profit from property management in the Statement of profit/loss and other comprehensive income. The measurement of fair value for all investment properties is classified at Level 3 of the fair value hierarchy.

Impact on profit after tax apart from changes in value

MSEK	2018	2017
Rental income	2,525	2,103
Direct costs for investment properties that generated rental income during the year	-615	-521
Direct costs for investment properties that did not generate rental income during the year	-36	-42

Determining fair value

The fair value of investment properties has been assessed by external, independent property appraisers, with relevant, professional qualifications and experience in the field, as well as in the category of the properties that were appraised. The independent appraisers provide the fair value of the Group's portfolio of investment properties during each quarter.

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 cash flows and net operating income, an analysis generates the market's expectations with respect to the valuation object.

The yield requirement used in the estimate derives from sales of comparable properties. Significant factors when selecting required returns include an assessment of the object's future rent trend, changes in value and any development potential, as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow forecast is prepared that extends at least five years into the future. The expected receipts match the terms of prevailing leases. For vacant spaces, an estimate is performed by individually assessing each property. The expected disbursements are estimated on the basis of historical property expenses.

The inflation assumption for Sweden is 2.0 percent for 2019 and thereafter. The inflation assumption for Norway is 2.0 percent for 2019 and thereafter. The inflation assumption for Finland is 1.0 percent for 2019 and 2020, 1.5 percent for 2021 and 2.0 percent for 2022 and thereafter.

The valuation is based on a present-value calculation of the estimated cash flow and the present value of the market value at the end of the calculation period. Ongoing projects have been measured according to the same policy but less the remaining investment.

The weighted yield requirement was 5.8 percent (6.1). The weighted discount interest rate for cash flow and residual value was 7.0 percent (7.3) and 8.1 percent (8.2), respectively.

The value of Hemfosa's property portfolio was MSEK 36,049 (41,119).

Calculation assumptions	Carrying amount, MSEK		Net operating income, MSEK ¹		Yield, %		Weighted yield requirement, %		Discount interest rate for cash flow, %		Discount interest rate for residual value, %	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Sweden	25,194	34,359	1,346	1,896	5.3	5.5	3.7 - 9.9	3.7-10.0	5.0 - 11.2	5.0-11.2	5.7 - 12.1	5.7-12.2
Norway	8,999	4,988	492	285	5.5	5.7	3.9 - 8.2	4.2-8.2	6.4 - 10.9	6.8-10.9	6.4 - 10.9	6.8-10.9
Finland	1,856	1,772	125	125	6.8	7.0	5.9 - 8.5	5.9-9.0	7.4 - 10.4	6.7-10.8	7.8 10.4	8.0-10.8
Total	36,049	41,119	1,963	2,306	5.4	5.6	5.8	6.1	7.0	7.3	8.1	8.2

¹ According to the company's earnings capacity, in which rental income totaled MSEK 2,666 (2,207).

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NOTE

Cont.

Sensitivity analysis – impact on fair value

MSEK		Total		Sweden		Norway		Finland	
		2018	2017	2018	2017	2018	2017	2018	2017
Change in net operating income	+/-5.0%	1,398	1,580	1,017	1,335	314	173	73	72
Change in required yield	+/-0.1%	1,550	677	422	562	173	89	27	26
Change in growth assumptions	+/-0.5%	175	197	127	167	39	21	9	9
Change in discount interest rate	+/-0.1%	1,285	564	381	484	115	60	22	20

Criteria for distinguishing between investment properties and other types of properties

All of Hemfosa's properties are classified as investment properties. In a few of the Group's properties, an insignificant portion of the floor area is used for administrative purposes by the Group. These properties have been classified as investment properties.

If Hemfosa has signed an unconditional agreement concerning the disposal of a property, the property will be reclassified from investment property to asset held for resale.

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NOTE**Shares in joint ventures**

In addition to Hemfosa's wholly owned property portfolio, the Group holds shares in property owning companies, through which properties are held together with other investors. Ownership is governed by shareholders' agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence.

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.

In connection with the demerger of the Hemfosa Group, joint ownership of two joint ventures, Söderport Holding AB and Gästgivaregatan Holding AB, was transferred to Nyfosa AB.

Gardermoen Campus Utvikling

On March 22, 2018, Hemfosa acquired the minority participations in Gardermoen Campus Utvikling (Old GCU), which owns the specialist hospital and local medical center that has been constructed in Garder-

moen, in accordance with the conditions agreed in February 2017. In connection with the acquisitions of the participations, the Old GCU was reclassified from a joint venture to a subsidiary and was renamed Samhold IV AS.

Hemfosa is a joint owner of a newly started joint venture, Gardermoen Campus Utvikling (New GCU), together with Aspelin Ramm Eiendom AS.

New GCU owns land, parking facilities and certain infrastructure in the area where the hospital and local medical center that Hemfosa has acquired is located. New GCU will continue to develop the area into an important national expertise hub for health and care services. New GCU controls a total of about five hectares of land with a zoning plan, according to which buildings of up to a total of 51,000 square meters may be developed.

MSEK	Total		Söderport		New Gardermoen Campus Utvikling		Old Gardermoen Campus Utvikling		Other holdings	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Carrying amount at the end of the year	2,096	1,676	1,294	1,009	-	-	781	641	21	26
Acquisition of joint ventures	14	9	-	-	14	-	-	9	-	-
Reclassification to subsidiaries	-781	-	-	-	-	-	-781	-	-	-
Dividends received	-	-100	-	-100	-	-	-	-	-	-
Share in profit of joint ventures	4	548	-	385	-4	-	-	168	-	-5
Translation difference	50	-37	-	-	50	-	-	-37	-	-
Changes attributable to Nyfosa, which has been distributed to shareholders	-1,315	-	-1,294	-	-	-	-	-	-21	-
Carrying amount on December 31	60	2,096	-	1,294	60	-	-	781	0	21

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NOTE

Cont.

Joint ventures	Corp. Reg. No.	Registered office	Proportion Dec 31, 2018	Carrying amount	
				Dec 31, 2018	Dec 31, 2017
Söderport Holding AB	556819-2230	Stockholm	-	-	1,294
Gardermoen Campus Utvikling AS	913 111 915	Oslo, Norway	-	-	781
Gardermoen Campus Utvikling AS	920 599 192	Oslo, Norway	65%	60	-
Gästgivaregatan Holding AB	556925-8808	Stockholm	-	-	21
Culmen Strängnäs II AB	556799-1970	Stockholm	50%	-	0
Total carrying amount of shares in joint ventures				60	2,096

Hemfosa has entered into suretyship amounting to MSEK 0 (160) connected to its shares in joint ventures.

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NOTE

Shares in associated companies

Hemfosa holds 26.9 percent of the shares and voting rights of Offentlig Eiendom Invest AS, domiciled in Oslo (Corp. Reg. No. 916 428 467). The company manages community service properties in Norway, with the Police Authority as the largest tenant.

MSEK	Dec 31, 2018	Dec 31, 2017
Opening balance	123	56
Acquisitions	18	52
Dividends received	-5	-
Share in associated company profits	22	19
Translation difference	5	-3
Total shares in associated companies	164	123

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NOTE

Current receivables

MSEK	Dec 31, 2018	Dec 31, 2017
Prepaid expenses and accrued income	49	73
Current receivables joint ventures	-	23
Other receivables	82	72
Total current receivables	131	168

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NOTE

Cash and cash equivalents

MSEK	Dec 31, 2018	Dec 31, 2017
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	974	541

In addition to the cash and cash equivalents above, Hemfosa has overdraft facilities of MSEK 527 (450).

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NOTE

Interest-bearing liabilities

At December 31, 2018, Hemfosa's interest-bearing liabilities totaled MSEK 22,027 (24,110), with MSEK 18,873 (19,619) pertaining to loans from credit institutions, MSEK 2,000 (2,473) to bonds, MSEK 1,150 (1,995) to commercial paper and MSEK 4 (7) to vendor's mortgages.

Hemfosa has committed covered lines of credit of MSEK 2,000 (1,800). The lines of credit are facilities to back up the outstanding commercial paper program, of which MSEK 1,150 was issued at year-end. Hemfosa also has overdraft facilities totaling MSEK 527 (450), which were unutilized at December 31, 2018.

MSEK	Dec 31, 2018	Dec 31, 2017
Interest-bearing liabilities		
Loans from credit institutions	18,873	19,619
Bond	2,000	2,473
Commercial papers	1,150	1,995
Vendor's mortgages	4	7
Other liabilities	-	16
Total interest-bearing liabilities	22,027	24,110

Of which, current interest-bearing liabilities	4,287	8,894
Less opening charges for raising loans	-83	-77
Total interest-bearing liabilities	21,944	24,033

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NOTE

Cont.

Most of the Group's credit agreements with external creditors contain covenants concerning either a specific loan-to-value ratio and/or a specific interest coverage ratio. Certain credit agreements contain covenants that pertain solely to the company raising the loan and its subsidiaries, while other credit agreements include covenants linked to the Group's profit and/or financial position. In the event of a compulsory takeover bid for Hemfosa's shares or if Hemfosa is delisted from Nasdaq Stockholm, Hemfosa's creditors will be entitled, in certain instances, to demand renegotiation of the credit agreements and ultimately the premature repayment of the loan. The Group met the covenants included in the loan agreements for 2018 and 2017.

MSEK	Dec 31, 2018	Dec 31, 2017
Net loan-to-value ratio, %	58.4	57.1
Remaining fixed-rate term, years	1.5	1.5
Remaining term for loans, years	2.8	2.3

In addition to the terms and conditions, collateral for the loan portfolio largely takes the form of pledges of properties.

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NOTE

Deferred tax liability/asset

Deferred tax pertains to future tax consequences of events taken into account in the company's accounting. Hemfosa recognized deferred tax liabilities totaling MSEK 1,229 (1,184).

Deferred tax assets amounted to MSEK 631 (946) and are primarily attributable to the measurement of loss carryforwards.

Deferred tax liabilities amounted to MSEK 1,860 (2,130) primarily attributable to temporary differences between carrying amounts and taxable values of the investment properties.

According to IAS 12 Income taxes, temporary differences between taxable and accounting amounts for all assets and liabilities are to be recognized in the Statement of financial position. However, this does not apply to deferred tax, which on initial recognition is to be entered in the balance sheet, known as Initial recognition exemption. This is of considerable significance to Hemfosa, which acquires properties whose taxable values deviate from the carrying amounts.

The residual value of investment properties for tax purposes totaled MSEK 16,761 (18,942) at December 31, 2018, which means that deferred tax is not recognized for corresponding temporary differences of MSEK 10,889 (12,514) in the Statement of financial position.

Temporary differences arise due to tax deductions for depreciation deviating from the amount for depreciation according to plan. The possibility of making tax deductions for investments in properties as part of the "expanded repair" concept also contributes to temporary differences arising. This is also a consequence of the properties being acquired through companies, whereby the cost for tax purposes is often lower than the recognized cost, and that unrealized changes in value do not impact the taxable value.

Deferred tax asset	2018	2017
<i>Loss carryforwards</i>		
At the beginning of the year	938	1,047
Recognized in profit or loss	-45	-116 ¹
Acquired and divested assets	-	7
Changes attributable to Nyfosa, which has been distributed to the shareholders	-268	-
At the end of the year	625	938

Derivatives

At the beginning of the year	8	19
Recognized in profit or loss	-3	-11 ¹
Changes attributable to Nyfosa, which has been distributed to the shareholders	1	-
At the end of the year	6	8

Deferred tax liability	2018	2017
<i>Properties</i>		
At the beginning of the year	-2,130	-1,572
Recognized in profit or loss	-349	-566 ¹
Acquired and divested assets	2	12
Translation difference	-27	-4
Other	-26	-
Changes attributable to Nyfosa, which has been distributed to the shareholders	670	-
At the end of the year	-1,860	-2,130

Deferred tax liability, net	2018	2017
At the beginning of the year	-1,184	-506
Recognized in profit or loss	-397	-693 ¹
Acquired and divested assets	2	3
Translation difference	-27	12
Other	-26	1
Changes attributable to Nyfosa, which has been distributed to the shareholders	403	-
At the end of the year in the Statement of financial position	-1,229	-1,184

¹ The amounts include tax expense that pertain to Nyfosa.

Financial assets and liabilities - by category and fair value

MSEK	Financial assets/ liabilities measured at fair value via statement of profit/loss		Financial assets measured at amortized cost		Financial liabilities measured at amortized cost		Total carrying amount	
	2018	2017	2018	2017	2018	2017	2018	2017
Rents and accounts receivable		-	69	22		-	69	22
Derivatives	2	9		-		-	2	9
Other receivables		-	35	51		-	35	51
Cash and cash equivalents		-	974	541		-	974	541
Total financial assets	2	9	1,008	614		-	1,010	623
Loans from credit institutions		-		-	18,873	19,619	18,873	19,619
Bond		-		-	2,000	2,473	2,000	2,473
Commercial papers		-		-	1,150	1,995	1,150	1,995
Derivatives	29	43		-		-	29	43
Accounts payable		-		-	36	53	36	53
Other liabilities		-		-	432	380	432	380
Total financial liabilities	29	43		-	22,491	24,520	22,520	24,520

The carrying amount is a reasonable estimate of the fair value. The fair value of the bond loans is MSEK 2,012 (2,505). On the balance-sheet date, the level of interest rates, including margins, for the loan matched the terms in the loan contracts. Accounts receivable and accounts payable have the same short durations.

Hemfosa uses fixed-income derivatives and interest-rate caps to financially hedge the interest-rate risks to which the Group is exposed. Derivatives are initially recognized at fair value, entailing that transaction expenses are charged against earnings for the period. Following initial recognition, fixed-income derivatives are measured at fair value according to measurement at Level 2. Changes in the value of the fixed-income derivatives are recognized in profit or loss.

Should an interest rate agreed through fixed-income derivatives deviate from the market interest rate, a theoretical surplus or deficit value will arise in the Statement of financial position. The fair value recognized in the Statement of financial position changes in line with changes in market interest rates and the term of the portfolio. The changes in value are recognized in profit or loss.

Fixed-income derivatives have been measured at fair value, corresponding to the market appraisal obtained from Bloomberg independent financial system. Bloomberg applies an established measurement

technique for simple interest-rate swaps, whereby a company pays a fixed interest rate or receives variable rates or vice versa, whichever is relevant for Hemfosa. Since the measurement is based on average values for actually traded contracts, such as Hemfosa's financial instruments, in various official marketplaces, the prices quoted reflect prices from several interest-rate brokers and various risk and liquidity premiums.

The value of interest-rate caps is recognized as the present value of the estimated flows during the position's remaining term. The estimated flows are calculated by viewing the strike level and forward rates of 3-month Stibor and their volatility. If the forward rates (or the volatility) then decline, the value of the caps will decrease.

Offsetting of financial instruments

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. In the tables below, amounts are presented for the netting agreements at December 31, 2018 and December 31, 2017, respectively.

Offsetting of financial instruments

MSEK	Dec 31, 2018		Dec 31, 2017	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Carrying amount in the balance sheet	2	29	9	43
Amount encompassed by netting	-2	-2	-9	-9
Amount after netting	0	27	0	34

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NOTE

Financial risks and risk management

Financial risk management

The Group is exposed to various financial risks through its business activities. Financial risks involve market, liquidity and credit risks associated with financial instruments. The risks and how these are managed by the organization are described below.

Market risks

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. IFRS divides market risks into three types: currency risk, interest-rate risk and other price risks.

Interest-rate risk

The market risk that mainly affects Hemfosa is the interest-rate risk. Interest-rate risk could result in a change in fair value, changes in cash flow and fluctuations in the company's profit. The Company is exposed to interest-rate risks due to its loan liabilities. In order to limit the interest-rate risk, meaning the risk that changes in interest rates will have an excessive impact on Hemfosa's borrowing costs, the Group has entered into and regularly enters into derivative agreements mainly in the form of interest-rate swaps with various maturities, whereby Hemfosa pays a contractual fixed interest rate in exchange for a variable market interest rate, and also interest-rate caps.

Hemfosa pays variable interest up to a predetermined interest rate. The predetermined interest-rate ceiling for the agreed interest-rate caps ranges from 1.5 to 2.0 percent.

Fixed-rate period per instrument

Maturity structure	Fixed-rate period Dec 31, 2018					Fixed-rate period Dec 31, 2017				
	Loans ¹ , MSEK	Interest-rate swap, MSEK	Interest-rate cap, MSEK	Interest-rate hedged loan, MSEK	Proportion, %	Loans ¹ , MSEK	Interest-rate swap, MSEK	Interest-rate cap, MSEK	Interest-rate hedged loan, MSEK	Proportion, %
<1 year	21,985	-4,409	-6,321	11,255	51	24,050	-1,372	-9,503	13,175	55
1-2 years	4	690	3,634	4,327	20	-	497	2,526	3,024	13
2-3 years	-	200	1,511	1,711	8	23	674	3,617	4,314	18
3-4 years	-	0	1,177	1,177	5	-	200	1,619	1,819	8
4-5 years	-	3,519	-	3,519	16	-	-	1,740	1,740	7
>5 years	38	-	-	38	0	38	-	-	38	0
Total	22,027	-	-	22,027	100	24,110	-	-	24,110	100

¹ The loans comprise undiscounted amounts. The interest-bearing liabilities in the Statement of financial position include arrangement fees.

The average interest rate for Hemfosa's loan portfolio was 2.05 percent (1.94) at Dec 31, 2018. Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 13,139 (16,111) have

Sensitivity analysis at December 31, 2018

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+100/-38
Interest expenses assuming change in average interest rate ²	+/-1	-/+220
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/-1	+/-161

¹ Taking derivative agreements into account

² Not taking derivative agreements into account

If, during the term of the derivatives, the variable market interest rate deviates from the contractual fixed interest rate for the derivatives, this gives rise to a theoretical surplus or deficit value for the financial instrument. The derivatives are recognized continuously at fair value in the statement of financial position and the change in value, which has no impact on cash flow, is recognized in profit or loss. Hemfosa does not apply hedge accounting of financial instruments.

In accordance with the Group's financial policy, an even distribution between variable and fixed interest rates and between short-term and long-term maturities is sought after.

been taken into account in contractual interest rates and maturities. The underlying loans carry a floating interest rate that is mainly based on STIBOR 3 months.

Fixed-rate period, interest-rate swaps

Year	Dec 31, 2018			Dec 31, 2017		
	Nominal amount, MSEK	Average interest rate, %	Market value, MSEK	Nominal amount, MSEK	Average interest rate, %	Market value, MSEK
<1 year	497	0.0	0	3,334	1.1	35
1-2 years	690	1.3	0	497	0.0	2
2-3 years	200	0.6	-2	674	1.3	3
3-4 years	-	-	-	200	0.6	3
4-5 years	3,519	0.6	-27	-	-	-
>5 years	-	-	-	-	-	-
Total	4,906	0.6	-29	4,706	1.0	43

Currency risk

Due to Hemfosa's investments in Norway and Finland, the Group is exposed 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 exposure is limited to equity, because both properties and external financing are raised in the same currency. Exposure amounted to MEUR 91 and MNOK 3,653 at December 31, 2018. The overall assessment is that it is currently most cost-effective not to hedge net exposure associated with equity. It is not impossible that the company could enter into currency hedges from time to time.

Sensitivity analysis at December 31, 2018

	Change, %	Impact on shareholders' equity, MSEK
Changes in SEK/NOK exchange rates	+/- 10	+/- 354
Change in SEK/EUR exchange rate	+/- 10	+/- 94

Liquidity risk

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term to be able to honour the Group's payment obligations. The Finance Department provides short-term liquidity forecasts that establish payment obligations on a week-by-week basis and also long-term rolling 12-month liquidity forecasts. The forecasts are updated continuously on a weekly and quarterly basis.

In accordance with the financial policy, continuous work on refinancing the long-term loans concerned is conducted. The financial policy also addresses the matter of the investment of surplus liquidity. In addition, the Group has overdraft facilities to ensure more flexible cash management and to effectively deal with peaks and troughs in payment streams.

Maturity structure, interest-bearing liabilities

MSEK	Dec 31, 2018					Dec 31, 2017				
	Loan maturity	Proportion, %	Interest, loans	Net interest, derivatives, MSEK ¹⁾	Total interest	Loan maturity	Proportion, %	Interest, loans	Net interest, derivatives, MSEK ¹⁾	Total interest
<1 year	2,863 ²⁾	13	406	35	441	6,871	28	386	47	432
1-2 years	5,958	27	306	34	340	4,945	21	252	8	260
2-3 years	2,733	12	230	33	262	6,404	27	146	3	149
3-4 years	2,470	11	173	32	206	3,183	13	81	1	81
4-5 years	7,902	36	48	11	59	2,605	11	40	0	40
>5 years	100	0	33	-	33	103	0	37	0	37
Total	22,027	100	1,197	144	1,341	24,110	100	941	58	999

1 The net interest rate shown in the Maturity structure tables is attributable to negative value swaps.

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

Refinancing risks

What is meant by the refinancing risk is that financing or refinancing of the company's liabilities or operations cannot be obtained to the same extent or can only be obtained at significantly higher cost.

The company engages in continuous discussions with existing and prospective financiers to ensure that the necessary financing can be obtained in all situations.

During 2018, refinancing of MSEK 13,268 (1,676) was implemented. Hemfosa's net loan-to-value ratio at December 31, 2018 was 58.2% (57.1).

Credit risk

Credit risk is the risk that a counterparty is unable to fulfil its commitments, thus resulting in a loss for the Hemfosa Group.

The most significant counterparty risk faced by the Hemfosa Group is that its tenants are unable to honor their rental payments according to the lease.

The total credit risk is estimated to match the asset items shown below in the Statement of financial position:

Credit risk	Dec 31, 2018	Dec 31, 2017
Rent receivables	69	22
Other current receivables	82	95
Cash and bank balances	974	541
Total	1,125	658

The breakdown of the maturity structure of Hemfosa's rent receivables is shown in the table below:

Rent receivables	Dec 31, 2018	Dec 31, 2017
Rent receivables not due	1	0
Rent receivables past due 0-30 days	36	17
Rent receivables past due 30-90 days	6	0
Rent receivables past due > 90 days	25	5
Total	69	22

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NOTE

Cont.

In accordance with the Group's financial policy, the counterparties in all financial transactions, including deposits in bank accounts, are banks and credit institutions with a credit rating of at least A- (S&P) or A3 (Moody's) for Swedish Banks and at least A- (S&P) or Aa3 (Moody's) for overseas banks.

Capital management

At December 31, 2018, Hemfosa's shareholders' equity totaled MSEK 13,276 (17,807).

The 2018 Annual General Meeting resolved to pay dividends totaling MSEK 903 (804) to holders of ordinary and preference shares, subject to quarterly payment. At year-end, dividends of MSEK had been paid, with the remaining dividends expensed in the Statement of financial position.

The company's capital management is limited by risk limitations adopted by the Board of Directors. These are that the loan-to-value ratio should amount to about 60 percent, that the interest coverage ratio should be at least a multiple of two and that the equity/assets ratio should be at least 30 percent.

During 2018, the loan-to-value ratio was 58.2 percent (57.1), the interest coverage ratio was a multiple of 3.3 (3.6) and the equity/assets ratio was 35.4 percent (40.4).

Surplus liquidity is to be invested in low-risk liquid assets until such time as the funds can be used for investments. Liquidity is only to be used for accelerated amortization if no investments or acquisitions are planned for the foreseeable future.

Neither the Parent Company nor any of the subsidiaries is subject to any external capital requirements.

The dividend shall amount to 40 percent of distributable profit over time. Distributable profit is defined as profit from property management less taxes paid and shares in the profit of joint ventures and associated companies. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

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NOTE

Other current liabilities

Group		
MSEK	Dec 31, 2018	Dec 31, 2017
Accrued financial expenses	58	65
Prepaid rental income	318	524
Other accrued expenses and prepaid income	120	70
Accounts payable	36	53
Current liabilities that are not interest-bearing	444	298
Total	977	1,010

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NOTE

Pledged assets, contingent liabilities and assets

Pledged assets for external liabilities include pledges of properties, pledges of shares as well as pledges in internal promissory notes.

Group		
MSEK	Dec 31, 2018	Dec 31, 2017
Pledged assets		
<i>In the form of pledged assets for own debts and provisions</i>		
Property mortgages	23,760	27,772
Participations in Group companies	8,807	11,207
Total pledged assets	32,567	38,979
Contingent liabilities		
Sureties for liabilities in joint ventures	-	160
Guarantee for undertakings in joint ventures	6	24
Total contingent liabilities	6	184

Parent Company

MSEK	Dec 31, 2018	Dec 31, 2017
Pledged assets		
<i>In the form of pledged assets for own debts and provisions</i>		
Participations in Group companies	3,414	2,660
Total pledged assets	3,414	2,660
Contingent liabilities		
Sureties for liabilities in Group companies	13,857	17,353
Guarantee for undertakings in joint ventures	6	24
Sureties for liabilities in joint ventures	-	160
Total contingent liabilities	13,863	17,537

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NOTE

Related parties

Summary of related-party transactions

The Board Members and the senior executives received fees for their assignments; refer to Note 5. No non-cash remuneration was paid.

Group

The Group owns shares in joint ventures; see Note 12. At December 31, 2018, the Group had no sureties for the liabilities of joint ventures (160). At the same date, the Group had no liabilities (16) and no receivables (23) from joint ventures.

During 2018, Group-wide services were invoiced to companies that, following the distribution of Nyfosa, are no longer included in the Group. This revenue totaled MSEK 36 and is recognized as Other operating income in the Consolidated statement of profit/loss and other comprehensive income.

Parent Company

The Parent Company's fee from Group companies for providing central administrative services amounted to MSEK 49 (33) during the year. No other purchases occurred between the Parent Company and its Group companies.

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NOTE

Specifications for the cash-flow statements

Group			Direct and indirect acquisition of investment properties		
MSEK	Dec 31, 2018	Dec 31, 2017	MSEK	Dec 31, 2018	Dec 31, 2017
Adjustments for non-cash items for operating activities			<i>Assets and liabilities acquired</i>		
Depreciation of property, plant and equipment	1	1	Investment properties	5,245	4,275
Share in profit/loss of joint ventures	2	-548	Loss carryforwards	0	3
Profit/loss from shares in associated companies	22	-19	Operating receivables	48	2
Other	-34	-	Cash and cash equivalents	117	22
Total non-cash items for operating activities	-9	-566	Total assets	5,410	4,302
			Current operating liabilities	108	41
			Total provisions and liabilities	108	41
			Purchase consideration paid	5,302	4,261
			Less: Cash and cash equivalents in the acquired operations	-117	-22
			Impact on cash and cash equivalents	5,185	4,239

Reconciliation of liabilities attributable to financing activities

MSEK	Dec 31, 2017	Non-cash changes				Distribution of Nyfosa	Dec 31, 2018
		Cash flow	Exchange-rate difference	Change in value	Accrual		
Interest-bearing liabilities	24,033	3,336	44	-	-5	-5,463	21,944
Total	24,033	3,336	44	-	-5	-5,463	21,944

MSEK	Dec 31, 2016	Non-cash changes				Dec 31, 2017
		Cash flow	Exchange-rate difference	Change in value	Accrual	
Interest-bearing liabilities	20,605	3,552	-108	-	-16	24,033
Total	20,605	3,552	-108	-	-16	24,033

Parent Company

MSEK	Dec 31, 2018	Dec 31, 2017
Adjustments for non-cash items for operating activities		
Depreciation of property, plant and equipment	0	0
Dividends from subsidiaries	550	897
Total non-cash items for operating activities	550	897

Reconciliation of liabilities attributable to financing activities

MSEK	Dec 31, 2017	Non-cash changes				Dec 31, 2018
		Cash flow	Exchange-rate difference	Change in value	Accrual	
Interest-bearing liabilities	3,995	-845	-	-	-	3,150
Total	3,995	-845	-	-	-	3,150

MSEK	Dec 31, 2016	Non-cash changes				Dec 31, 2017
		Cash flow	Exchange-rate difference	Change in value	Accrual	
Interest-bearing liabilities	2,643	1,352	-	-	-	3,995
Total	2,643	1,352	-	-	-	3,995

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NOTE

Important estimates and assumptions

Group management has discussed the trend, the selection and disclosures pertaining to the Group's key accounting policies and estimates and application with the Board of Directors.

Measurement of investment properties

For key assumptions and assessments affecting the measurement of Hemfosa's investment properties, see Note 11.

Hemfosa recognizes its investment properties according to the fair value method. Declining market value will have a negative impact on the company's balance sheet and income statement. This could occur due to a weakened economic climate, rising interest rates, increasing operating costs and higher vacancies, as well as specific events in other properties.

The market value of the property portfolio is assessed by independent well-established external valuation companies. The valuation is conducted quarterly and captures changes in the properties and the market that could affect the value of the properties. By using external valuation companies and continuously updating the valuations, Hemfosa believes that it has a reliable and true valuation of the property portfolio.

Measurement of tax loss carryforwards

The regulatory framework governing taxation of the type of business operated by Hemfosa is complex and comprehensive in terms of both income tax and VAT/property taxation and can vary from jurisdiction to jurisdiction. Moreover, interpretation and application of these regulations by courts of law can change over time. Changes in these regulations, or in their interpretation by judicial bodies, could impact Hemfosa's earnings and position either positively or negatively. From time to time, Hemfosa has cases under review by, and ongoing dialogs with, the Tax Agency regarding individual taxation matters. The Tax Agency makes tax rulings that can be appealed and reviewed in administrative courts of appeal. The regulations governing the recognition of taxes, and the property sector's application of these accounting regulations, are also complex. The regulatory framework is complex, the Tax Agency's review possibilities are comprehensive and the judicial bodies' interpretation and reviews take place in many stages, which means that it can take a long time to establish the correct application of legislation in

complex taxation matters. This may entail that actions taken or completed transactions that were previously considered permissible according to the regulatory framework may need to be reappraised at a later juncture. Hemfosa monitors the taxation laws and practices that are in effect whenever it files tax returns. Hemfosa's assessments and calculations in the tax area, and the accounting of these matters, are reassessed at the end of each reporting period.

The largest loss carryforwards are in the company Hemfosa Vusk AB, which was acquired in 2015. At the date of this acquisition, the loss carryforwards amounted to MSEK 3,666 and, on the balance sheet date, they amounted to MSEK 2,989, which has been measured at MSEK 616, corresponding to 20.6 percent.

Classification of acquisition

The IFRS 3 accounting standard states that acquisitions must be classified as business combinations or asset acquisitions. An individual assessment of the character of the acquisition is required for each individual transaction. For all acquisitions in the year, the assessment has been that the transactions are to be considered assets acquisitions.

Preference shares

The terms and conditions for Hemfosa's preference shares do not include contractual payment obligations since both dividends and buy-backs are only permissible following a resolution by the Annual General Meeting or some another general meeting of shareholders. The company's assessment is that the issued preference shares should be recognized as shareholders' equity.

Classification of shares in**Gardermoen Utvikling Campus AS**

Although Hemfosa owns most of the shares in Gardermoen Campus Utvikling AS (GCU), it has no controlling influence over significant shareholder issues. According to the shareholder agreement, operational decisions require consensus on GCU's Board of Directors and the project planners approved by the Board control all details in the progress of the projects. Accordingly, Hemfosa has classified the shares of GCU as a joint venture in accordance with IAS 28.

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NOTE

Shares in Group companies

MSEK	Dec 31, 2018	Dec 31, 2017
Accumulated cost		
At the beginning of the year	5,326	5,258
Divestments	-457	-5
Shareholders' contribution	4,486	73
Distribution of Nyfosa	-3,845	-
Carrying amount at the end of the year	5,510	5,326

Shares in subsidiaries

Hemfosa Fastigheter AB's directly owned and indirectly owned subsidiaries are presented below.

Directly owned subsidiaries	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion	Carrying amount Dec 31, 2018
Hemfosa Sverige AB	556780-5816	Nacka	10,000,000	100%	2,268
Hemfosa Tetis AB	556245-5567	Nacka	320,850,500	100%	2,096
Hemfosa Fastigheter AB	559036-7404	Nacka	500	100%	0
Hemfosa Samfunnsbygg AS	914 149 703	Oslo	2,680,848	96%	1,146

Indirectly owned subsidiaries

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Brochsgate 3 AS	813 013 282	Oslo	1	96%
Eskelin Pysäköintilaitos Oy	0681979-7	Turku	69,258	99%
Farmannsveien 50 AS	916 932 839	Oslo	100	96%
Feiring Eiendom AS	997 676 858	Oslo	1	96%
Fjørevegen ANS	886 393 962	Oslo	1	96%
Fredrikstad Eiendomsinvest AS	894 881 852	Oslo	1,000	96%
GC Helsehus AS	916 345 720	Oslo	3,000	96%
GC Sykehus AS	911 550 474	Oslo	300	96%
Gunnar Nilsens Gate 25 AS	913 013 301	Oslo	1	96%
Hansagården Eiendom AS	911 908 786	Oslo	100	96%
Hansaparkering AS	988 237 795	Oslo	1,000	96%
Hemfosa Aborren 13 Fastighets AB	556688-0265	Nacka	1,000	100%
Hemfosa Adjunkten 1 Fastighets AB	556688-0281	Nacka	1,000	100%
Hemfosa Adler HoldCo AB	556848-8034	Nacka	500	100%
Hemfosa Adrian HoldCo AB	556837-4309	Nacka	500	100%
Hemfosa Alexander AB	556987-3937	Nacka	500	100%
Hemfosa Almy 13:772 Fastighets AB	556981-8817	Nacka	500	100%
Hemfosa Amelius Holmsund Fastighets AB	559020-1728	Nacka	500	100%
Hemfosa Atrecal 1 Fastighets AB	556344-6730	Nacka	1200	100%
Hemfosa Atrecal 2 Fastighets AB	556846-8432	Nacka	1000	100%
Hemfosa Atrecal 3 Fastighets AB	556789-9223	Nacka	1000	100%
Hemfosa Atrecal 4 Fastighets AB	556851-9556	Nacka	50000	100%
Hemfosa Atrecal 5 Fastighets AB	559035-5912	Nacka	50000	100%
Hemfosa Atrecal 6 Fastighets AB	559035-5904	Nacka	50000	100%
Hemfosa Atrecal Norr Fastighets AB	559031-2913	Nacka	50000	100%
Hemfosa Bakareboda 1:162 Fastighets AB	556746-9845	Nacka	1,000	100%
Hemfosa Barnfröken 1 Fastighets AB	559083-6192	Nacka	500	100%
Hemfosa Bastionen 28 Fastighets AB	556866-8296	Nacka	500	100%
Hemfosa Berga 6:489 Fastighets AB	556818-4682	Nacka	500	100%
Hemfosa Björsjö 42:1 Fastighets AB	556928-0505	Nacka	500	100%
Hemfosa Blyet 2 Fastighets AB	556968-9390	Nacka	500	100%
Hemfosa Boländerna 5:2 KB	969682-6743	Nacka	n/a	99%
Hemfosa Bremen 3 Fastighets AB	556761-8953	Nacka	1,000	100%
Hemfosa Bryggaren 12 Fastighets AB	556820-8325	Nacka	50,000	100%
Hemfosa Brynäs 34:14 Fastighets AB	559002-3528	Nacka	500	100%
Hemfosa Bråtabergsen Fastighets AB	556811-5298	Nacka	100,000	100%
Hemfosa Byrådirektören 3 Fastighets AB	556044-1031	Nacka	50,000	100%
Hemfosa Bälgen 9 Fastighets AB	559101-4500	Nacka	500	100%
Hemfosa Dallas AB	556830-9396	Nacka	500	100%
Hemfosa Drift AS	917,826,692	Oslo	50,000	96%
Hemfosa Dyrtorp 1:129 Fastighets AB	556989-0154	Nacka	50,000	100%
Hemfosa Edsberg 10:60 Fastighets AB	559146-5181	Nacka	500	100%
Hemfosa Eken HoldCo AB	556828-8350	Nacka	500	100%
Hemfosa Eskilstuna AB	556866-3818	Nacka	500	100%
Hemfosa Falun AB	556594-9111	Nacka	10,000	100%
Hemfosa Finland GP Oy	2736620-5	Helsinki	100	100%
Hemfosa Finland Holding 1 Oy	2714778-2	Helsinki	100	100%
Hemfosa Finland Holding 2 Oy	2714785-4	Helsinki	100	100%
Hemfosa Finland Holding 3 Oy	2748729-3	Helsinki	100	100%
Hemfosa Finland Holding 4 Oy	2772159-6	Helsinki	100	100%
Hemfosa Finland Holding Ky	2375564-1	Helsinki	0	100%
Hemfosa Finland Oy	2714789-7	Helsinki	100	100%
Hemfosa Finland Red Oy	2714894-5	Helsinki	100	100%
Hemfosa Fjärilen 22 Fastighets AB	559083-6234	Nacka	500	100%
Hemfosa Flogsta 47:1 Fastighets AB	556803-3517	Nacka	500	100%
Hemfosa Flugsvampen 7 Fastighets AB	556989-0147	Nacka	50,000	100%
Hemfosa Fläkten 13 Fastighets AB	556781-0337	Nacka	1,000	100%
Hemfosa Forellen 19 Fastighets AB	556814-7945	Nacka	500	100%
Hemfosa Foss 12:24 Fastighets AB	556990-3346	Nacka	50,000	100%
Hemfosa Fyrklövern AB	559162-3094	Stockholm	500	100%
Hemfosa Färsna Skola AB	556885-1199	Nacka	1,000	100%
Hemfosa Förskolan 1 AB	559008-3621	Nacka	500	100%

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NOTE

Cont.

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Galliaden Fastighets AB	556721-0942	Nacka	30,000	100%
Hemfosa Galliaden HoldCo AB	556723-2722	Nacka	5,000	100%
Hemfosa Gamlestaden Fastighets AB	556866-3859	Nacka	500	100%
Hemfosa Grottan 7 Fastighets AB	556866-3792	Nacka	500	100%
Hemfosa Guldheden 8:11 Fastighets AB	556974-7883	Nacka	500	100%
Hemfosa Gästrike AB	556663-1676	Nacka	1,000	100%
Hemfosa Görvål 1 Fastighets AB	556822-2508	Nacka	500	100%
Hemfosa Hagtornen 10 Fastighets AB	556992-0829	Nacka	50,000	100%
Hemfosa Hallonet 1 Fastighets AB	559146-5389	Nacka	500	100%
Hemfosa Halmicum AB	559122-1493	Nacka	500	100%
Hemfosa Halmstad 6:48 Fastighets AB	556715-7481	Nacka	1,000	100%
Hemfosa HanBa AB	556968-9259	Nacka	500	100%
Hemfosa Handlaren Fastighets AB	556869-3187	Nacka	1,000	100%
Hemfosa Haren 15 HB	969687-0253	Västerås	n/a	99%
Hemfosa Hille 2:144 Fastighets AB	559015-0735	Nacka	500	100%
Hemfosa Hov och Övernäs Fastighets AB	556967-5951	Nacka	500	100%
Hemfosa Huddinge AB	556936-1180	Nacka	500	100%
Hemfosa Hultet 5 Fastighets AB	559146-5371	Nacka	500	100%
Hemfosa Hvitfeldt 22 Fastighets AB	556862-9884	Nacka	500	100%
Hemfosa Häftklammern 9 Fastighets AB	556818-1589	Nacka	1,000	100%
Hemfosa Härnösand AB	556591-7126	Nacka	10,000	100%
Hemfosa Härryda Fastigheter KB	969616-1224	Nacka	n/a	100%
Hemfosa Höder 7 HB	969687-0246	Västerås	n/a	99%
Hemfosa Höga 2:152 Fastighets AB	556875-7636	Nacka	1,000	100%
Hemfosa Höjden 2 Fastighets AB	556688-0273	Nacka	1,000	100%
Hemfosa i Norrland Fastighets AB	556974-7776	Nacka	500	100%
Hemfosa Importen 4 Fastighets AB	556685-1233	Nacka	1,000	100%
Hemfosa Innerstaden 1:267 Fastighets AB	559019-5532	Nacka	500	100%
Hemfosa Investerargruppen Fem AB	556749-6228	Nacka	1,000	100%
Hemfosa Jakobsberg 2:2406 Fastighets AB	559079-8475	Nacka	50,000	100%
Hemfosa Karlskrona 3:3 Fastighets AB	556817-1416	Nacka	50,000	100%
Hemfosa Karolinen 2 Fastighets AB	556669-8394	Nacka	1,000	100%
Hemfosa Koljan 9 Fastighets AB	556792-9715	Nacka	1,000	100%
Hemfosa Kontorsskylten 7 Fastighets AB	559057-0999	Nacka	500	100%
Hemfosa Kristianstad 4:7 Fastighets AB	556970-6087	Nacka	500	100%
Hemfosa Kristianstad Fastighets AB	556608-9339	Nacka	1,000	100%
Hemfosa Kungsängen 24:13 Fastighets AB	556950-2239	Nacka	500	100%
Hemfosa Kvarnporten AB	556654-7310	Nacka	1,000	100%
Hemfosa Kärreberg 3:172 Fastighets AB	556785-2487	Nacka	1,000	100%
Hemfosa Lejonet 9 Fastighets AB	559080-3275	Nacka	50,000	100%
Hemfosa Life Science AB	556819-2842	Nacka	500	100%
Hemfosa Lyrestads Fastighets AB	556987-6799	Nacka	50,000	100%
Hemfosa Läkaren 5 Fastighets AB	556989-0071	Nacka	50,000	100%
Hemfosa Lärkan 10 HB	969687-0287	Skellefteå	n/a	99%
Hemfosa Löten 6:6 Fastighets AB	556974-7768	Nacka	500	100%
Hemfosa Marieberg 5 KB	969684-6915	Stockholm	n/a	100%
Hemfosa Marschen 1 Fastighets AB	556974-7909	Nacka	500	100%
Hemfosa Mekanikern 1 Fastighet AB	556866-8130	Nacka	500	100%
Hemfosa Mimer 7 Fastighets AB	559122-1477	Nacka	500	100%
Hemfosa Missionen 2 Fastighets AB	556981-8767	Nacka	500	100%
Hemfosa Misteln 13 Fastighets AB	556989-0055	nacka	50,000	100%
Hemfosa Moga 1:116 Fastighets AB	556992-0795	Nacka	50,000	100%
Hemfosa Mon 13 Fastighets AB	559132-9791	Nacka	500	100%
Hemfosa Morteln 1 Fastighets AB	559146-5348	Nacka	500	100%
Hemfosa Mosås 8:28 KB	969601-3805	Stockholm	n/a	100%
Hemfosa Myråsvägen Fastighets AB	556989-0022	Nacka	50,000	100%
Hemfosa Möllarp 1:57 Fastighets AB	559043-0533	Nacka	500	100%
Hemfosa Najaden Fastighets AB	556822-0759	Nacka	500	100%
Hemfosa Nannylund 1 Fastighets AB	556974-7792	Nacka	500	100%
Hemfosa Njord 32 Fastighets AB	556989-0063	Nacka	50,000	100%
Hemfosa Nord AB	556971-2945	Nacka	500	100%
Hemfosa Nordstjärnan 1 Fastighets AB	556868-6710	Nacka	500	100%
Hemfosa Norr AB	559162-3136	Nacka	500	100%

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Noshörningen 15 Fastighets AB	559012-0910	Nacka	500	100%
Hemfosa NRJ AB	559065-7721	Nacka	500	100%
Hemfosa NYAB 1 HoldCo AB	559138-8573	Nacka	500	100%
Hemfosa NYAB 10 AB	559168-5887	Stockholm	50,000	100%
Hemfosa NYAB 11 AB	559168-5903	Stockholm	50,000	100%
Hemfosa NYAB 12 AB	559168-5846	Stockholm	50,000	100%
Hemfosa NYAB 13 AB	559168-5861	Stockholm	50,000	100%
Hemfosa NYAB 14 AB	559168-5960	Stockholm	50,000	100%
Hemfosa NYAB 15 AB	559168-5978	Stockholm	50,000	100%
Hemfosa NYAB 16 AB	559168-5929	Stockholm	50,000	100%
Hemfosa NYAB 17 AB	559168-5945	Stockholm	50,000	100%
Hemfosa NYAB 18 AB	559168-5994	Stockholm	50,000	100%
Hemfosa NYAB 2 HoldCo AB	559138-8565	Nacka	500	100%
Hemfosa NYAB 3 HoldCo AB	559138-8557	Nacka	500	100%
Hemfosa NYAB 6 AB	559162-3102	Nacka	500	100%
Hemfosa NYAB 7 AB	559162-3151	Nacka	500	100%
Hemfosa NYAB 8 AB	559162-3169	Nacka	500	100%
Hemfosa NYAB 9 AB	559168-5788	Stockholm	50,000	100%
Hemfosa Nyby Fastighets AB	556974-7941	Nacka	500	100%
Hemfosa Nyckelön AB	559048-4720	Nacka	500	100%
Hemfosa Nödinge 38:25 Fastighets AB	556989-0048	Nacka	50,000	100%
Hemfosa Orkestern 2 Fastighets AB	556571-2105	Nacka	1,000	100%
Hemfosa Pan 5 Fastighets AB	556971-2960	Nacka	500	100%
Hemfosa Presidenten 1 Fastighets AB	556688-0216	Nacka	1,000	100%
Hemfosa Resecentrum 3 Fastighets AB	556692-8973	Nacka	1,000	100%
Hemfosa Resecentrum 3 HoldCo AB	556971-2937	Nacka	500	100%
Hemfosa Rosenfinken 2 Fastighets AB	556902-7898	Nacka	500	100%
Hemfosa Rosenhäll 1 Fastighets AB	556989-0030	Nacka	50,000	100%
Hemfosa Rotebro 3:45 Fastighets AB	559146-5215	Nacka	500	100%
Hemfosa Roten 6 Fastighets AB	556974-7958	Nacka	500	100%
Hemfosa Rotstocken 2 Fastighets AB	559146-5330	Nacka	500	100%
Hemfosa Samuel 2 Fastighets AB	556720-6346	Nacka	2,000	100%
Hemfosa Segerstad 4 Fastighets AB	559132-9809	Nacka	500	100%
Hemfosa Seminarieriet 6 Fastighets AB	556706-3382	Nacka	1,000	100%
Hemfosa Signalisten Fastighets AB	556983-3931	Nacka	500	100%
Hemfosa Sigvald 6 Fastighets AB	556909-4757	Nacka	500	100%
Hemfosa Sikhjalma Fastighets AB	556858-1267	Nacka	500	100%
Hemfosa Simmersröd 1:4 Fastighets AB	556797-0107	Nacka	2,000	100%
Hemfosa Sjöbefålet AB	556743-5820	Nacka	1,000	100%
Hemfosa Skolfastighet 1 AB	559009-9320	Nacka	1,000	100%
Hemfosa Skolfastighet 2 AB	556960-2039	Nacka	1,000	100%
Hemfosa Skolfastighet 3 AB	559016-0254	Nacka	1,000	100%
Hemfosa Skolfastighet 4 AB	556961-7342	Nacka	1,000	100%
Hemfosa Skolfastighet 5 AB	556983-7957	Nacka	1,000	100%
Hemfosa Skolfastighet i Lödde AB	556791-1036	Nacka	1,000	100%
Hemfosa Skolfastigheter i Parken AB	556766-4718	Nacka	1,000	100%
Hemfosa Skrea 23:53 Fastighets AB	556842-6075	Nacka	1,000	100%
Hemfosa Solbacken 10 Fastighets AB	556866-8320	Nacka	500	100%
Hemfosa Solen AB	556796-8408	Nacka	1,000	100%
Hemfosa Sollefteå AB	556598-3516	Nacka	10,000	100%
Hemfosa Stjärnebo 1 Fastighets AB	556851-4417	Nacka	50,000	100%
Hemfosa Stockholm AB	556740-9841	Nacka	1,000,000	100%
Hemfosa Storchagen 57:8 Fastighets AB	559015-0800	Nacka	500	100%
Hemfosa Sätra 108:21 Fastighets AB	556719-1480	Nacka	1,000	100%
Hemfosa Söder 66:9 Fastighets AB	556962-4900	Nacka	500	100%
Hemfosa Söderbymalm 3:486 Fastighets AB	556688-0232	Nacka	1,000	100%
Hemfosa Söderbymalm Fastighets AB	556822-0742	Nacka	500	100%
Hemfosa Tackan 9 Fastighets AB	556797-3051	Nacka	1,000	100%
Hemfosa Tegelbruket Fastighets AB	556974-7917	Nacka	500	100%
Hemfosa Tordyveln 1 Fastighets AB	556974-7891	Nacka	500	100%
Hemfosa Transporten 2 Fastighets AB	556688-0257	Nacka	1,000	100%
Hemfosa Tre Högar 3 Fastighets AB	559008-3639	nacka	500	100%
Hemfosa Trivium HoldCo AB	556937-3748	Nacka	500	100%

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NOTE

Cont.

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Ullervad 14:19 Fastighets AB	556974-7925	Nacka	500	100%
Hemfosa Umedalenfastigheter AB	556695-4870	Nacka	1,000	100%
Hemfosa Valbo Hälsöfastigheter AB	556721-7913	Nacka	1,000	100%
Hemfosa Vallentuna Mörby 1:18 KB	969601-2633	Stockholm	n/a	100%
Hemfosa Vendelsö 3:1986 Fastighets AB	556845-2287	Nacka	500	100%
Hemfosa Vilunda 6:59 Fastighets AB	556814-7952	Nacka	500	100%
Hemfosa Vinbäret 1 Fastighets AB	559146-5322	Nacka	500	100%
Hemfosa Vindhjulet KB	969633-4367	Nacka	n/a	100%
Hemfosa Vinguden 1 Fastighets AB	559146-5207	Nacka	500	100%
Hemfosa Vinkeljärnet 78 Fastighets AB	559146-5314	Nacka	500	100%
Hemfosa Vonco Fastighets AB	556761-9043	Nacka	1,000	100%
Hemfosa Vulkanus 15 Fastighets AB	559007-6047	Nacka	50,000	100%
Hemfosa Vänersborg Fastigheter KB	916848-9087	Nacka	n/a	100%
Hemfosa Väst HoldCo AB	556987-3853	Nacka	500	100%
Hemfosa Västernorrland Fastighets AB	556974-7966	Nacka	500	100%
Hemfosa Västerås 1 Fastighets AB	556676-6464	Nacka	1,000	100%
Hemfosa Västerås 2 Fastighets AB	556676-6449	Nacka	1,000	100%
Hemfosa Västnäs 1 Fastighets AB	556959-1380	Nacka	1,000	100%
Hemfosa Västra Götalandsregionen HoldCo AB	556937-3649	Nacka	500	100%
Hemfosa Åkersberga Företagsfastigheter AB	556508-3234	Nacka	1,000	100%
Hemfosa Åkersberga Företags AB	556544-1994	Nacka	1,000	100%
Hemfosa Åkroken 1 Fastighets AB	556959-1372	Nacka	1,000	100%
Hemfosa Örebro Norra Bro LSS AB	559070-2048	Nacka	500	100%
Hemfosa Örnén 4 Fastighets AB	556820-8333	Nacka	50,000	100%
Hemfosa Öst AB	556990-6547	Nacka	500	100%
Hemfosa Österskans 2 HB	916553-7540	Nacka	n/a	50%
Jaerveien 12 AS	998,360,897	Oslo	3,000	96%
Jonas Lies Gate 20 AS	914,718,198	Oslo	1	96%
Kiinteistö Oy Helsingin Kivihaantie 7	2157484-7	Helsinki	2,500	100%
Kiinteistö Oy Helsingin Pajuniityntie 11	2100525-7	Helsinki	8,672	100%
Kiinteistö Oy Nihtisillankuja 6	0774363-2	Espoo	100	100%
Kiinteistö Oy Tampereen Sähkökortteli	2445460-5	Turku	2,500	100%
Kiinteistö Oy Tamteva	2445436-5	Turku	2,500	100%
Kiinteistö Oy Virastotalo Brahe	2376268-1	Turku	2,500	100%
Kiinteistö Oy Vitikka 1	1448061-5	Espoo	158,000	100%
Limited Partnership Hede 1:53	969674-7105	Nacka	n/a	100%
Kunnskapsveien 55 AS	884 038 502	Oslo	10,000	96%
Lillebaek AS	818 835 612	Oslo	100	96%
Lyn Parkering AS	996 440 192	Oslo	100	96%
Myrdalsvegen 22 AS	886114672	Oslo	1	96%
Njøsavegen ANS	986 444 491	Oslo	1	96%
Oslo Kontorbygg II AS	996 284 808	Oslo	10,000	96%
Prins Chr. Augusts Pl. AS	914 717 981	Oslo	1	96%
Quattro Eiendom AS	986 492 607	Oslo	800	96%
Ramberveien 9 AS	997 510 844	Oslo	113,394	96%
Ringstadbekk AS	985 196 109	Oslo	100	96%
Samhold AS	914 884 926	Oslo	50,000	96%
Samhold II AS	915 595 251	Oslo	50,000	96%
Samhold III AS	916 328 036	Oslo	50,000	96%
Samhold IV AS	913 111 915	Oslo	13,300	96%
Samhold V AS	920 320 767	Oslo	50,000	96%
Samhold VI AS	920 320 805	Oslo	50,000	96%
Samholderen I AS	915,165,974	Oslo	100	96%
Samholderen II AS	992 864 206	Oslo	100	96%
Triga Eiendom AS	983 714 323	Oslo	300	96%
Tunsberghus Eiendom AS	893 091 122	Oslo	1	96%
Vogts gate AS	913 013 395	Oslo	1	96%

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NOTE

Equity

Trend in share capital	Date	Change in number of ordinary shares	Change in number of preference shares	Quotient value SEK	Changes in share capital, MSEK
Paid in share capital	January 2013	50,000		1	0
New issue, ordinary shares	June 2013	22,207,103		1	22
New issue, ordinary shares	June 2013	2,792,897		1	3
Reduction in ordinary shares	June 2013	-50,000		1	0
Share issue offsetting debt, ordinary shares	March 2014	30,937,495		1	31
New issue, ordinary shares	March 2014	9,782,608		1	10
New share issue, preference shares	December 2014		5,000,000	1	5
Share split 2-for-1	May 2015	65,720,104	5,000,000	0.5	-
Private placement, preference shares	September 2015		999,999	0.5	1
New issue, ordinary shares	May 2016	26,288,041		0.5	12
New issue, ordinary shares	June 2018	10,000,000		0.5	5
Total		167,728,249	10,999,999	0.5	89

Hemfosa has two classes of shares: ordinary shares and preference shares. The difference between the classes of shares comprises different voting rights and different rights to the company's assets and profit.

Ordinary share

Each ordinary share carries one voting right, while preference shares carry one tenth of a voting right. The Hemfosa ordinary share is traded under the "HEMF" ticker.

Preference share

Preference shares carry one tenth of a voting right while ordinary shares carry one voting right. Preference shares provide preferential rights, in precedence to ordinary shares, to an annual dividend of SEK 10 per preference share divided among quarterly payments of SEK 2.50 per preference share. Hemfosa's preference share is traded under the "HEMF PEF" ticker.

Dividends

Hemfosa's dividend policy aims to achieve a long-term dividend payment of 60 percent of distributable profit. Distributable profit is defined as profit from property management less taxes paid and shares in the profit of joint ventures and associated companies. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares. Distributable profit for the year amounted to MSEK 1,111. For the 2018 fiscal year, the Board proposes that the AGM resolve to pay a dividend

to holders of ordinary shares of SEK 2.40 per ordinary share with quarterly payment of SEK 0.60 per ordinary share. The proposed record dates are April 20, July 10 and October 10, 2019 and January 10, 2020. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10 per share with quarterly payment of SEK 2.50 per preference share, with the record dates being July 10 and October 10, 2019 and January 10 and April 10, 2020. The proposed dividend corresponds to 46 percent of distributable profit for 2018.

Board of Directors' dividend proposal

Unrestricted equity, MSEK	Dec 31, 2018
Premium reserve	10,829
Retained earnings	-3,388
Profit for the year	549
Total unrestricted equity	7,989
Funds available for distribution by the AGM	7,989
Dividend payable to holders of ordinary shares, SEK 2.40 per ordinary share, a total of	403
Dividend payable to holders of preference shares, SEK 10.00 per preference share, a total of	110
To be carried forward	7,477
Total	7,989

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NOTE

Long-term interest-bearing liabilities

Non-current interest-bearing liabilities fall due for payment as follows:

MSEK	Dec 31, 2018	Dec 31, 2017
Between one and five years	1,009	2,011
Later than five years	-	-

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NOTE**Nyfosa – Operations that have been distributed to the shareholders**

The extraordinary general meeting of Hemfosa on September 13, 2018 resolved to distribute all of the shares in the subsidiary Nyfosa AB ("Nyfosa") to the ordinary shareholders of Hemfosa. One (1) ordinary share in Hemfosa entitled the holder to one (1) share in Nyfosa. Preference shares in Hemfosa did not carry entitlement to shares in Nyfosa. Nyfosa was distributed to the ordinary shareholders and listed on Nasdaq Stockholm Large Cap and its first day of trading was November 23, 2018.

Statement of profit/loss for Nyfosa

MSEK	2018¹	2017
Rental income	924	870
Other property income	4	161
Total revenue	929	1,031
Property expenses	-305	-285
Net operating income	623	746
Central administration	-45	-9
Other operating income and expenses	-10	2
Share in profit of joint ventures	358	380
Financial income and expenses	-112	-106
Profit from property management	781	1,013
Changes in value, properties	790	376
Changes in value, financial instruments	-2	5
Profit before tax for the year	1,570	1,394
Tax	-163	-179
Profit after tax for the year	1,407	1,215
Result on distribution of Nyfosa	-1,077	-
Earnings from the operations that have been distributed to shareholders	330	1,215
Earnings per share from operations that have been distributed to the shareholders, SEK	1.39	6.89

¹ Refer to profit up to and including November 22, 2018.

Cash flow for Nyfosa

MSEK	2018¹	2017
Cash flow from operating activities	1,155	477
Cash flow from investing activities	-2,457	-1,691
Cash flow from financing activities	2,394	1,121
Total cash flow	1,092	-93

¹ Refers to cash flow up to and including November 22, 2018.

The distribution of Nyfosa had a negative impact of MSEK 1,077 on profit after tax. The explanation is that the operations were measured at market value on the first day of listing, whereby the difference between the carrying amount of Nyfosa's net assets and its market capitalization on the listing day was used as the impact on profit. Profit from Nyfosa's operations up to the distribution date, of MSEK 1,407, which generated a total impact on profit during the year of MSEK 330, should also be added to this amount. Cash flow from the discontinued operations during the year totaled MSEK 1,092.

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NOTE**Events after the balance-sheet date**

In January 2019, Hemfosa presented an updated strategy and financial targets for the Group. The growth target is for the property portfolio to grow to SEK 50 billion within five years and distributable earnings per share to increase on average by a minimum of 10 percent per year over these five years.

Signatures for the annual report

The Board of Directors and CEO affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and that they provide a true and fair view of the Group's earnings and financial position. The Annual Report has been prepared in accordance with generally accepted accounting standards and provides a true and fair view of the Parent Company's earnings and financial position. The Directors' Report provides a true and fair overall account of the development of the Group's and Parent Company's business, financial position and earnings and describes significant risks and uncertainties facing the Parent Company and the companies within the Group.

Nacka, March 26, 2019
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Bengt Kjell
Chairman of the Board

Gunilla Högbom
Board member

Anneli Lindblom
Board member

Per-Ingemar Persson
Board member

Caroline Sundewall
Board member

Ulrika Valassi
Board member

Caroline Arehult
Chief Executive Officer

Our auditor's report was submitted on March 27, 2019.

KPMG AB

Peter Dahllöf
Authorised Public Accountant

AUDITORS' REPORT

To the general meeting of the shareholders of Hemfosa Fastigheter AB (publ), corp. id 556917-4377

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hemfosa Fastigheter AB (publ) for the year 2018, except for the corporate governance statement on pages 54–63 and the sustainability report on pages 31–42 and 69. The annual accounts and consolidated accounts of the company are included on pages 31–42, 54–63, 67–108 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 54–63 and sustainability report on pages 31–42 and 69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report

that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of investment properties

See note 1 Significant accounting principles, note 11 Investment properties and note 24 Important estimates and assessments on pages 84, 92–93 and 101 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Investment properties are held at fair value in the Groups financial statements. The carrying value of these properties is MSEK 36 049 as per 31 December 2018, which represents 96% of to the Groups total assets.

The fair value of Investment properties as per 31 December 2018 has been determined based on valuations carried out by independent valuers.

Given investment properties significant share of the Groups total assets and the significant judgment and estimates required in the valuation process, valuation of Investment properties is a Key Audit Matter.

The risk is that the carrying value of Investment properties could be over- or underestimated and that deviations would directly influence the results of the period

Response in the audit

We have evaluated if the valuation methodology used is reasonable by comparing it to our experience of how other real estate companies and independent third party valuers work and which assumptions that are normal when valuing comparable objects.

We have assessed the competence and independence of third party valuers used and we have read the engagement letters of the independent third party valuers with the aim to evaluate if there where contractual terms that could influence scope or focus of the independent third party valuers' engagement.

We have tested the controls established by the company to ensure that input data provided to the independent third party valuers are accurate and complete.

We have, on a sample basis, tested individual valuations. When doing so, we made use of available current market data from external sources, especially for yields, discount rates, rents and vacancies used.

We have checked the accuracy of disclosures on Investment properties given by the company in notes 1, 11 and 24 in the annual report, especially concerning elements of judgement and applied key assumptions.

Valuation of deferred tax assets

See note 1 Significant accounting policies, note 9 Income taxes, note 17 Deferred tax liabilities/assets, and note 24 Important estimates and assessments on pages 83, 91, 95 and 101 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Hemfosa Fastigheter reports deferred tax assets of MSEK 625 related to tax loss carry forwards expected to offset future profits.

The accounting of deferred tax assets is based on management's assumptions of the size and timing of future taxable profits as well as interpretation of tax regulations. The value of the deferred tax assets may vary significantly if other assumptions than those used by the company is applied when forecasting future profits and evaluating the possibility to use the tax loss carry forward.

The risk is that the carrying value of the deferred tax assets are over- or understated and that every adjustment of the value will have a direct impact on the results of the period.

Response in the audit

Our audit procedures within in this area included evaluation of policies applied and the integrity of the Group's model to forecast future taxable profits. We compared key inputs (such as rental income, operating costs, property management costs and investments) in the calculation to earnings capacity and we have considered the Group's ability to previously achieve these plans

We have involved KPMG's tax specialists when evaluating the Group's assessments and interpretations of tax regulations and the reasonableness in the Group's assumptions of the ability to offset tax loss carry forwards against future profits.

We also evaluated if the disclosures in note 1, 9, 17 and 24 fulfills the requisits in related accounting standards.

Valuation of deferred tax liabilities

See note 1 Accounting policies, note 9 Income taxes, note 17 Deferred tax liabilities/assets and note 24 Important estimates and judgments on pages 83, 91, 95 and 101 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group reported deferred tax liabilities of MSEK 1 860 related to temporary differences between tax values and carrying values of investment properties.

The way deferred tax liabilities in property management companies are accounted for may differ significantly from the way deferred tax liabilities are accounted for in other industries. The accumulated temporary differences can be significant since properties generally are acquired indirectly through acquisition of shares in property management companies. As a result, the Group assumes the tax values from the seller which are often significantly lower than the group's acquisition cost. The method for calculating deferred tax liabilities in indirect acquisition also vary, depending on, for example whether the real estate acquisition is classified as an asset deal or business combination.

The risk is that the carrying value of the Group's deferred tax liability may be over- or understated and that any adjustments to its value will have a direct impact on the results of the period.

Response in the audit

We have assessed and challenged the Group's classification of major acquisitions during the year. We evaluated the Groups processes and tools to manage and monitor the tax values and we have tested the Group's deferred tax calculations.

We also evaluated if the disclosures in note 1, 9, 17 and 24 fulfills the requirements in the related accounting standards.

Accounting and presentation of the distribution of Nyfosa

See note 1 Accounting policies and note 28 Nyfosa - Operations distributed, and accounting principles on pages 81 and 107 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In November 2018, the parent company distributed Nyfosa AB with subsidiaries to the shareholders. Given that the business within Nyfosa constituted a significant part of the Hemfosa Fastigheter group has the transaction in the consolidated accounts are reported as discontinued operations in accordance with IFRS 5 and the dividend has been reported in accordance with IFRIC 17.

In brief, this means that the result in Nyfosa for 2018 and 2017, respectively, has been reported in one row in the Group income statement including both the operating profit and the capital result. The income statement for Nyfosa is stated in note 28 in the annual report. The result attributable to the distributed the business amounted to MSEK 330 during 2018, of which MSEK 1 407 refers to the operating profit and MSEK -1 077 related to the capital loss which emerged at the time of distribution.

Given the materiality of the transaction and the significant accounting consequences it entails, we have assessed the transaction as a key audit matter.

Response in the audit

In our audit, we examined the dividend and the calculation of the capital loss.

We have also evaluated how assets, liabilities, revenues and costs have been divided between remaining and discontinued operations. We have carried out audit procedures for the conversion of comparative figures in the income statement and related changes in the supplementary information.

We have also checked the information and the disclosures in the annual report that is provided about the transaction and its accounting consequences and assessed if they in all material respects correspond with the information that should be provided for the Group in accordance with IFRS 5, and for the parent company according to the Annual Accounts Act.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-53, 64-66, and 110-124. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hemfosa Fastigheter AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain

professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 54–63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 31–42 and 69, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Hemfosa Fastigheter AB (publ) by the general meeting of the shareholders on the 18 April 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm March 27, 2019

KPMG AB

Peter Dahllöf
Authorized Public Accountant

PROPERTY LISTING

SWEDEN

SWEDEN SCHOOL

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Hagtornen 10	School	Älvsborgsgatan 4	Borås	1967, 1984	1967, 008	11,415	
Kärreberg 3:172	School	Åtranstigen 1	Falkenberg	2010	2010	397	
Skrea 23:53	School	Brunekullevägen 2	Falkenberg	2012	2014	2,097	
Njord 32	School	Parkgatan 49	Falköping	1980	2012	613	
Björnsjö 42:1	School	Pukslagarvägen 20	Gävle	1983, 1994	-	3,391	
Sättra 108:23	School	Folkparksvägen 9	Gävle	2009	-	498	
Guldheden 8:11	School	Reutersgatan 2C	Gothenburg	1992	1995	10,600	
Söderby 2:772	School	Kulfångsgatan 5	Haninge	1979, 2015	-	1,321	
Söderbymalm 3:481	School	Marinens Väg 30	Haninge	1991	1991	14,796	
Söderbymalm 3:482	School	Marinens Väg 30	Haninge	1999	1999	12,364	
Vendelsö 3:1986	School	Norrbyvägen 104	Haninge	2012	-	4,057	
Batteriet 6	School	Regulatorvägen 11	Huddinge	1993, 2003, 2014	-	3,819	
Grankotten 1	School	Gamla Dalarövägen 6	Huddinge	2017	-	1,430	
Lunnaren 1	School	Lunnarevägen 1	Huddinge	2018	-	4,800	L
Ädelstenen 6	School	Universitetsbacken 1	Härnösand	-	-	25,430	
Akvilejan 4	School	Brännavägen 29	Härnösand	1972	2002	1,339	
Äland 22:1	School	Äland 650	Härnösand	1989	2015	3,658	
Bondsjö 2:312	School	Slättervägen 3	Härnösand	1954	2009	2,807	
Bondsjö 2:338	School	Daghemsvägen 2	Härnösand	1976	2011	653	
Brunne 12:18	School	Brunne 135	Härnösand	1989	1989	2,906	
Eleven 1	School	Gymnastikgatan 4	Härnösand	1966	2010	3,606	
Geresta 1	School	Rosenbäcksgatan 39	Härnösand	1998	2011	10,392	
Hopparen 1	School	Murbergsvägen 25	Härnösand	1950	1979	884	
Hörnan 2	School	Sehstedtsvägen 1	Härnösand	1985	1991	753	
Inspektorn 11	School	Brunnshusgatan 18	Härnösand	1903	2010	24,087	
Läraren 1	School	Kastellgatan 35	Härnösand	1955	1979	3,953	
Oxen 1	School	Sköldgatan 1	Härnösand	1968	2005	805	
Prylen 1	School	Skolgränd 2	Härnösand	1968	2003	829	
Seminarieriet 16	School	Gånsviksvägen 1	Härnösand	1870	-	951	
Solen 15	School	Södra Vägen 22	Härnösand	1895, 1979	1979	10,869	
Stenhammar 1:223	School	Tjädevägen 114	Härnösand	1994	1994	1,139	
Stenhammar 1:224	School	Koltrastvägen 171	Härnösand	1981	1981	242	
Vangsta 1:102	School	Trumpetgatan 50	Härnösand	1976	1993	830	
Västansjö 1:41	School	Folketshusv. 7	Härnösand	1963	2014	327	
Västansjö 1:86	School	Folketshusvägen 9	Härnösand	1971	2008	3,742	
Kullbäckstorp 2:268	School	Kvarnbacken 2	Härnösand	1988, 1992	-	9,759	
Jakobsberg 2:2838	School	Stuterivägen 41	Järfälla	2016	-	1,186	
Frimuraren 8	School	Guldsmesgränd 3	Karlskrona	1890	1982	2,205	
Karlskrona 3:3	School	Arenavägen 1-11	Karlskrona	1972	2004	30,846	
Blyet 2	School	Gruvgången 4	Karlstad	2015	-	7,620	L

SWEDEN SCHOOL, CONT.

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Hunden 12	School	Götgatan 4	Kristianstad	1955, 2013	-	6,001	
Löddeköpinge 23:26	School	Kunskapsvägen 1	Kävlinge	2011	-	3,000	
Lejonet 9	School	Enoch Thulins Väg 1	Landskrona	1953	2005	11,464	L
Innerstaden 1:267	School	Folkparksgatan 15	Motala	1945	-	1,200	
Lännersta 1:123	School	Lännerstavägen 1	Nacka	1998, 2013	-	3,055	L
Mensättra 28:8	School	Källängsvägen 1	Nacka	1997, 2015	-	562	
Solsidan 13:1	School	Vinbärsvägen 1	Nacka	1972, 2015	-	550	T
Biotiten 1	School	Balders Båge 2	Norrtilje	2012	-	3,087	
Edsberg 10:60	School	Kvarnskogsvägen 2	Sollentuna	2005	-	813	
Hallonet 1	School	Mullevägen 3	Sollentuna	2001	-	900	
Hultet 5	School	Lenalundsvägen 20	Sollentuna	1984	-	397	
Morteln 1	School	Silverbäcksvägen 1	Sollentuna	2006	-	2,015	
Rotebro 3:45	School	Fältvägen 3	Sollentuna	1971	1990	760	
Rotstocken 2	School	Kärleksbacken 3	Sollentuna	-	-	2,899	
Vinbäret 1	School	Rävgårdsvägen 15	Sollentuna	1983	-	397	
Vindfånget 4	School	Vibyåsen 14	Sollentuna	1996, 2015	-	780	L
Vinguden 1	School	Kornettvägen 44	Sollentuna	-	-	2,445	
Vinkeljärnet 78	School	Malungsvägen 145	Sollentuna	1973	-	1,059	
Stenung 3:84, 106:7	School	Kyrkvägen 1	Stenungsund	1954	-	2,000	
Barnfröken 1	School	Ellen Keys Gata 2	Stockholm	1978	1978	4,399	L
Gräskö 1	School	Edagränd 7	Stockholm	2015	-	1,085	L
Häftklammern 9	School	Alnötorget 1-3	Stockholm	1960	2015	1,649	
Mimer 7	School	Hagagatan 23A	Stockholm	1967	2015	6,805	
Oväder 2	School	Gösta Ekmans väg 7	Stockholm	2016	2016	1,138	L
Vattenfallet 16	School	Östersundsgatan 3	Stockholm	1960	2015	3,559	
Åkroken 1	School	Holmgatan 10	Sundsvall	1870, 1920, 1933, 1997, 2001, 2005, 2009	2009	26,416	
Roten 6	School	Tallrotsgatan 2	Sundsvall	1952	2004	3,000	
Västhagen 1	School	Universitetsallén 26	Sundsvall	1916, 1986	2012	13,028	
Noshörningen 15	School	Nysättravägen 21	Södertälje	1958	2017	6,492	
Nävern 1	School	Glaciärgatan 6	Umeå	2016	-	1,600	
Teatern 5	School	Aktörgränd 28	Umeå	1930	1998	3,455	
Teatern 6	School	Aktörgränd 29-31	Umeå	1930	1996	5,297	
Teatern 8	School	Aktrisgränd 14	Umeå	1998	1998	1,765	
Flogsta 47:1	School	Ekeby Bruk 35	Uppsala	1960	1990	16,522	
Niklasberg 2	School	Repslagarvägen 9	Vänersborg	1916, 1970, 2008, 2011	2012	8,030	
Niklasberg 3	School	Regementsgatan 13	Vänersborg	1916	2010	5,167	
Östra Ekedal 1:100	School	Östra Ekedalsvägen 2	Värmdö	1994, 2015	-	580	
Folkets Park 3	School	Hemdalsvägen 3	Västerås	1950	1982	2,200	
Gaslyset 2	School	Lysgränd 1	Västerås	1990	1990	2,573	
Handyvan 1	School	Frejagatan 17	Västerås	1997	-	820	L
Rosenfinken 2	School	Lövtagsgatan 2	Västerås	1973	2015	1,598	L
Fläkten 13	School	Alegatan 15	Växjö	1979, 1989	2010, 2011	2,880	
Segerstad 4	School	Segerstadsvägen 7	Växjö	1990	2015	1,375	
Handlaren 1	School	Silverdalsgatan 2	Älmhult	2003	2014	1,670	
Almby 13:772	School	Braxenvägen 3	Örebro	2012	-	2,476	
Missionen 2	School	Åstadalsvägen 4	Örebro	2010	-	2,861	
Mosås 8:28	School	Bodekullsvägen 14	Örebro	1994	-	2,740	
Berga 6:489	School	Luffarbacken 5	Österåker	1985	1985	2,118	
Runö 7:162	School	Näsvägen 15	Österåker	1998	1998	6,080	
Runö 7:163	School	Näsvägen 17	Österåker	1988	1988	4,573	
Total 90						410,751	

SWEDEN PUBLIC-SECTOR OFFICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Vulkanus 15	Offices	Fabriksgatan 14	Borås	1945	1945	10,466	
Viljan 2	Offices	Kungsgatan 13	Eskilstuna	1976	1976	9,162	
Trasten 7	Offices	Viktoriagatan 6	Filipstad	1985	1985	2,528	
Othem Stenhuggaren 2	Offices	Kronbrunnsgatan 8	Gotland	1983	-	531	
Borgmästaren 4	Offices	Dalavägen 8	Hagfors	1962	1980	4,917	
Halmstad 6:48	Offices	Ernst Wigforss Plats 1	Halmstad	1929/1970	1989/2015	5,982	
Österskans 2	Offices	Skansgatan 1a	Halmstad	1987	1987	8,999	
Rudan 5	Offices	Bredgatan 3	Halmstad	1891	1912	917	
Sankt Nikolaus 19	Offices	Slottsgatan 2	Halmstad	1943/1959	1957/1959	6,731	
Slottet 4	Offices	Södra Vägen 5	Halmstad	1978/1978	1978/1978	5,670	
Svartmunken 1	Offices	Norra Källegatan 4a	Halmstad	1980/1980	1980/1980	8,114	
Söderbymalm 3:486	Offices	Rudsjöterrassen 2	Haninge	1988	1988	22,826	
Grottan 7	Offices	Kullgatan 5	Hudiksvall	1978	1990	7,816	
Adjunkten 1	Offices	Backgränd 18	Härnösand	1962	1998	5,452	
Folkskolan 3	Offices	Brunnshusgatan 4	Härnösand	1912	2010	5,971	
Hovsjorden 7, 9	Offices	Rosenbäckshallén 18E	Härnösand	1919	1994	9,561	
Juristen 6	Offices	Nybrogatan 15B	Härnösand	1865	1994	7,118	
Ön 2:41	Offices	Officersgränd 1	Härnösand	1940	1940	29,614	
Rådhuset 6	Offices	Norra Kyrkogatan 3	Härnösand	1959	1970	2,821	
Vinstocken 2	Offices	Norra Kyrkogatan 2	Härnösand	1955	2000	2,904	
Jakobsberg 2:2406	Offices	Hästskovägen 88	Järfälla	1950	2001	4,505	
Plommonet 3	Offices	Erik Dahlbergsvägen 32a	Karlskrona	1961	1961	2,099	
Adlersten 59	Offices	Stenberggränd 8	Karlskrona	1984	1984	3,403	
Rügen 50	Offices	Västra Vittusgatan 4	Karlskrona	1992	1992	10,819	
Sparre 3	Offices	Drottninggatan 18a	Karlskrona	1920	1966	11,454	
Stumholmen 2:1, 2:21	Offices	Bastionsgatan 18	Karlskrona	1750	1990	4,103	
Wattrang 21	Offices	Stenberggränd 3	Karlskrona	1954/1984	1954/1984	10,037	
Bryggaren 12	Offices	Våxnäsgatan 5A	Karlstad	1955	1967	12,003	
Karolinen 2	Offices	Våxnäsgatan 10	Karlstad	1978	1978	47,371	
Mätaren 3	Offices	Bryggaregatan 11	Karlstad	1986	1986	6,175	
Södra Kasern 2	Offices	Västra Storgatan 51L	Kristianstad	1790	-	26,170	
Uroxen 15	Offices	Kungsgatan 30	Kristinehamn	1975	1975	6,950	
Hede 1:53	Offices	Kraftvägen 3	Kungsbacka	1500	1979	4,635	
Spiggen 4	Offices	Kungsgatan 5	Luleå	1981	2008	6,506	L
Haren 15	Offices	Kungsgatan 35B	Luleå	1970	2004	7,728	
Väljaren 10	Offices	Kungsvägen 69	Mjölby	1984	1984	4,362	
Importen 4	Offices	Tegelängsgatan 13	Norrköping	1930, 1929, 1950, 1991	1989-1990	20,693	
Presidenten 1	Offices	Slottsgatan 78	Norrköping	1975	1975	35,837	
Johannishus 1:19	Offices	Lockagårdsvägen 11	Ronneby	1900	1990	104	
Skedom 21:1, 21:4	Offices	Skedom 107-109	Sollefteå	1957	1990	2,500	
Tackan 9	Offices	Bygdevägen 18	Sollentuna	1971, 2013	2015	5,938	
Fjärilen 22	Offices	Turingegatan 24	Södertälje	1984	1998	5,558	
Forellen 19	Offices	Bollmora Torg 1-3	Tyresö	1965	1967	7,995	
Bastionen 28	Offices	Bastionsgatan 40	Uddevalla	1950	2007	6,980	
Hvitfeldt 22	Offices	Bagges Gränd 1	Uddevalla	1980	2013	10,071	
Vilunda 6:59	Offices	Drabantvägen 11, Dragonvägen 86-90	Upplands Väsby	1972	1972	5,658	
Boländerna 5:2	Offices	Bolandsgatan 16a	Uppsala	1975	1980	7,387	
Vallentuna-Mörby 1:118	Offices	Fabriksvägen 1A	Vallentuna	1981	1981	2,787	
Mon 13	Offices	Karlsdalsgatan 2	Värnamo	1983	2003	1,976	
Lea 15	Offices	Stora Gatan 58	Västerås	1972	1972	16,049	
Slottsträdgården 2	Offices	Slottsstigen 2	Västerås	1961	1961	9,725	
Sigurd 5	Offices	Sigurdsgatan 21	Västerås	1991	1991	13,264	
Sigvald 6	Offices	Sigurdsgatan 9	Västerås	1875, 1936	1937	3,643	
Nordstjärnan 1	Offices	Kronobergsgatan 18-20	Växjö	1971/2000	2010	6,129	
Vindhjulet 3	Offices	Tunnlandsgatan 1	Örebro	1970	1970	19,415	
Total 55						508,130	

SWEDEN COMMERCIAL OFFICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Bataljonen 14	Offices	Regementsvägen 16	Falun	1500	1965	618	
Falun 8:9	Offices	Kaserngården 1	Falun	1909	1929	34,867	
Kvarnberget 1:6	Offices	Pelle Bergs Backe 3	Falun	1977	1977	12,536	
Gamlestaden 2:10	Offices	Kullagergatan 18	Gothenburg	1929	2003	3,154	
Gamlestaden 2:5	Offices	Kullagergatan 18	Gothenburg	1910	1929	21,697	
Höjden 2	Offices	Bergöös Väg 6	Hallsberg	1984	1984	3,228	
Koljan 9	Offices	Kungsgatan 12	Halmstad	1937/1965	1954/1965	4,430	
Söderbymalm 3:462	Offices	Rudsjöterrassen 1	Haninge	1983	1983	52,268	
Kornet 2	Offices	Järnvägsgatan 1	Hässleholm	1966	1966	3,698	
Kristianstad 4:7	Offices	Kockumsgatan 6	Kristianstad	1904, 1906, 1940	1929, 1940	14,348	
Botulf 4	Offices	Hultgrensgatan 4	Köping	1969	1969	3,065	
Hermelinen 15	Offices	Kungsgatan 27	Luleå	1952	2004	7,562	
Byrådirektören 3	Offices	Von Troils Väg 1	Malmö	1974, 2013	1974	13,910	L
Orkestern 2	Offices	Folkborgsvägen 23	Norrköping	1977, 1986	1989	3,931	
Lärkan 10	Offices	Storgatan 50	Skellefteå	1930	2015	5,407	
Marieberg 5	Offices	Skönsbergsvägen 3	Sundsvall	1979	2014	7,298	
Pan 5	Offices	Bankgatan 10	Sundsvall	1889	2014	5,145	
Höder 7	Offices	Storgatan 59	Umeå	1890	2000	10,197	
Kungsängen 12	Offices	Pilgatan 8A	Västerås	1947	1991	9,750	
Samuel 1	Offices	Sigurdsgatan 20	Västerås	1920	1985	6,735	
Total 20						223,844	

SWEDEN JUDICIAL SYSTEM

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Hoppet 6	Judicial system	Solgatan 1	Alingsås	1957, 1974, 1992	1978	7,354	
Tigern 4	Judicial system	Oscarsgatan 6	Alingsås	1899	1958	2,843	
Abborren 13	Judicial system	Kungsgatan 42	Avesta	1974	1974	5,581	
Sparven 1	Judicial system	Garnisonsgatan 6B	Boden	1930	2014	7,953	
Illern 4	Judicial system	Riksvägen 19	Bräcke	1984	1984	435	
Boken 12	Judicial system	Björkvägen 2	Eksjö	1958	1960	2,350	
Nannylund 1	Judicial system	Mosstegsgatan 2	Eksjö	2009	2009	6,222	
Vipan 14	Judicial system	Nygatan 4	Eskilstuna	1958	1958	8,541	
Länsmannen 1	Judicial system	Trädgårdsgatan 41	Falköping	1973	1973	3,998	
Alkan 1	Judicial system	Kvarngatan 2	Gällivare	1993	1993	4,530	
Beckasinen 11	Judicial system	Kvarngatan 3	Gällivare	1983	2013	3,548	
Gjutaren 6	Judicial system	Norra Kyrkogatan 17A	Hudiksvall	1975	2014	6,226	
Duvan 2	Judicial system	Storgatan 2	Härnösand	1971	1993	6,535	
Hantverkaren 1	Judicial system	Värmlandsvägen 25	Karlskoga	1983	1983	6,890	
Örnen 4	Judicial system	Kungsgatan 11	Karlstad	1869	1997	6,194	
Hjorten 1	Judicial system	Djulögatan 26	Katrineholm	1984	1984	4,917	
Finkan 7	Judicial system	Konduktörsgatan 2	Kiruna	1974	1974	5,598	
Fängelset 5	Judicial system	Götgatan 1	Kristianstad	1952	1952	5,777	
Kristianstad 4:45	Judicial system	Östra Kaserngatan 1	Kristianstad	1976	1976	11,041	
Kyrkokvarteret 11	Judicial system	Prästgatan 6	Lindesberg	1981	1981	5,784	
Norra Ljungkullen 7	Judicial system	Södra Torggatan 1	Ljungby	1979	-	5,338	
Von Conow 57	Judicial system	Själbodgatan 6-8	Malmö	1984	1984	6,890	
Mekanikern 1	Judicial system	Boråsvägen 50	Land	1957	1957	2,314	
Ingenjören 6	Judicial system	Järnvägsparken 1	Motala	1974	1974	6,871	
Vakten 1	Judicial system	Södergatan 1	Nässjö	1985, 1996, 2008	1985	2,634	
Venus 11	Judicial system	Slottsgatan 5	Oskarshamn	1955	1955	4,535	

SWEDEN JUDICIAL INSTITUTIONS, CONT.

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Brunnsgården 6	Judicial system	Brännavägen 9	Skellefteå	1955	2012	1,999	
Måsen 21	Judicial system	Strandgatan 47	Skellefteå	1975	1990	8,795	
Lärkan 8	Judicial system	Hågestavägen 2	Sollefteå	1975	1975	5,250	
Transporten 2	Judicial system	Tingsvägen 7	Sollentuna	1980	2000	16,815	
Bremen 3	Judicial system	Tegeluddsvägen 1	Stockholm	1963/ 2006	2006	21,174	
Samuel 2	Judicial system	Sigurdsgatan 22	Västerås	2008	2008	7,141	
Idre 5:114	Judicial system	Byvägen 34	Älvdalen	1988	1988	256	
Ungern 6	Judicial system	Nytorngsgatan 1A	Örnsköldsvik	1972	1986	6,009	
Total 34						208,338	

SWEDEN CARE SERVICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Nödinge 38:25	Healthcare	Klockarevägen 14	Ale	1985	-	1,094	
Karlsborg 4:1	Care services	Karlsborg 1	Aneby	1990	-	679	
Norränge 3:72	Healthcare	Norrängevägen 114	Bollnäs	1965	-	3,300	
Österböle 2:13	Healthcare	Österböle 9031	Bollnäs	1964	-	1,000	
Buskåker 24:2	Healthcare	Tunavägen 246	Borlänge	1927	-	540	
Gropen 1:2	Healthcare	Tunavägen 240	Borlänge	1849	-	530	
Hansgårdarna 8:9	Healthcare	Hansgårdarna 50a	Borlänge	1940/2014	-	784	
Pusselbo 2:19	Healthcare	Heduddsvägen 20	Borlänge	1900	-	600	
Misteln 13	Healthcare	Ängsgatan 3	Essunga	1985	1985	1,778	
Årstad 9:40	Healthcare	Smeagårdsvägen 5	Falkenberg	1963/1980	-	1,311	
Läkaren 5	Healthcare	Sankt Olofsgatan 8	Falköping	1948/2003	2003	3,320	
Röne 1:9, Hässjö 1:3	Healthcare	Grolanda Hagalund 1	Falköping	1930	-	150	
Betaren 4	Care services	Profilvägen 8	Finspång	1973	1973	1,991	
Hårstorp 3:366	Care services	Hårstorp vägen 13	Finspång	1972	1995	2,880	
Östermalm 1:12	Care services	Södra Storängsvägen 50	Finspång	1950/ 1960/ 1994	-	8,510	
Tegelbruket 3	Care services	Östermalmsvägen 55	Finspång	2003	2003	3,275	
Dyrtorp 1:129	Care services	Håvestensvägen 5a	Färgelanda	1977	2013	6,979	
Garde Nygårds 1:68, Garde Kulde 1:37	Care services	Garde Brunnraudvägen 2	Gotland	1967, 1985/85	-	1,015	
Lilla Häggvik 1:1	Care services	Häggvik Gamla Prästgården 3a	Grums	1920/1930	2016/2017	497	
Barrebacken 6:1	Healthcare	Barrebacken 3	Gullspång	1969	-	400	
Källtorp 2:63, 2:93	Healthcare	Stiftelsen Källtorp 2	Gullspång	1954/2009	-	220	
Solbacken 1:5	Healthcare	Solbacken 5	Gullspång	1981	-	150	
Brynäs 34:14	Care services	Atlasgatan 9c	Gävle	1929	1929	645	
Hille 2:144	Care services	Övre Hattmursvägen 4	Gävle	2017	2017	476	
Holmsund 8:5	Care services	Normarksvägen 3	Gävle	2016	2018	395	
Markheden 4:45, 4:46	Healthcare	Bäckvägen 5	Gävle	2009	-	1,986	
Sätra 108:21	Healthcare	Folkparksvägen 5	Gävle	2009	-	1,784	
Söder 66:9	Care services	Södra Centralgatan 19a	Gävle	2016	-	6,785	
Storhagen 57:8	Care services	Transtråket 54	Gävle	2017	2017	476	
Tuve 15:90	Healthcare	Kärrdalsvägen 42	Gothenburg	1925	-	299	
Guttorp 1:34, 1:44	Care services	Mariédalsvägen 17	Götene	1929	2016, 2017	390	
Tuna 2:70	Healthcare	Bryggargatan 8	Hallstahammar	1977	-	571	
Jälkarbyn 132:68	Healthcare	Vintervägen 37	Hedemora	1976	-	175	
Jälkarbyn 132:77	Healthcare	Vintervägen 39	Hedemora	1991	-	250	
Jälkarbyn 132:80, 132:81	Healthcare	Angersteinvägen 54	Hedemora	1991	-	250	
Vikmanshyttan 3:2	Healthcare	Björkallén 1	Hedemora	1741/1973	-	1,900	
Möllarp 1:57	Healthcare	Rallaregatan 61	Helsingborg	-	-	570	
Flugsvampen 7	Healthcare	Horsbyvägen 16a	Herrljunga	1978/1999	1999	2,866	

SWEDEN CARE SERVICES, CONT.

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Äland 1:91	Care services	Nämndemansvägen 4A	Härnösand	1948	2008	2,765	
Brunne 12:21	Care services	Brunne 157	Härnösand	1993	2011	2,923	
Fastlandet 2:84	Care services	Hospitalsgatan 12	Härnösand	1845/ 1862/ 1950/ 1971/ 1980/ 1988	2015	12,477	
Häcken 13	Care services	Källvägen 10	Härnösand	1996	1996	787	
Högsjö-Dal 2:90	Care services	Hälledalsvägen 53	Härnösand	1970	1970	3,510	
Ön 2:58	Care services	Volontärvägen 39	Härnösand	1992	1992	5,727	
Ön 2:63	Care services	Rosenbäcksalen 15 A	Härnösand	1963	1963	5,141	
Orren 12	Care services	Institutgatan 16 B	Härnösand	1980	1991	238	
Sågen 10	Care services	Kiörningsgatan 20	Härnösand	1955	1998	755	
Skolan 1	Care services	Norra Ringvägen 23	Härnösand	1947	1968	7,291	
Sländan 12	Care services	Brännavägen 67	Härnösand	1970	1985	5,634	
Venus 7	Care services	Lönegrensgatan 2 & 8 Vårstagatan 9, Vårstagatan 7	Härnösand	1950	1991	2,055	
Brotschen 10, 11	Healthcare	P A Perssons Gata 6	Hässleholm	1900/1955	-	380	
Brotschen 9, 12	Healthcare	P A Perssons Gata	Hässleholm	1910/1973	-	2,100	
Ljusbadet 1	Healthcare	Terapivägen 3	Hässleholm	1973/1980	-	415	
Svarven 4, 5	Healthcare	Chuckvägen 3	Hässleholm	1987	-	572	
Tormestorp 31:1	Healthcare	Garnvägen 5	Hässleholm	1996	-	250	
Torsjö 1:33	Care services	Torsjö 2871	Hässleholm	1948	2017	834	
Tyringemölla 1:11	Healthcare	Möllegatan 3	Hässleholm	1999	-	337	
Gunnarp 5:42, 5:10	Healthcare	Gunnarp Jeppatorpet 125	Höör	1982	-	330	
Bakareboda 1:162	Care services	Servicevägen 1	Karlskrona	1960	2006	2,125	
Stjärnebo 1	Healthcare	Danboms Väg 2A	Kinda	1953	-	7,640	
Äsphult 24:1, 24:3	Healthcare	Oravägen 197	Kristianstad	1981/2000	-	2,172	
Tom 2:28	Healthcare	Tomvägen 49	Kungsbacka	1930	-	272	
Lunna 1:22	Healthcare	Gösslunda Lunna Gård 1	Lidköping	1856, 1974, 2003	-	250	
Tre Högar 3	Care services	Tre Högars Väg 3	Lund	2017	2017	1,360	
Lyrestads Klockarbol 5:39	Care services	Sjötörpsvägen 2	Mariestad	1958	1992	4,284	
Tordyveln 1	Healthcare	Brättnäsvägen 4	Mariestad	1984	2014	888	
Ullervad 14:19	Care services	Ullervadsvägen 4A	Mariestad	1963/2011	2011	7,315	
Foss 12:24	Healthcare	Centrumvägen 34	Munkedal	1980/2007	2007	1,917	
Norbergsby 14:101	Healthcare	Linnévägen 29	Norberg	1965	-	315	
Norbergsby 7:60	Healthcare	Linnévägen 2a	Norberg	1750/1800- 1826/2010	-	606	
Spännarhyttan 2:7	Healthcare	Spännarhyttan 12	Norberg	1883	-	415	
Visseltofta 21:1, 2:4, 3:54	Care services	Grims Väg 12	Osby	1991, 1993	-	883	
Visseltofta 4:7	Care services	Visseltofta 1369	Osby	1990	-	446	
Färnebo Prästgård 1:28	Healthcare	Runemovägen 18a	Sala	1955	-	288	
Salbohed 1:3	Healthcare	Kopparbergsvägen 31	Sala	1980	-	3,716	
Förmannen 7	Care services	Odengatan 26	Sandviken	1930	2016	408	
Kila 3:7	Care services	Kampavall Kila 4	Skövde	2015/2016	-	194	
Risingsbo Herrgård 1	Healthcare	Herrgårdsvägen 4	Smedjebacken	1750/2000	-	1,320	
Marschen 1	Care services	Rådanvägen 27	Sollentuna	2006	-	4,308	
Höga 2:152	Healthcare	Stora Vägen 2	Stenungsund	2013		1,138	
Görväln 1	Healthcare	Bränningevägen 2	Stockholm	1966	2007	3,619	L
Kontorsskylten 7	Healthcare	Frostviksgatan 1	Stockholm	1971, 2014		5,955	L
Seminarieriet 6	Care services	Seminarievägen 10A	Strängnäs	1904, 1980	2008- 2010	14,045	
Roten 9	Care services	Tomtegränd 5 A-C	Sundsvall	1993	1993	4,369	
Sköle 1:17	Care services	Skölevägen 15	Sundsvall	1985	1985	6,006	
Moga 1:116	Healthcare	Klockaregatan 3	Svenljunga	1950, 1965	1995, 2016	6,837	
Boberg 4:10	Healthcare	Boberg 9	Säter	1900/2001	-	500	
Kläringe 4:2	Healthcare	Kläringe 214	Tierp	1922	2013	310	
Sörby 1:34	Healthcare	Sörby Sörgården 17	Töreboda	1930/1980	-	150	
Fjällräven 15	Healthcare	Myråsvägen 6	Uddevalla	1972	2015	4,386	L

SWEDEN CARE SERVICES, CONT.

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Råane 1:16	Healthcare	Råane 250	Uddevalla	1990	-	251	
Rosenhäll 1	Healthcare	Österled 2	Uddevalla	1972	2012	16,160	
Solbacken 10	Healthcare	Silentzvägen 6	Uddevalla	1980	2000	1,790	
Simmersröd 1:4	Healthcare	Vällebergsvägen 28	Uddevalla	2014	-	1,424	
Teatern 7	Care services	Rampljusallén 20	Umeå	1930, 1996	1998	5,765	
Gamla Uppsala 94:6	Care services	Topeliusgatan 18	Uppsala	2011	-	5,677	
Gränome 1:13	Healthcare	Gränome 61	Uppsala	1993/1997	-	813	
Hov 4:2, 5:2	Care services	Hov 57	Uppsala	1972, 2013	-	1,147	
Kungsängen 24:13	Retirement Homes	Kungsgatan 91	Uppsala	2016	-	5,578	
Löten 6:6	Care services	Ferlingsgatan 31B	Uppsala	2011	-	1,568	
Norrvisjö 1:24	Healthcare	Norrvisjö 154	Uppsala	1960	-	480	
Övernäs 2:17	Care services	Övernäs 32	Uppsala	1954, 1980, 1990	-	1,600	
Skeberga 4:3	Healthcare	Skeberga 55	Uppsala	1969	-	530	
Niklasberg 15	Healthcare	Regementsgatan 19	Vänernborg	1979	2010	305	
Niklasberg 13	Healthcare	Regementsgatan 11	Vänernborg	1929	-	1,597	
Harkie 1:99	Care services	Harkievägen 24	Västerås	1950	2016	615	
Nyckelön 1:51	Care services	Björkbackavägen 1	Västerås	-	-	651	
Älvkarleby 2:2	Healthcare	Älvkarleövägen 4a	Älvkarleby	1930	-	700	
Hägern 4	Healthcare	Gammelvägen 12	Älvsbyn	1950	-	196	
Norra Bro 5:26	Care services	Norra Bro 340a	Örebro	-	-	487	
Gimo 11:97	Healthcare	Vattmyren 321	Östhammar	1983	-	172	
Total 111						251,285	

SWEDEN OTHER PROPERTIES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Bälgen 9	Storage	Skandiegatan 11	Arboga	2006	2006	18,983	
Fastlandet 2:90	Recreational	Murbergsvägen 1	Härnösand	1960	1960	1,575	
Torget 1	Other	Stora Torget 2	Härnösand	1863	1984	798	
Dahlberg 31-33, 52, 60, 61	Land	Högabergsgatan	Karlskrona	-	-	0	
Resecentrum 3	Land	Stationsgatan 7	Skövde	-	-	0	
Remsle 13:64	Storage	Nipan 1	Sollefteå	1941	2000	29,321	
Vik 1:36	Land	-	Vingåker	-	-	0	
Signalisten 11	Land	Signalistgatan 4	Västerås	-	-	0	T
Signalisten 12	Storage	Signalistgatan 4	Västerås	1990	1990	6,658	
Västerås 1:199	Garage	-	Västerås	-	-	0	L
Sigurd 6	Land	Sigurdsgratan 21	Västerås	-	-	0	
Sigvald 5	Land	Sigurdsgratan 21	Västerås	-	-	0	
Handlaren 4	Land	Danska vägen 120	Älmhult	-	-	0	
Total 13						57,335	

NORWAY

NORWAY SCHOOL

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Fredrikstad-423/159-160, 164-165, 171-173	School	Stadion 2	Fredrikstad	1948, 1995, 1999, 2003, 2007, 2009, 2011	1989, 1995, 2011	30,503	
Skedsmo-24/89	School	Kunnskapsveien 55	Skedsmo	1972, 1977, 1986, 1992, 2003	-	27,135	
Total 2						57,638	

NORWAY PUBLIC-SECTOR OFFICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Kalfarveien 78	Offices	Kalfarveien 78	Bergen	1964	2002-2010	8,252	
Myrdalsvegen 22	Offices	Myrdalsvegen 22	Bergen	2007	-	6,008	
Wilbergjordet 1	Offices	Wilbergjordet 1	Fredrikstad	2003	-	6,139	
Njøsavegen 2	Offices	Njøsavegen 2	Leikanger	2004	-	5,881	
Moss-2/1431, 1482, 1484, 1486, 1489, 2261	Offices	Vogts gate 17	Moss	1993	-	10,652	
Oslo-225/261	Offices	Sannergata 2	Oslo	2003	-	20,087	
Jærveien 12	Offices	Jærveien 12	Sandnes	1969/1982	2017	2,922	
Korsgata 5	Offices	Korsgata 5	Sarpsborg	1957	2008	2,269	
Sandesundsveien 3	Offices	Sandesundsveien 3	Sarpsborg	1973/2011	2011	5,180	
Fjørevegen 20	Offices	Fjørevegen 20	Sogndal	2001	-	2,590	
Farmannsveien 50 A	Offices	Anton Jenssens Gate 11	Tønsberg	1898	1991	3,661	
Farmannsveien 50 B	Offices	Anton Jenssens Gate 7	Tønsberg	1991	-	2,302	
Farmannsveien 50 D	Offices	Anton Jenssens Gate 5	Tønsberg	1995	-	6,550	
Farmannsveien 50 E	Offices	Anton Jenssens Gate 3	Tønsberg	1995	-	1,436	
Farmannsveien 50 F	Offices	Anton Jenssens Gate 8	Tønsberg	2003	-	5,137	
Farmannsveien 50 I	Offices	Anton Jenssens Gate 4	Tønsberg	2006	-	4,598	
Rambergveien 9	Offices	Rambergveien 9	Tønsberg	2004	2015	10,875	
Olav Trygvasons gate 4	Offices	Olav Trygvasons gate 4	Tønsberg	1916/1990	2004, 2015-2016	8,184	
Total 18						112,723	

NORWAY COMMERCIAL OFFICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Farmannsveien 50 K	Offices	Anton Jenssens Gate 1	Tønsberg	1999	-	3,394	
Rambergveien 5	Offices	Rambergveien 5	Tønsberg	1965	-	1,224	
Total 2						4,618	

NORWAY JUDICIAL SYSTEM

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Fredrikstad-300/1542	Judicial system	Gunnar Nielsens Gate 25	Fredrikstad	1992	-	4,370	
Fredrikstad-300/210	Judicial system	Brochs Gate 3	Fredrikstad	1976	1994-96	3,868	
Moss-2/2837	Judicial system	Prins Christian Augusts Plass 3-7	Moss	2004	-	4,525	
Skedsmo-83/748	Judicial system	Jonas Lies Gate 20-28	Skedsmo	1990, 2009	-	12,660	
Farmannsveien 50 C	Judicial system	Anton Jenssens Gate 9	Tønsberg	1994	-	2,051	
Total 5						27,474	

NORWAY CARE SERVICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Bergen-122/610	Care services	Bjørgeveien 316	Bergen	2004	-	603	
Bergen-18/348	Care services	Fredlundsveien 45	Bergen	2013	-	735	
Bergen-38/140	Care services	Steinsvikvegen 89	Bergen	1967, 1983, 1987	1987	495	
Ringstabekkveien 105	Care services	Ringstabekkveien 105	Bærum	1924	2014	4,010	
Bømlo-12/17, 12/20	Care services	Færvågen 2	Bømlo	2005	-	825	
Bømlo-123/72	Care services	Motorsportvegen 7	Bømlo	1992	-	591	
Årnesvegen 23	Healthcare	Årnesvegen 23	Eidsvoll	1984-1990	1999-2006	15,000	
Karmøy-5/34	Care services	Slettatunet 10	Karmøy	2008	-	1,022	
Mandal-123/5, 123/16	Care services	Daleveien 274	Mandal	1957	-	650	
Mandal-99/229	Care services	Laustøheia	Mandal	2003	-	590	
Os-54/765	Care services	Industrivegen 111	Os	2009	-	1,044	
Ringerike-38/217	Care services	Trygstadveien 1	Ringerike	2000	-	789	
Ringerike-87/571	Care services	Hovsmarkveien	Ringerike	2010	-	782	
Skedsmo-31/314	Care services	Elvengveien 14	Skedsmo	2006	-	1,167	
Strand-16/344	Care services	Kvednanesvegen 74	Strand	2008	-	1,128	
Ullensaker-136/158	Healthcare	Ragnar Strøms Veg 10	Ullensaker	2018	-	30,225	
Ullensaker-136/160	Healthcare	Ragnar Strøms Veg 4, 6, 8	Ullensaker	2018	-	8,762	
Total 17						68,418	

NORWAY OTHER PROPERTIES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Fjellmagasinet	Garage	Kalfarveien 72	Bergen	1947, 1968, 1974	2005-2010	0	
Kalfarveien 72	Storage	Kalfarveien 72	Bergen	1899	2010	2,077	
Kalfarveien 76	Restaurant	Kalfarveien 76	Bergen	1918	2005-2006	2,400	
Kalfarveien 82	Storage	Kalfarveien 82	Bergen	1959	2004	21,125	
Sandesundsveien 5-7	Land	Sandesundsveien 5	Sarpsborg	-	-	0	
Farmannsveien 50 Sam	Garage	Anton Jenssens Gate 13	Tønsberg	1929/2003	-	0	
Total 6						25,602	

FINLAND

FINLAND SCHOOL

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Pajuniityntie 11	School	Pajuniityntie 11	Helsinki	1969	2002	17,730	
Åkerlundinkatu 5	School	Åkerlundinkatu 5	Tampere	1972	2009	7,438	
Total 2						25,168	

FINLAND PUBLIC-SECTOR OFFICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Nihtisillankuja 6	Storage	Nihtisillankuja 6	Espoo	1975	-	4,884	
Hatanpään valtatie 36	Offices	Hatanpään valtatie 36	Tampere	2003	-	12,919	
Linnankatu 23	Offices	Linnankatu 23	Turku	1989	2016	6,863	
Total 3						24,666	

FINLAND COMMERCIAL OFFICES

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Kivihaantie 7	Offices	Kivihaantie 7	Helsinki	1972	2006	19,431	
Total 1						19,431	

FINLAND JUDICIAL SYSTEM

Property	Category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Vitikka 1	Judicial system	Vitikka 1	Espoo	1979	-	35,402	
Kummatinkatu 6	Judicial system	Kummatinkatu 6	Raahe	2003	-	6,855	
Total 2						42,257	

GLOSSARY

Cash flow from operating activities per common 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 percent of rental income.

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 ratio¹

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 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 loan-to-value ratio¹

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 income¹

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 management¹

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.

Property yield¹

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.

Rental income

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

Rental value¹

Rental income for the total leasable area.

Return on equity

Profit/loss for a rolling 12-month period in relation to average shareholders' 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 ratio¹

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.

¹ Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA).

INFORMATION TO SHAREHOLDERS

ANNUAL GENERAL MEETING

The AGM of Hemfosa Fastigheter AB (publ) will be held at 2:00 p.m. CET on Wednesday, May 7, 2019 at Berns, Kammarsalen, Berzelii park, Stockholm, Sweden.

Registration

Shareholders wishing to attend the AGM must:

- be entered in the register of shareholders maintained by Euroclear Sweden AB on Tuesday, April 30, 2019,
- and notify their intention to attend the AGM no later than Tuesday, April 30, 2019. Registration must be made in writing to: Hemfosa Fastigheter AB (publ), c/o Euroclear Sweden AB, "Årsstämma 2019", Box 191, SE-103 23 Stockholm or by telephone to +46 8-402 92 96. Notification is to include name, personal identification number or corporate registration number, address and telephone number, as well as the number of any accompanying advisors (at most two).

Participation in the Meeting

To be able to participate in the AGM and to exercise their voting rights, shareholders whose shares are registered in a nominee's name must temporarily re-register their shares in their own names. Such re-registration must be completed at Euroclear Sweden AB no later than Tuesday, April 30, 2019. This means that the shareholder must inform the nominee of this well in advance of this date.

If participation is to occur by proxy or through a representative of legal entities, an original power of attorney, registration certificate and other authorizing documents should be sent to the company at the above address well in advance of the AGM. A form for proxies is downloadable from the company's website, www.Hemfosa.se. Shareholders are not permitted to vote remotely or to attend the AGM in any other manner.

Official notification of the AGM

Official notification of the AGM will be made in the form of an advertisement in Post- och Inrikes Tidningar, with an advertisement in Svenska Dagbladet informing that notification has been made. Notification will also be announced as a press release that will be available on the company's website. Documentation that is to be presented at the AGM will be made available on the company's website at least three weeks prior to the meeting.

FINANCIAL CALENDAR

Interim report January–March 2019

May 7, 2019

Annual General Meeting

May 7, 2019

Interim report January–June 2019

July 16, 2019

Interim report January – September 2019

October 25, 2019

Year-end report 2019

February 14, 2020

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