



Q1

Interim report
January–March 2019

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

Hemfosa
FASTIGHETER

KEY FIGURES

	Jan-Mar	
	2019	2018
Rental income, MSEK	688	568
Net operating income, MSEK	459	368
Surplus ratio, %	66.7	64.8
Profit from property management, MSEK	309	243
Unrealized changes in value, properties, MSEK	268	364
Profit after tax, MSEK	458	435
- per ordinary share before dilution, SEK	2.57	2.58 ²
- per ordinary share after dilution, SEK	2.57	2.58 ²
Cash flow from operating activities, MSEK	374	463
Property value, SEK billion	36.9	36.0 ¹
Net asset value (EPRA NAV) per ordinary share, SEK	79.52	75.11 ¹
Equity/assets ratio, %	36.2	35.4 ¹

¹ Year end 2018

² Remaining operations

- Rental income increased 21 percent year-on-year as a result of profitable acquisitions and projects.
- The surplus ratio clearly exceeded the year-earlier level. A milder winter and lower maintenance costs contributed to this.
- Profit from property management was 27 percent higher than in the year-earlier period, primarily as a result of increased rental income.

- Changes in value were somewhat lower year-on-year, amounting to 0.7 percent of the opening value. The valuation yields were essentially unchanged.
- Profit after tax was 5 percent higher than in the year-earlier period. To some extent, lower value appreciation offset the effects of the increase in profit from property management.
- The property value at the end of the period was SEK 37 billion, compared with SEK 45 billion at year-end 2018.
- Net asset value increased to SEK 80 per share, compared with SEK 75 per share at year-end.
- The equity/assets ratio increased to 36 percent, compared with 35 percent at year-end.
- On the balance sheet date, earnings capacity amounted to MSEK 1,382, compared with MSEK 1,360 at year-end.

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- Acquisitions were completed in all three markets:
 - In Oulu, Finland, possession was taken in February of four preschools with an underlying property value of MSEK 46.
 - In Sarpsborg, Norway, possession was taken in April of a public-sector office with an underlying property value of MSEK 71.
 - In Helsingborg, Sweden, possession was taken in March of an LSS home with an underlying property value of MSEK 23.
 - In April, an agreement was concluded concerning the acquisition of a portfolio of four properties in Motala, Sweden, which house schools, public-sector offices and commercial office space. Possession will be taken in June. The underlying property value is MSEK 116.
- An updated strategy and new financial targets were presented in January. The overriding objective is for the property portfolio to grow to SEK 50 billion within five years, at the same time as distributable earnings per share will increase on average by a minimum of 10 percent per year.

ON OUR WAY

The first quarter of 2019 was an active period for Hemfosa. With the decisions made in January on an updated strategy and new financial targets, we staked out the course for our journey into the future. Following successful recruitments, we have now strengthened the organization to be able to realize our objectives. We completed acquisitions in all of our three markets and a number of projects were driven forward in various phases. The operations performed well and in line with our plan. The journey has started.

Our transaction team is now complete and we have thus been able to speed up the tempo of our transaction activities. Lately, we have completed acquisitions in Sweden, Norway and Finland with a total underlying property value of about MSEK 575. The properties we have acquired favorably complement our portfolio; the acquisitions in both Sweden and Norway are in locations where we already have a presence and the two properties in the Oslo region also have potential for development. We are also pleased to be able to enter a new and attractive region for us in Finland, with the acquisition of modern preschool properties with long leases in the rapidly growing Oulu region.

As we have previously described, the need for community service properties in our markets is considerable, both from a growing population and from a higher share of older and younger citizens who require schools, health and care services. Population growth is particularly concentrated to large and midsize municipalities, locations where Hemfosa has an extensive presence. Viewed as a whole, this development is creating pressure for increased floor space, in the form of both new builds and conversions of properties for community service operations, something that Hemfosa can contribute in all of our markets.

Not unexpectedly, community service properties are attracting increasing numbers of players and the competition for objects is intense. However, I feel secure with Hemfosa's position in this market situation. Our size, expertise and local presence give us a competitive edge. We received proof of this when competing for Socialtjänstens Hus in Västerås, which Hemfosa's proposal won and where one of the grounds was our expertise and customer orientation, something that the City of Västerås is well positioned to judge, since it is already one of our tenants.

We continued to strengthen our organization in the first quarter, in line with our plan. With, among others, a Head of Business Development about to join us, we will be able to increase the intensity of work with municipalities and concepts. In the recruitment processes, we have noted that Hemfosa has a strong brand and that many are attracted by the opportunity to become part of our expansive and exciting journey ahead.



Our ambition is to maintain a high tempo, with our sights set on our new growth target of a property portfolio of SEK 50 billion within five years. With a number of exclusive processes under way, we expect more acquisitions in the months ahead. The pace of activity in our project operations is also high, with a number of zoning plans in various phases. We see great potential for project development in the existing portfolio, particularly in Norway. During the robust expansion of the property portfolio there, we have acquired properties with major potential, whose value we are now working hard to realize.

Together with my colleagues, I feel highly committed to our mission: to develop fantastic properties for important community service operations while realizing Hemfosa's profitability and growth targets.

Caroline Arehult,
CEO

COMMENTS ON EARNINGS

Consolidated statement of profit/loss and comprehensive income

MSEK	Jan-Mar	
	2019	2018
Rental income	688	568
Property expenses		
Operating expenses	-144	-120
Maintenance costs	-42	-42
Property tax	-18	-18
Property administration	-25	-19
Net operating income	459	368
Central administration	-33	-31
Other operating income and expenses	1	0
Share in profit of joint ventures	0	6
Share in profit of associated companies	2	1
Financial income and expenses	-120	-102
Profit from property management	309	243
Changes in value of properties, realized	0	0
Changes in value of properties, unrealized	268	364
Changes in value, financial instruments	-13	12
Profit before tax	565	618
Tax	-107	-183
Profit after tax	458	435
<i>Discontinued operations</i>		
Profit after tax from Nyfosa to be distributed to shareholders	-	266
Profit for the period	458	701
Other comprehensive income		
Translation differences in translation of foreign operations	193	209
Comprehensive income for the period	651	910
<i>Profit for the period attributable to:</i>		
Parent Company shareholders	452	689
Non-controlling interests	6	12
Profit for the period	458	701
<i>Comprehensive income for the period attributable to:</i>		
Parent Company shareholders	638	892
Non-controlling interests	12	18
Comprehensive income for the period	651	910

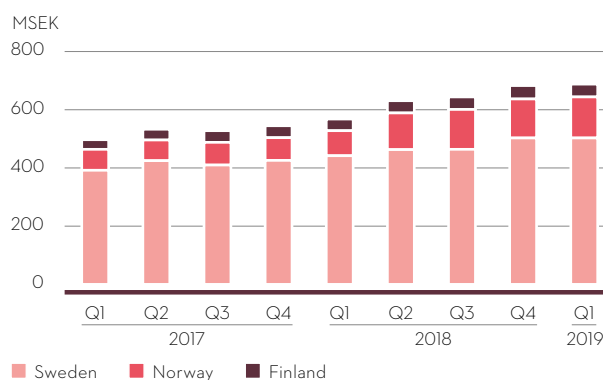


Rental income

Rental income increased during the period by MSEK 120 year-on-year, corresponding to 21 percent. The increase was primarily attributable to a larger property portfolio as a result of implemented acquisitions and projects, mainly in Norway and Sweden. Leasing of vacant floor space, renegotiations and indexation also contributed to the increase in rental income.

Compared with the fourth quarter of 2018, the increase in rental income was MSEK 6. Excluding nonrecurring and accrual effects, which mainly occurred in the fourth quarter of 2018, the increase was MSEK 25. This increase was attributable to indexation in Sweden, a stronger NOK and implemented acquisitions and projects.

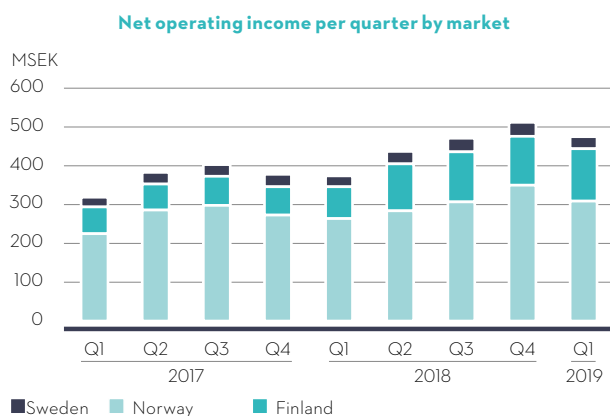
Rental income per quarter by market



Net operating income

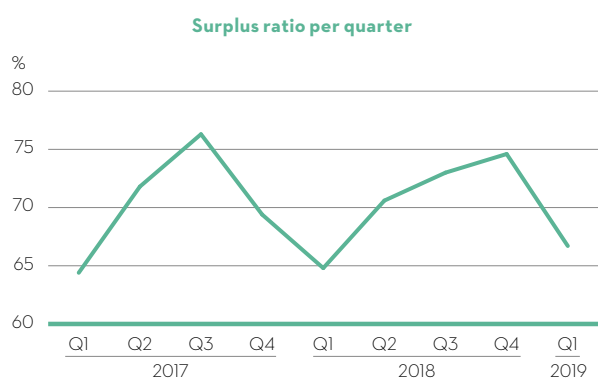
Net operating income was MSEK 91 higher year-on-year, primarily due to increased rental income. Property expenses, particularly maintenance expenses, did not increase at the same rate as rental income, which contributed to the improved net operating income. Electricity consumption was lower year-on-year, due to a milder winter, but this was offset by higher electricity prices.

Compared with the fourth quarter of 2018, net operating income was approximately MSEK 50 lower. This was mainly due to higher costs for heating and snow clearance.



Surplus ratio

Since net operating income improved more than rental income, the surplus ratio rose during the period to 66.7 percent (64.8). Considering this was the first quarter, the surplus ratio was historically high.



Net financial items

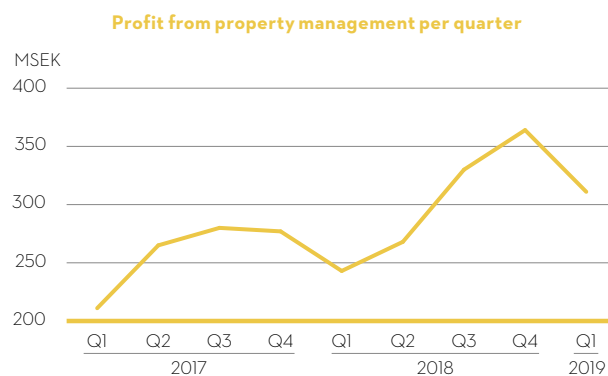
Net financial items for the first quarter were MSEK 18 lower year-on-year, primarily due to a larger borrowing volume as a result of an increased property portfolio (excluding Nyfosa). Net financial items include positive exchange-rate effects of MSEK 4. Ground rent is also included in this item as of 2019, following the introduction of IFRS 16. The amount for the period was MSEK -1. At March 31, the average interest rate in the loan portfolio was 2.09 percent (2.02).

Profit from property management

Profit from property management was MSEK 66, or 27 percent, higher year-on-year due to the larger volume in the property portfolio but also to a higher margin.

Central administration costs were somewhat higher year-on-year. This was primarily due to higher costs as a result of a larger volume of companies and properties.

Shares in profit from joint ventures and associated companies were lower year-on-year, primarily due to the fact that the Gardermoen hospital was classified as joint venture in last year's first quarter.



Change in value

Unrealized changes in value in the property portfolio were MSEK 268 (364) during the period. This corresponds to 0.7 percent of the opening property value. The change in value mainly derives from cash flow changes resulting from increased income from leases and assessments of project costs and market rents.

The weighted yield requirement was 5.8 percent (6.0). This is unchanged compared with the preceding measurement period in the fourth quarter. The discount interest rates used in the present value calculation are also unchanged compared with the fourth quarter measurement.

The unrealized change in value for derivatives during the period was MSEK -13 and was attributable to a decrease in long-term market interest rates.

Tax

Tax expenses for the period were distinctly lower year-on-year, which was mainly due to nonrecurring effects on tax expenses in the year-earlier period. The effective tax rate was 19 percent (26).

EARNINGS CAPACITY

Current earnings capacity

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

Group's earnings capacity

MSEK	Mar 31, 2019	Dec 31, 2018
Rental income	2,696	2,666
Property expenses	-637	-636
Property administration	-70	-67
Net operating income	1,989	1,963
Central administration	-120	-120
Share in profit from joint ventures and associated companies	15	12
Financial expenses	-502	-495
Profit from property management	1,382	1,360

Comments on earnings capacity

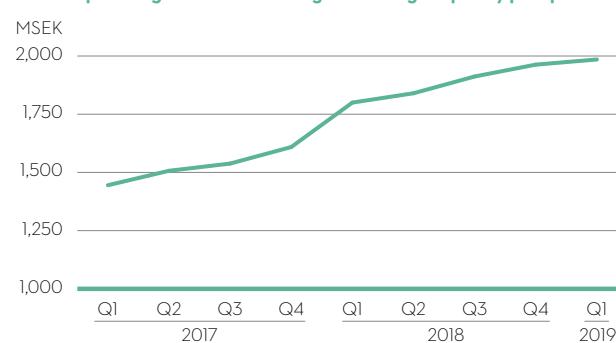
Rental income was MSEK 30 higher than earnings capacity for the preceding quarter. The higher amount is primarily due to exchange-rate effects in relation to NOK, indexation of the Norwegian leases and new leases. A certain effect of the acquisitions for which possession was taken during the period should also be added.

Share in the profit of joint ventures and associated companies was MSEK 3 higher than the preceding quarter's earnings capacity, which was attributable to an increased shareholding

in the associated company Offentlig Eiendom. Due to the introduction of IFRS 16, financial expenses increased and property expenses were reduced by ground rent in an amount of MSEK 4. Other items show only minor adjustments in relation to the preceding quarter's earnings capacity.

The yield according to earnings capacity was 5.3 percent, compared to 5.4 percent at year-end.

Net operating income according to earnings capacity per quarter



Sensitivity analysis, March 31, 2019

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 27
Economic leasing rate according to earnings capacity	+/- 1	+/- 27
Property expenses according to earnings capacity	+/- 1	+/- 7
Net operating income according to earnings capacity	+/- 5	+/- 99
Changed exchange rate NOK/SEK	+/- 5	+/- 17
Changed exchange rate EUR/SEK	+/- 5	+/- 5

Calculation basis

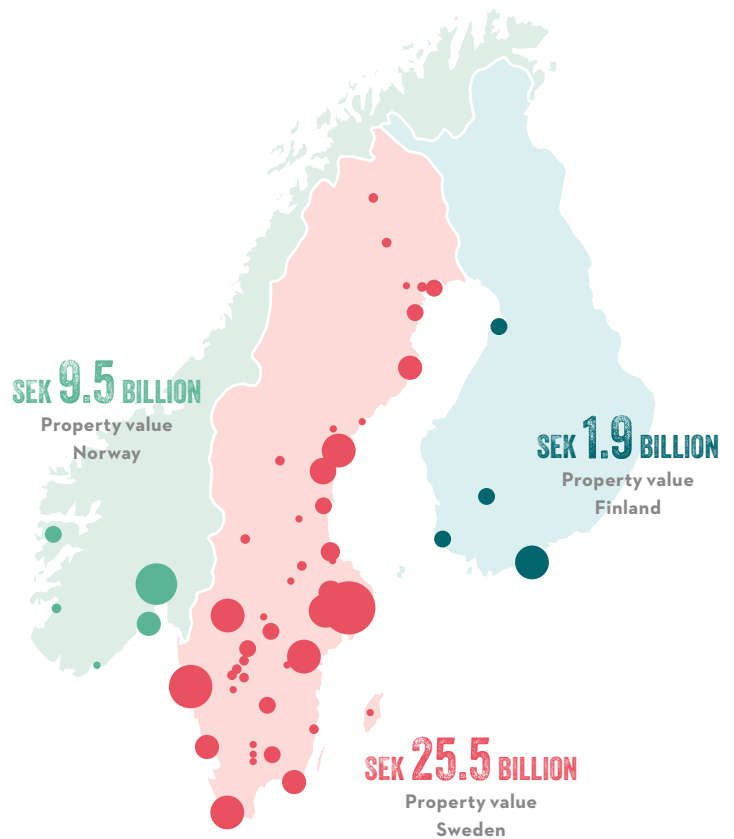
The following information is used as the basis for assessing current earnings capacity.

- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income based on current leases.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures during a standard year.
- Property tax has been calculated on the basis of the current tax assessment value of the properties.
- Central administration and marketing costs have been calculated on the basis of the existing organization and the size of the property portfolio.

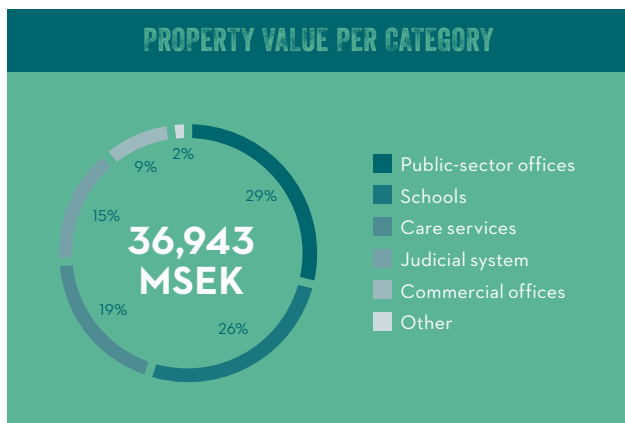
- Hemfosa's shares in profit from joint ventures are calculated according to the same methodology as for Hemfosa, taking into account the size of the share of profit.
- The assessment of earnings capacity does not assume any financial income.
- Financial expenses have been calculated on the basis of the company's average interest rate and existing accrued arrangement fees.
- The earnings capacity for the international operations has been restated at the exchange rate prevailing on the balance-sheet date.

THIS IS HEMFOSA

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



HEMFOSA WILL BE THERE TO SERVE THE COMMUNITY



COMMUNITY SERVICE PROPERTIES

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

GROWTH OBJECTIVE

- Grow to SEK 50 billion in property value within five years
- Distributable earnings per share will increase on average by a minimum of 10 percent per year

DIVIDEND POLICY

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

FINANCIAL RISK LIMITATIONS

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

PROPERTY PORTFOLIO

Property portfolio as at March 31

	Schools		Care premises & adapted housing		Judicial system		Public-sector offices ³		Commercial offices ¹		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018 ¹	2019	2018 ¹
Rental value, MSEK	748	594	455	460	449	411	876	803	329	891	49	491	2,905	3,650
Leasable area ² , 000s sqm	527	434	301	312	291	279	618	592	277	702	45	665	2,059	2,985
Fair value of properties, MSEK	9,687	7,908	7,046	7,189	5,457	4,895	10,605	9,487	3,477	9,754	671	5,704	36,943	44,937
No. of properties	114	77	114	123	43	41	73	77	24	76	17	85	385	479
Economic leasing rate, %	93.8	94.2	98.5	98.0	95.7	95.3	94.0	95.7	84.2	88.4	99.6	91.7	93.9	93.4
Remaining lease term, years	8.8	8.9	12.0	13.1	4.0	4.2	4.2	4.0	4.3	3.7	4.9	5.4	6.6	6.2

¹ Including Nyfosa

² Excluding garage

³ Offices where, directly or indirectly, publicly financed tenants account for the vast majority of the rental income

Leases

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

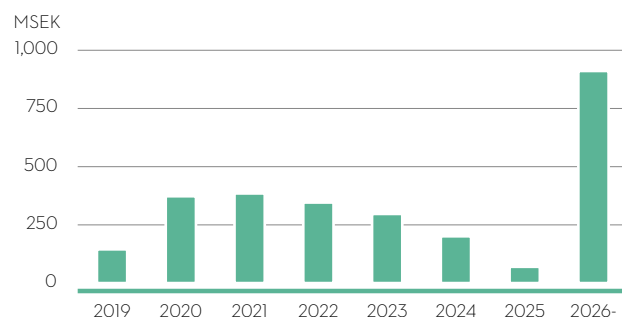
At the end of the period, the average remaining lease term was 6.6 years. There is a favorable spread in lease maturities, with leases for between 10 percent and 15 percent of the rental value expiring every year from 2020 to 2023. Leases accounting for only 5 percent of total rental income expire in 2019. A full 33 percent will expire in 2026 or later.

The economic leasing rate was 93.9 percent, somewhat lower than in the preceding quarter. The decline is due mainly to an upward adjustment of rent levels for vacant premises.

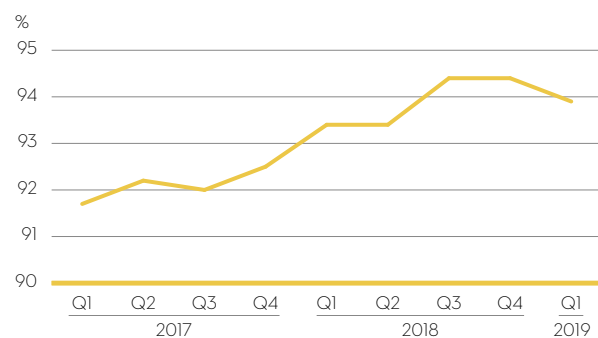
Hemfosa's ten largest tenants at March 31, 2019

Operations	Rental income MSEK	Percentage of total rental income, %
The Police Authority in Sweden	164	6
Municipality of Härnösand	130	5
LHL Eiendom AS	114	4
The Courts of Sweden	112	4
NAV - Norwegian Labor and Welfare Administration	68	2
Swedish Migration Agency	65	2
Municipality of Haninge	59	2
Pysslingen Preschools and Schools	57	2
Oslo and Akershus University College	56	2
Internationella Engelska Skolan	52	2
Total	878	32

Lease expiry



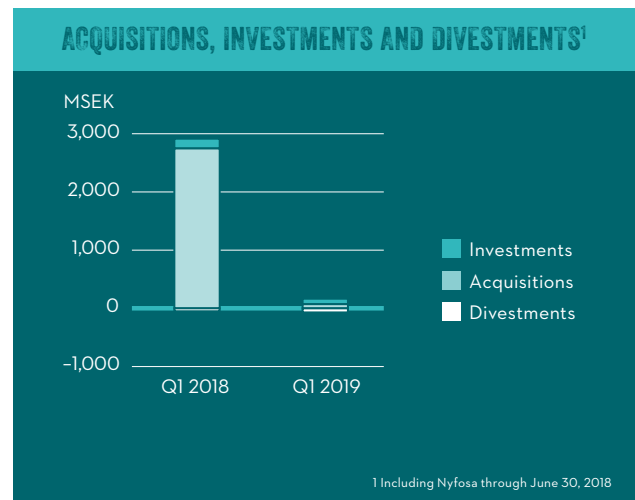
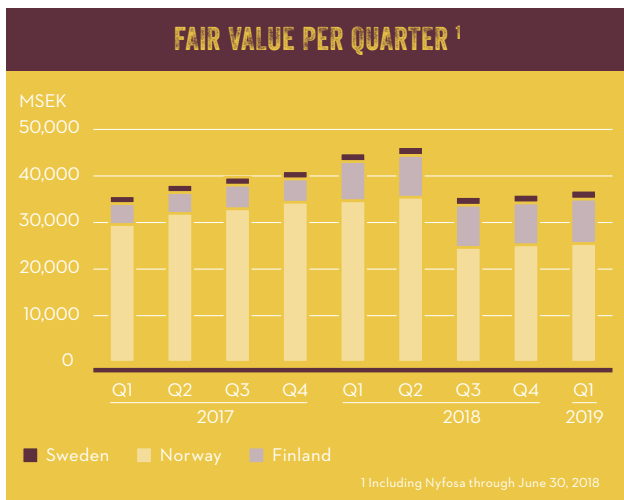
Leasing rate per quarter



Change in fair value of property portfolio per market, March 31

MSEK	Sweden		Norway		Finland		Total	
	2019	2018 ¹	2019	2018	2019	2018	2019	2018 ¹
Opening value for the year	25,194	22,337	8,999	4,988	1,856	1,772	36,049	29,097
Acquired properties	25	26	-	2,724	48	-1	72	2,749
Investments in existing properties	79	122	15	10	0	1	94	133
Divested properties	-11	-67	-	-	-	-	-11	-67
Realized changes in value in profit or loss for the period	0	-2	-	-	-	-	0	-2
Unrealized changes in value in profit or loss for the period	188	58	80	299	1	6	268	363
Translation differences	-	-	443	390	27	80	471	470
Closing fair value	25,475	22,474	9,537	8,411	1,931	1,858	36,943	32,743

¹ Excluding Nyfosa



Changes in property portfolio

During the period, possession was taken of properties in Finland and Sweden with a total cost of MSEK 72. MSEK 94 was invested in the portfolio during the period, primarily in Sweden but also in Norway.

A divestment of a minor property in Sweden was completed.

Unrealized changes in value amounted to MSEK 268, with the Norwegian properties accounting for the proportionately largest increase. Since the SEK weakened against both NOK and EUR, positive currency effects totaling MSEK 471 arose.

Acquisitions and divestments

During the period, possession was taken of five acquired properties: an LSS home in Sweden (Helsingborg) and four preschools in Finland (Oulu).

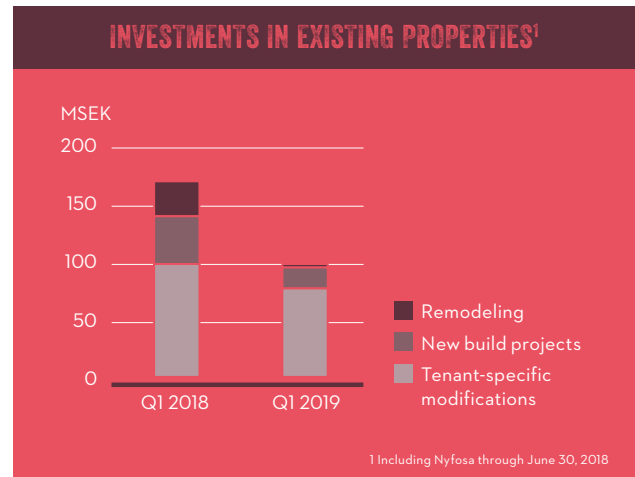
A property in Sweden (Gävle) was divested when it became vacant and the future area of use was not considered to be within community service properties.

Acquisitions, January-March 2019

Country, Municipality	Property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>			
Sweden, Helsingborg	Rosenlund 1:58	1	1
Finland, Oulu with surroundings	Koivulehto 1B, Lihoviuksenlaita 2, Neronlantie 3, Satulaite 1	2	4

Divestments, January-March 2019

Country, Municipality	Property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>			
Sweden, Gävle	Sätra 108:23	1	0



Investments in existing properties

MSEK 94 was invested in existing properties, with the majority of the investments pertaining to refurbishment on behalf of tenants, with consequential higher rents and/or longer leases. Many projects are in the start-up phase and will entail higher levels of investment moving forward.

Major ongoing projects, March 31, 2019

Municipality	Property	Category	Leasing rate	Area, 000s of sqm	Total estimated investment, MSEK	Remaining investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Adapted housing	100%	4	92	91	Q3, 2020
Gothenburg	Gamlestaden 2:10	Public-sector offices	100%	3	114	111	Q4, 2020
Västerås	Sigurd 6	Public-sector offices	100%	8	250	248	Q1, 2021

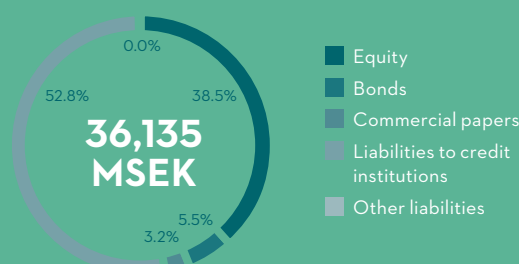
FINANCING

KEY PERFORMANCE DATA – LOAN PORTFOLIO

	Mar 31	
	2019	2018 ¹
Net loan-to-value ratio, %	57.7	56.9
Average interest rate, %	2.09	2.02
Average remaining fixed-rate period, years	1.6	1.4
Average remaining loan maturity period, years	2.7	2.3
Interest-rate hedged portion of liabilities, %	68.0	65.2
Fair value of derivatives, MSEK	-40	-19

¹ Including Nyfosa

BREAKDOWN OF SOURCES OF FINANCING



Interest-bearing liabilities

Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial paper. New bank loans were raised in the first quarter of 2019. During the quarter, commercial paper in an amount of MSEK 950 was extended and no commercial paper was redeemed. At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,150 and non-covered bonds of MSEK 2,000. The company has backup facilities for the outstanding commercial paper, most of which is covered.

Change in loan portfolio

MSEK	Jan-Mar	
	2019	2018 ²
Interest-bearing liabilities at the beginning of the period	22,027	24,110
New bank loans	-	1,945
Repayment of bank loans	-79	-67
Redemption of commercial paper	-	-
Issue of commercial paper	-	-
Issue of bond loans	-	-
Redemption of bond loans	-	-66
Exchange-rate difference	261	219
Changes attributable to Nyfosa, which has been distributed to shareholders	-	-
Interest-bearing liabilities at the end of the period¹	22,209	26,142

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

² Including Nyfosa

Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates have less impact on the Group's interest expenses. In some cases, the Group has entered into loan agreements with an

interest-rate floor provision, meaning that STIBOR 3 months cannot be negative. Due to these loan agreements, Hemfosa is not able to fully capitalize on the lower interest rates. At March 31, 2019, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,940 (5,114) and interest-rate caps MSEK 10,118 (11,451). Most interest-rate swaps had a negative fair value at March 31, 2019.

Fixed-rate period and loan maturity, March 31, 2019

	Fixed-rate period			Loan maturity	
	Volume, MSEK	Proportion, %	Interest rate, %	Volume, MSEK	Proportion, %
2019	9,521 ¹	43	2.6	2,861 ¹	13
2020	4,376	20	2.1	4,879	22
2021	1,723	8	1.9	3,302	15
2022	1,178	5	1.6	2,465	11
2023	4,871	22	1.6	7,948	36
>2024	539	2	2.0	754	3
Total	22,209	100	2.09	22,209	100

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

Sensitivity analysis, March 31, 2019

	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 attributable to shift in interest rate curves	+/-1	+/-161

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

OTHER

Updated strategy and new financial targets

On January 24, 2019, Hemfosa presented an updated strategy, new financial targets and a dividend policy 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. The dividend is to amount to approximately 40 percent of distributable earnings comprising profit from property management, excluding the share in profit in joint ventures and after tax.

Annual General Meeting (AGM)

The AGM of Hemfosa Fastigheter AB (publ) will be held at 2:00 p.m. CET on May 7, 2019 at Berns in Berzelii park, Stockholm, Sweden. AGM documentation with information about the Board of Directors' motions is available on the company's website www.hemfosa.se.

Shareholders

At March 31, 2019, Hemfosa had 27,286 shareholders.

Ownership structure, March 31, 2019

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur Funds	9,543,967	-	5.3	5.7
Länsförsäkringar Funds	8,215,012	-	4.6	4.9
Norges Bank	5,971,936	-	3.3	3.5
SEB Funds	5,767,095	-	3.2	3.4
Vanguard	4,896,189	522,421	3.0	2.9
BlackRock	4,930,464	-	2.8	2.9
JP Morgan Asset Management	3,884,725	-	2.2	2.3
Fourth AP Fund	3,817,870	-	2.1	2.3
Columbia Threadneedle	3,768,237	-	2.1	2.2
Handelsbanken Funds	3,565,000	-	2.0	2.1
Other	113,367,754	10,477,578	69.3	67.8
Total	167,728,249	10,999,999	100.0	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for foreign shareholders. Updated on March 31, 2019.

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Reporting, as well as applicable regulations of the Swedish Annual Accounts Act. For both the Group and the Parent Company, the same accounting policies have been applied as in the most recent Annual Report, with the exception of the amended accounting policies described below.

Operations distributed to the shareholders (Nyfosa)

The shares in Nyfosa were distributed to Hemfosa's shareholders on November 23, 2018 following a resolution passed at an extraordinary general meeting on September 13, 2018. In this interim report, all data pertains to the remaining operations, unless otherwise indicated specifically below or in a footnote. The comparative period in the income statement, i.e. the first quarter of 2018, has been restated and only refers to remaining operations. The comparative figures in the balance sheet are per December 31, 2018 where Nyfosa is no longer included in the Group.

IFRS 16

IFRS 16, which took effect on January 1, 2019, entails that lessees recognize assets and liabilities attributable to all leases that are not minor or short term. For Hemfosa, this stipulation has an impact on site leasehold and tenancy agreements. From an IFRS 16 perspective, these are considered perpetual leases. The fair value of these has been calculated and recognised as a right-of-use asset in the balance sheet in the item "Site leasehold, right of use". A liability, corresponding to the right-of-use asset, is recognised in the balance sheet in the item "Lease liability". Since site leasehold agreements are regarded as perpetual, the lease liability is not repaid; instead the value remains unchanged until the site leasehold and tenancy agreements are renegotiated. The lease liability is not included in interest-bearing liabilities when calculating key performance data.

In the income statement, ground rent is recognized in its entirety in net financial items as other financial expense. In the comparative period, the fees have been recognized as a property cost and included in net operating income. Hemfosa's ground rent amounted to MSEK 1 (i) for the period.

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

Estimates and assumptions

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

Significant risks and uncertainties for the Group and Parent Company

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner on managing these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2018 Annual Report on pages 47-50 and 97-99.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

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

Nacka, May 7, 2019
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Caroline Arehult
Chief Executive Officer

This interim report has not been audited.

The information is such that Hemfosa Fastigheter AB (publ) is obligated to disclose in accordance with the EU Market Abuse Regulation. The information was issued for publication by the agency of the CEO on May 7, 2019 at 7:30 a.m. CET.

FINANCIAL CALENDAR

Annual General Meeting 2019	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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FINANCIAL POSITION AND CASH FLOW

Consolidated statement of financial position

MSEK	Mar 31 2019	Dec 31 2018
ASSETS		
Investment properties	36,943	36,049
Site leasehold, right of use	119	-
Shares in joint ventures	63	60
Shares in associated companies	230	164
Other fixed assets	23	13
Current receivables	271	200
Cash and cash equivalents	828	974
TOTAL ASSETS	38,475	37,459
EQUITY AND LIABILITIES		
Equity attributable to Parent Company shareholders	13,771	13,134
Non-controlling interests	156	143
Equity	13,927	13,276
Interest-bearing liabilities	22,209	22,027
Lease liability	119	-
Deferred tax liability	1,320	1,229
Other liabilities	900	927
Total liabilities	24,548	24,183
TOTAL EQUITY AND LIABILITIES	38,475	37,459

Consolidated statement of changes in equity

MSEK	Equity attribut- able to Parent Company shareholders	Non-con- trolling interests	Total equity
Opening equity Jan 1, 2018	17,723	85	17,807
New issue, ordinary shares	1,069 ¹	-	-1,069 ¹
Repurchase of subscription warrants	-5	-	-5
Dividend, ordinary shares	-793	-	-793
Dividend, preference shares	-110	-	-110
Distribution of Nyfosa	-7,100	-	-7,100
Other	-3	-	-3
Change in holdings without significant non-controlling interests	-24	28	4
Comprehensive income, Jan-Dec 2018	2,378	31	2,409
Closing equity December 31, 2018	13,134	143	13,276
Opening equity Jan 1, 2019	13,134	143	13,276
Change in holdings without significant non-controlling interests	-	-	-
Comprehensive income Jan-Mar 2019	638	12	651
Closing equity March 31, 2019	13,771	156	13,927

¹ The amount includes costs for raising capital of MSEK 16.

Consolidated statement of cash flows

MSEK	Jan-Mar	
	2019	2018
Operating activities		
Profit from property management	309	243
Adjustments for non-cash items	-5	-18
Income tax paid	-	-8
Subtotal	304	231
Change in operating receivables	-74	-139
Change in operating liabilities	144	371
Cash flow from operating activities for Nyfosa that has been distributed to shareholders	-	40
Cash flow from operating activities	374	503
Investing activities		
Direct and indirect acquisition of investment properties	-72	-2,002
Direct and indirect divestment of investment properties	11	66
Investments in existing properties	-95	-133
Acquisition of joint ventures and associated companies	-55	-1
Other	-3	9
Cash flow from investing activities for Nyfosa that has been distributed to shareholders	-	-41
Cash flow from investing activities	-214	-2,102
Financing activities		
New issue	-	-
Loans raised	0	1,892
Repayment of loans	-80	-71
Dividend paid to Parent Company shareholders	-229	-201
Other	0	11
Cash flow from financing activities for Nyfosa that has been distributed to shareholders	-	-77
Cash flow from financing activities	-309	1,554
Cash flow for the period	-149	-45
Cash and cash equivalents at the beginning of the period	974	541
Exchange-rate difference in cash and cash equivalents	3	8
Cash and cash equivalents at the end of the period	828	503

KEY PERFORMANCE DATA

Key financial data

	Mar 31 2019	Dec 31 2018
Return on equity, %	12.7	15.1
Equity/assets ratio, %	36.2	35.4
Net loan-to-value ratio, properties, %	57.9	58.4
Debt/equity ratio, multiple	1.6	1.7
Interest-coverage ratio, multiple	3.5	3.3
Net debt/EBITDA	11.4	11.4

Share-related key figures, ordinary shares

	Jan-Mar	
	2019	2018
Profit from property management per ordinary share ²	1.85	1.54
Profit after tax per ordinary share before dilution, SEK	2.57	2.58 ⁴
Profit after tax per ordinary share after dilution, SEK	2.57	2.58 ⁴
Equity per ordinary share, SEK ¹	71.42	67.76 ³
Net asset value (EPRA NAV), SEK per ordinary share ^{1,2}	79.52	75.11 ³
Cash flow from operating activities per ordinary share, SEK	2.23	3.19
Dividend per ordinary share, SEK	1.20	1.10
Number of ordinary shares outstanding, 000s ¹	167,728	157,728

Property-related key figures

	Mar 31 2019	Dec 31 2018
No. of properties	385	381
Rental value, MSEK ²	2,905	2,826
Leasable area, 000s of sqm	2,059	2,059
Fair value of properties, MSEK	36,943	36,049
Property value, SEK per sqm of leasable area	17,942	17,508
Economic leasing rate, %	93.9	94.4
Surplus ratio, %	66.7	71.0
Yield, %	5.3	5.4

Share-related key figures, preference shares

	Mar 31 2019	Dec 31 2018
Dividend per preference share, SEK	10.00	10.00
Equity per preference share, SEK ¹	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000

1 At the end of the period

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

3 Year end 2018

4 Excluding Nyfosa

Components of key performance data

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

Return on equity

MSEK	Mar 31 2019	Dec 31 2018
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	2,064	2,328
Average equity attributable to Parent Company shareholders	16,197	15,428
Return on equity, %	12.7	15.1

Net debt/ EBITDA

MSEK	Mar 31 2019	Dec 31 2018
Cash and cash equivalents	828	974
Interest-bearing liabilities	22,209	22,027
Net operating income, earnings capacity	1,989	1,963
Central administration	120	120
Net debt/ EBITDA, multiple	11.4	11.4

Net loan-to-value ratio

MSEK	Mar 31 2019	Dec 31 2018
Cash and cash equivalents	828	974
Interest-bearing liabilities	22,209	22,027
Investment properties	36,943	36,049
Net loan-to-value ratio, %	57.9	58.4

Interest-coverage ratio

MSEK	Mar 31	
	2019	2018
Profit from property management	309	243
Share in profit from joint ventures and associated companies	2	7
Depreciation/amortization	0	0
Financial income and expenses	-120	-102
Interest-coverage ratio, multiple	3.5	3.3

Net debt/ EBITDA

MSEK	Mar 31 2019	Dec 31 2018
Cash and cash equivalents	828	974
Interest-bearing liabilities	22,209	22,027
Net operating income, earnings capacity	1,989	1,963
Central administration	120	120
Net debt/ EBITDA, multiple	11.4	11.4

EPRA NAV

MSEK	Mar 31 2019	Dec 31 2018
Equity attributable to Parent Company shareholders	13,771	13,134
Preference share capital	1,791	1,791
Deferred tax	1,320	1,229
Derivatives	40	27
Adjustments of joint ventures	-	-
Number of ordinary shares, millions	168	168
EPRA NAV, SEK	79.52	75.11

QUARTERLY REVIEW AND OPERATING SEGMENTS

Quarterly review

	Quarter 1 2019	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017
Rental income, MSEK	688	683	642	632	568	545	528	532
Property expenses								
Operating expenses, MSEK	-144	-90	-82	-110	-120	-86	-55	-97
Maintenance costs, MSEK	-42	-45	-52	-36	-42	-50	-37	-21
Property tax, MSEK	-18	-19	-18	-18	-18	-18	-18	-15
Property administration, MSEK	-25	-19	-21	-22	-20	-13	-15	-17
Net operating income, MSEK	459	509	468	446	368	378	403	382
Surplus ratio, %	66.7	74.6	73.0	70.6	64.8	69.4	76.3	71.8
Equity/assets ratio, % ¹	36.2	35.4	23.8	39.5	39.5	40.4	40.6	39.7
Net loan-to-value ratio, properties, % ¹	57.7	58.2	58.7	53.9	56.9	57.1	56.8	56.4
Interest-coverage ratio, multiple	3.5	3.3	3.6	2.8	3.3	3.5	3.9	3.8

¹ Inclusive Nyfosa to quarter 2 2018

Operating segments

As part of internal reporting to Group management, net operating income is monitored by market, corresponding to the three countries in which Hemfosa has investments. These three countries constitute the Group's accounting by operating segment. Other income statement items within Profit from property management are monitored at the consolidated level.

Net operating income, Sweden (MSEK)	Jan-Mar	
	2019	2018
Rental income	503	442
Property expenses	-186	-165
Property administration	-25	-19
Net operating income	292	258

Net operating income, Norway (MSEK)	Jan-Mar	
	2019	2018
Rental income	141	86
Property expenses	-6	-4
Property administration	0	0
Net operating income	135	82

Net operating income, Finland (MSEK)	Jan-Mar	
	2019	2018
Rental income	44	40
Property expenses	-13	-11
Property administration	0	0
Net operating income	31	28

Key performance data, March 31	Sweden		Norway		Finland		Total	
	2019	2018 ³	2019	2018	2019	2018	2019	2018 ³
Rental value, MSEK	2,146	2,977	574	499	185	174	2,905	3,650
Leasable area ¹ , 000s of sqm	1,659	2,605	286	268	113	112	2,059	2,984
Fair value of properties, MSEK	25,475	34,667	9,537	8,411	1,931	1,858	36,943	44,937
No. of properties	323	426	50	45	12	8	385	479
Yield ² , %	5.1	5.2	5.6	5.8	7.0	6.5	5.3	5.4
Economic leasing rate, %	92.6	92.2	98.4	99.5	94.2	95.2	93.9	93.4
Remaining lease term, years	5.5	5.2	10.9	11.8	5.5	6.0	6.6	6.2
Surplus ratio for the period, %	58.0	60.6	95.5	95.2	71.1	71.0	66.7	64.7

¹ Excluding garage space

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

³ Including Nyfosa

PARENT COMPANY

Income statement for the Parent Company

MSEK	Jan-Mar	
	2019	2018
Net sales	7	9
Other external costs	-12	-9
Personnel costs	-7	-10
Depreciation/amortization	0	0
Operating loss	-12	-10
Profit from shares in Group companies	-	-
Interest income and similar income items	1	8
Interest expenses and similar expense items	-13	-13
Profit after financial items	-24	-16
Appropriations		
Group contributions received and paid	-	-
Profit after appropriations	-24	-16
Tax	5	4
Profit for the year	-19	-12

Balance sheet for the Parent Company

MSEK	Mar 31	Dec 31
	2019	2018
ASSETS		
Tangible assets	1	1
Participations in Group companies	5,510	5,510
Non-current receivables from Group companies	227	227
Total fixed assets	5,737	5,737
Current receivables from Group companies	5,490	5,972
Other current receivables	32	30
Cash and bank balances	0	355
Total current assets	5,522	6,357
TOTAL ASSETS	11,259	12,095
EQUITY AND LIABILITIES		
Restricted equity	89	89
Unrestricted equity	7,971	7,990
Equity	8,059	8,079
Non-current interest-bearing liabilities	1,000	1,000
Non-current liabilities to Group companies	8	8
Other non-current liabilities	1	1
Total non-current liabilities	1,009	1,009
Commercial paper, short-term	1,150	1,150
Current interest-bearing liabilities	1,000	1,000
Current liabilities to Group companies	-	583
Other current liabilities	41	274
Total current liabilities	2,191	3,007
Total liabilities	3,200	4,016
TOTAL EQUITY AND LIABILITIES	11,259	12,095

GLOSSARY

Return on equity

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

Yield^{*}

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

Net operating income^{*}

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

Equity per ordinary share

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

Equity per preference share

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

Economic leasing rate

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

Property

Properties held under title or site leasehold.

Profit from property management^{*}

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

Profit from property management per ordinary share

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

Rental income

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

Rental value^{*}

Rental income for the total leasable area.

IAS

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

IFRS

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

Cash flow from operating activities per 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.

Net loan-to-value ratio^{*}

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

Net debt/EBITDA

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

Preference share capital

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

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.

Interest-rate swaps

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

Interest-rate cap

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

Interest-coverage ratio^{*}

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in profit in joint ventures 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.

Public service properties

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

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Net asset value 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.

Ground rent

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

Site leasehold

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

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.

Surplus ratio^{*}

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

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

