



Q2 INTERIM REPORT JANUARY-JUNE 2017

KEY FIGURES

	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income, MSEK	858	642	1,580	1,292	2,642
Net operating income, MSEK	654	432	1,107	860	1,817
Surplus ratio, %	76.2	67.3	70.1	66.6	68.8
Profit from property management, MSEK	699	352	1,146	693	1812
- per ordinary share, SEK	4.25	2.23	6.92	4.61	11.49
Profit after tax, MSEK	874	703	1,860	1,357	3,583
- per ordinary share, SEK	5.31	4.62	11.33	9.37	23.25
Cash flow from operating activities, before changes in working capital, MSEK	500	280	805	581	1,260
- per ordinary share, SEK	3.00	1.73	4.76	3.80	7.76
Property value, SEK billion			38.2	31.9	34.7
- of which, community service properties, %			64	63	65
Net asset value EPRA/NAV, SEK			101.93	81.64	93.87
Equity/assets ratio, %			39.7	38.7	41.2

- Rental income amounted to MSEK 858 (642) in the quarter and MSEK 1,580 (1,292) in the period
- Profit from property management totaled MSEK 699 (352) in the quarter, corresponding to SEK 4.25 per ordinary share (2.23), and to MSEK 1,146 (693) in the period, corresponding to SEK 6.92 per ordinary share (4.61)
- Profit after tax amounted to MSEK 874 (703) in the quarter, corresponding to SEK 5.31 per ordinary share (4.62), and to MSEK 1,860 (1,357) in the period, corresponding to SEK 11.33 per ordinary share (9.37)

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- Five properties in central Örnsköldsvik, Sweden, were acquired at an underlying property value of MSEK 858
- 19 properties in Karlskrona, Sweden, were acquired at an underlying property value of MSEK 750
- 16 community service properties in a total of ten towns in Sweden, were acquired at an underlying property value of MSEK 135
- An agreement was signed to acquire a portfolio of ten community service properties located centrally in Halmstad for an underlying property value of MSEK 1,066 with possession to be taken in September
- In Norway after the end of the quarter, three service community properties were acquired one in Central Tønsberg, one in Eidsvoll Municipality, and one in Bergen with a combined underlying property value of approximately MNOK 392

This is Hemfosa

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

Business concept

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

Strategy

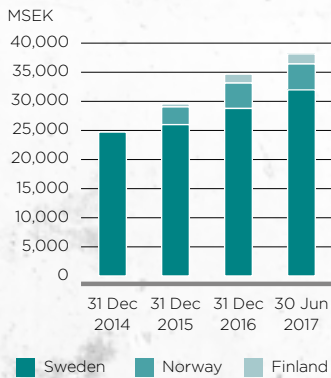
Hemfosa will generate long-term, high and stable growth combined with a strong cash flow by:

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

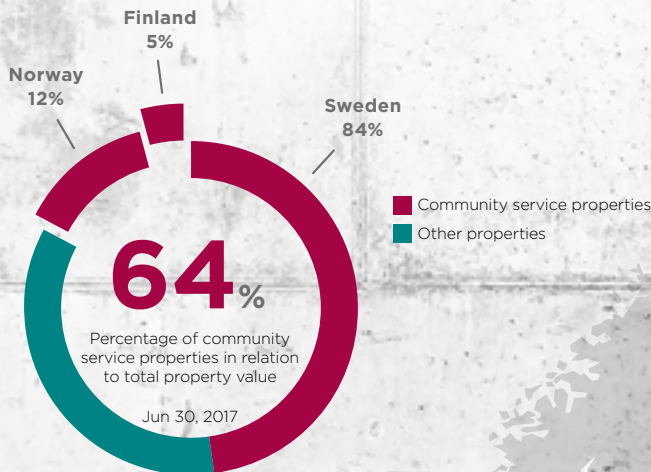
Hemfosa will be active in the Nordic transaction market in order to:

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

Fair value



Rental income



SWEDEN

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

NORWAY

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

FINLAND

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

● Local offices



Comments from the CEO

Acquisitions boost earnings

Hemfosa is now delivering on the long-term acquisition work that we have been conducting ever since the 2016 new issue. During the second quarter, we signed agreements for the acquisition of properties valued at approximately SEK 3 billion, predominantly community service properties in prime locations in expansive midsize and large cities in Sweden. These are typical Hemfosa transactions: major and complex portfolio transactions that we have worked on for a protracted period.

With ten properties in central Halmstad, Hemfosa will become an important player in community service properties in this city when it takes possession of the portfolio in September. We see interesting opportunities to develop the properties through increased leasing to community service operations and also by building new premises. In Karlskrona, we have already taken possession of the 19 properties we acquired with primarily tenants in the community services sector, such as the Police Authority, the National Board of Housing, Building and Planning and the Swedish Coast Guard. Thanks to already having our own personnel in the area, there is good potential to both add value to existing properties and enhance operational efficiency. The third major acquisition comprised a number of properties in central Örnsköldsvik and an office property in Uppsala that we took possession of during the second quarter.

I am both proud and delighted to have succeeded in finalizing these acquisitions of properties that ideally suit Hemfosa, in a competitive market in which increasing numbers of players are showing an interest in the community service segment. Including

“During the autumn, we will continue to work to provide the best premises for the most important operations in society - health and care, school and judicial services.”

the current acquisitions, Hemfosa's role as the Nordic specialist in properties for health and care, school and judicial services is clarified. At the same time, our earnings capacity is substantially enhanced. At the end of the period, annual earnings totaled approximately SEK 1.7 billion, up 8 percent during the quarter, while we also showed a stable trend in both net operating income and profit from property management. As a result of the additional acquisitions we have now completed, the increase will continue during the autumn. During the early part of 2018, Hemfosa will become the sole owner of healthcare properties in Gardermoen, Oslo, under the agreement we signed in March this year, which will further boost our earnings.

Including the currently agreed and implemented transactions, we have put the capital received from last spring's share issue to work. We have also succeeded excellently in refinancing our liability side, by issuing a number of financial instruments during the winter and spring. Interest in the issues was substantial, thus resulting in favorable terms. During the quarter, we also implemented Hemfosa's first incentive plan targeted at all employees. The considerable interest, whereby 89 percent of the maximum number of warrants on offer were acquired, is proof of strong internal confidence in Hemfosa's continued development.

During the autumn, we will continue to work to provide the best premises for the most important operations in society. We will work on integrating the newly acquired properties into Hemfosa and on evaluating opportunities for development and adding value. In parallel, we are working on ongoing investments in existing properties for, among other tenants, Internationella Engelska Skolan, the Swedish Migration Agency and the Swedish Prison and Probation Service.

Jens Engwall, CEO

Strengthening positions along the coast of Norrland

Hemfosa acquired three large-scale properties during the quarter, including a portfolio of five properties in central Örnsköldsvik, Sweden, at a value of MSEK 858. The total rental value is about MSEK 80, of which tenants in the community services sector account for some 40 percent. Major tenants include the municipality of Örnsköldsvik, the Swedish Employment Service and the Swedish Social Insurance Agency.



Operational development

THE PERIOD, JANUARY-JUNE 2017

Earnings

MSEK	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income	858	642	1,580	1,292	2,642
Net operating income	654	432	1,107	860	1,817
Surplus ratio, %	76.2	67.3	70.1	66.6	68.8
Profit from property management excluding profit/loss from shares in joint ventures	502	291	813	593	1,270
Profit from property management including profit/loss from shares in joint ventures	699	352	1,146	693	1,812
Changes in value of properties	322	431	1,060	930	1,594
Changes in value of financial instruments	8	5	20	-26	18
Tax	-156	-85	-367	-239	160
Profit	874	703	1,860	1,357	3,583

Net operating income

Rental income for the period amounted to MSEK 1,580 (1,292). The increase of 22 percent was attributable to a major property portfolio as well as lease renegotiations, signing of new leases and indexation according to leases. Rental income also includes other property income of a nonrecurring nature, which amounted to MSEK 170 (9) during the period. At June 30, 2017, the leasable area of Hemfosa's total property portfolio was 2,790,000 square meters (2,540,000). The leasing rate was 92.2 percent (91.2).

Property expenses amounted to MSEK 429 (390) and costs for property administration to MSEK 44 (42). The change in the surplus ratio was due to primarily to higher property income of a nonrecurring nature, which had a positive impact on net operating income.

The yield for the entire portfolio was 5.4 percent (5.7).

Profit from property management

Central administration costs amounted to MSEK 64 (64).

Financial expenses totaled MSEK 234 (219). At June 30, 2017, the average interest rate was 1.99 percent (2.05).

The share in profit from joint ventures was MSEK 333 (101) and primarily consists of profit from property management of MSEK 65 (60), and changes in the value of properties of MSEK 326 (102). Profit from property management excluding shares in profit from joint ventures amounted to MSEK 813 (593).

Tax

The tax expense totaled MSEK 367 (239), of which MSEK 285 (236) was due to changes in deferred tax liabilities attributable to investment properties. The effective tax rate for Hemfosa was 16 percent (15). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to the share in profit from joint ventures comprising profit after tax.

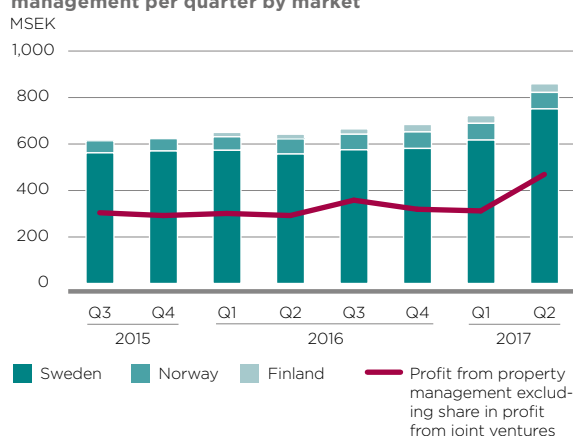
Profit for the period

MSEK
1,860
(1,357)

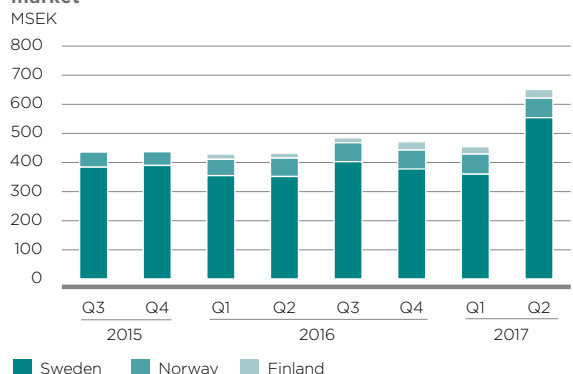
Profit for the period per ordinary share

SEK
11.33
(9.37)

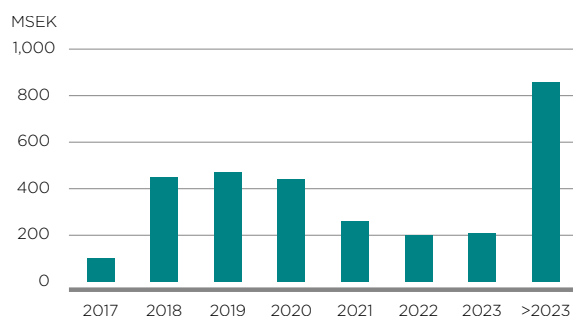
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Lease expiry, June 30, 2017



Property portfolio

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

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

CHANGES IN PROPERTY PORTFOLIO

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

MSEK	Sweden		Norway		Finland		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening value for the year	28,778	25,999	4,359	3,042	1,531	512	34,668	29,553
Acquired properties	2,151	757	14	521	164	516	2,330	1,795
Investments in existing properties	535	310	0	3	1	0	536	313
Divested properties	-266	-847	-	-	-	-	-266	-847
Realized changes in value in profit or loss for the period	32	33	-	-	-	-	32	33
Unrealized changes in value in profit or loss for the period	744	728	264	112	20	55	1,028	897
Translation differences	-	-	-191	169	17	17	-174	186
Closing fair value	31,974	26,688	4,447	3,847	1,732	1,100	38,153	31,928

Acquisitions and divestments of properties

During the second quarter, a total of 27 community service properties were acquired, located in some ten different towns in Sweden. The operations conducted on these premises are primarily health and care services. In addition, two large-scale portfolios were acquired in Örnsköldsvik and Karlskrona, primarily comprising commercial office properties. In total, the acquisitions during the quarter contribute a rental value of MSEK 198 with an average remaining lease term of 8.3 years.

Earlier in the year, the Swedish portfolio was strengthened with three community service properties with a total rental value of MSEK 25 and an average remaining lease term of 12.5 years. The Finnish portfolio was strengthened with a community service property located in the Municipality of Turku. The rental value is MSEK 13 and the leases had a remaining term of 17.8 years.

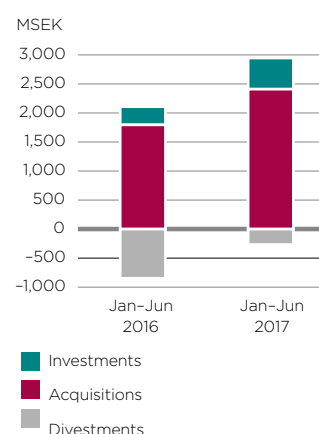
Two properties were divested during the quarter. Earlier in the year, the portfolio was streamlined through the divestment of 11 properties.

Community service properties

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

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

Acquisitions, investments and divestments



Acquisitions, January–June 2017

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Arboga	Bälgen 9	Community services	18	12
Södertälje	Noshörningen 14	Community services	6	10
Stockholm	Oväder 2	Community services	1	3
Turku, Finland	Linnankatu 23	Community services	7	13
<i>Quarter 2</i>				
Aneby	Karlsborg 4:1	Community services	1	1
Borås	Vulkanus 15	Community services	10	12
Gotland	Garde Nygårds 1:68 o Garde Kulde 1:37	Community services	1	1
Grums	Lilla Häggvik 1:1	Community services	0	0
Gävle	Brynäs 34:14	Community services	1	1
Gävle	Holmsund 8:5	Community services	0	1
Gävle	Hille 2:144	Community services	0	1
Gävle	Storhagen 57:8	Community services	0	1
Götene	Guttorp 1:34, 1:44	Community services	1	1
Hässleholm	Torsjö 1:33	Community services	1	1
Karlshamn	Plommonet 3	Community services	2	2

Acquisitions, January–June 2017, cont.

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
Karlskrona	Stumholmen 2:1, 2:21	Community services	4	6
Karlskrona	Rügen 50	Community services	11	17
Karlskrona	Sparre 3	Community services	12	14
Karlskrona	Adlersten 59	Community services	3	4
Karlskrona	Dahlberg 31-33, 52, 60-61	Other	0	0
Karlskrona	Tyska Bryggaregården 6	Other	7	7
Karlskrona	Frimuraren 8	Other	2	2
Karlskrona	Möllebacken 15	Other	7	8
Karlskrona	Humble 2	Other	3	5
Karlskrona	Wattrang 21	Other	9	9
Osby	Visseltofta 2:4, 3:54, 4:7, 21:1	Community services	1	1
Ronneby	Johannishus 1:19	Community services	0	0
Sandviken	Förmanen 7	Community services	0	1
Skövde	Kila 3:7	Community services	0	0
Uppsala	Boländerna 5:2	Community services	9	17
Västerås	Harkie 1:99	Community services	1	1
Örnsköldsvik	Bromsen 7	Other	4	2
Örnsköldsvik	Gjutaren 3	Other	5	3
Örnsköldsvik	Kraften 4	Other	12	13
Örnsköldsvik	Handformaren 2	Other	17	20
Örnsköldsvik	Strandkajen 7	Other	29	43

Divestments, January–June 2017

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Österåker	Husby 4 23,25,27,28,30	Other	7	9
Enköping	Centrum 12:1,16:5,18:1	Other	10	10
Malmö	Skjutstallslyckan 4	Other	8	6
Värnamo	Drabanten 2	Other	1	1
Tranås	Backen 10	Other	3	1
<i>Quarter 2</i>				
Eskilstuna	Nålsögat 6	Other	4	4
Nynäshamn	Älgen 17	Community services	1	2

Ongoing projects in wholly owned properties, June 30, 2017

Municipality	Property	Type of property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Other	Hotell Winn and others	52	340	Q2,2018
Sundsvall	Västhagen 1	Community services	Int. Engelska Skolan	12	146	Q4,2017
Mölnadal	Tulpanen 3	Other	IF Skadeförsäkring	11	128	Q3,2017
Härnösand	Inspektorn 11	Community services	Municipality of Härnösand	20	105	Q1,2018
Södertälje	Noshörningen 14	Community services	Int. Engelska Skolan and Municipality of Södertälje	4	90	Q3,2017
Norrköping	Presidenten 1	Community services	Swedish Prison and Probation Service	12	74	Q2,2018

Properties and changes in value

The unrealized change in the value of the property portfolio during the period was MSEK 1,028 (897), mainly resulting from a change in the required yield but also from implemented projects.

The weighted yield requirement was 6.1 percent (6.4), compared with an average yield requirement of 6.2 percent at March 31, 2017. The weighted cost of capital for calculating the present value of the cash flow and the residual value was 7.3 percent (7.6) and 8.3 percent (8.5), respectively.

Investments in existing properties

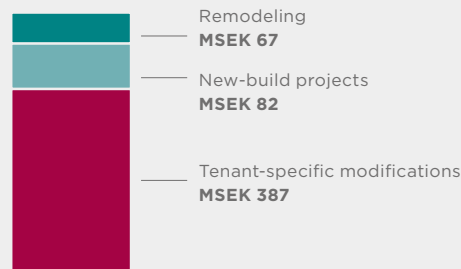
Hemfosa works continuously on evaluating opportunities for developing and improving existing properties and thus creating attractive and functional premises for the company's tenants.

The largest project under way among Hemfosa's wholly owned properties is in a 52,000-square-meter property in Haninge (Najaden), where large-scale remodeling and upgrading is in progress. A new zoning plan has been formulated, which makes it possible to establish community service operations on the property, such as retirement homes and schools, in addition to the existing premises. The project is scheduled for completion in early 2018. In Sundsvall on behalf of Internationella Engelska Skolan, conversion of an existing and construction of a new building are under way to satisfy the school's growing needs. For the same tenant, conversion of 11,000 square meters of premises is in progress in Borås. In Mölnadal, remodeling and expansion of an 11,000 square meter property is under way, which is scheduled for completion in the immediately following quarter. In Uppsala, 8,000 square meters of office premises are being customized for the Swedish Migration Agency.

In the properties owned indirectly, Hemfosa's largest investment is being implemented in the form of construction of a new, state-of-the-art specialist hospital and of a new local medical center at Gardermoen Oslo, Norway.

INVESTMENTS IN EXISTING PROPERTIES

Total
MSEK 536



VALUATION TECHNIQUES

The value of the properties has been assessed based on a market-adapted cash-flow estimate in which, by simulating the calculated future income and expenses, an analysis has been made of the market's expectations with respect to the valuation object. The yield requirement used in the estimate derives from sales of comparable properties. For further information, see Hemfosa's 2016 Annual Report, Note 11.

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

PROPERTY PORTFOLIO, JUNE 30

Community service properties

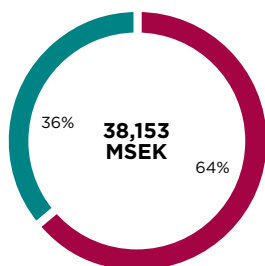
	School		Offices		Judicial system		Care services		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	560	514	672	537	402	338	314	282	29	9	1,977	1,681
Leasable area ¹ , 000s sqm	431	392	515	421	278	243	258	249	33	10	1,515	1,314
Fair value of properties, MSEK	7,653	6,390	7,817	5,999	4,693	3,997	4,138	3,499	272	124	24,573	20,010
No. of properties	77	68	63	50	41	40	118	106	8	7	307	271
Economic leasing rate, %											94.7	94.6
Remaining lease term, years											6.6	7.0

Other properties

	Offices		Logistics/Storage		Other		Total					
	2017	2016	2017	2016	2017	2016	2017	2016				
Rental value, MSEK	833	673	261	262	164	206	1,259	1,141				
Leasable area ¹ , 000s sqm	664	563	424	426	187	237	1,275	1,226				
Fair value of properties, MSEK	8,665	6,792	3,318	3,233	1,597	1,894	13,580	11,918				
No. of properties	74	64	30	29	48	53	152	146				
Economic leasing rate, %											88.4	86.1
Remaining lease term, years											4.3	4.5

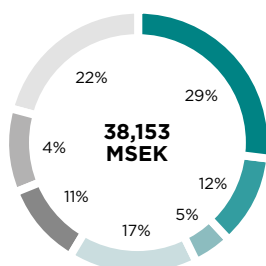
¹ Excluding garage space

Fair value per type of property
Jun 30, 2017



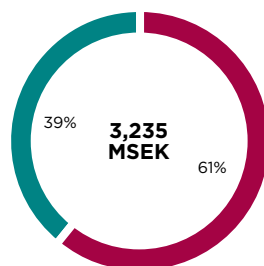
Community service properties
Other properties

Fair value per region
Jun 30, 2017



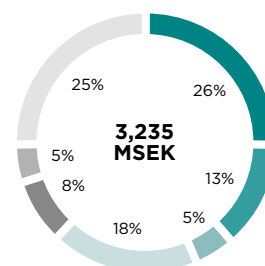
Stockholm
Gothenburg
Malmö
Coast of Norrland
Oslo
Helsingfors
Other

Rental value per type of property
Jun 30, 2017



Community service properties
Other properties

Rental value per region
Jun 30, 2017



Stockholm
Gothenburg
Malmö
Coast of Norrland
Oslo
Helsingfors
Other

Sweden would stand still without Hemfosa's customers

Hemfosa is working to create the right conditions for those who educate our children, take care of retirees and keep us safe and secure. Hemfosa's tenants include Humana, one of Sweden's largest operators of healthcare and residential care services, which also has operations in Norway and Finland. During the second quarter, Hemfosa acquired 16 properties in ten towns in which Humana conducts LSS (support and service for the disabled) and HBV (homes for nursing and accommodation) services and will now continue to develop the already established cooperation with Humana.



CURRENT EARNINGS CAPACITY

Below is the company's current earnings capacity presented on a 12-month basis at the particular balance-sheet date. Current earnings capacity is to be considered solely as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on the property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions. The yield according to earnings capacity was 5.7 percent (5.9) for community service properties and 5.7 percent (5.7) for other properties.

Group's earnings capacity

MSEK	Jun 30, 2017
Rental income	2,999
Property expenses	-759
Property administration	-77
Net operating income	2,163
Central administration	-124
Share in profit of joint ventures	124
Financial expenses	-450
Profit from property management	1,713

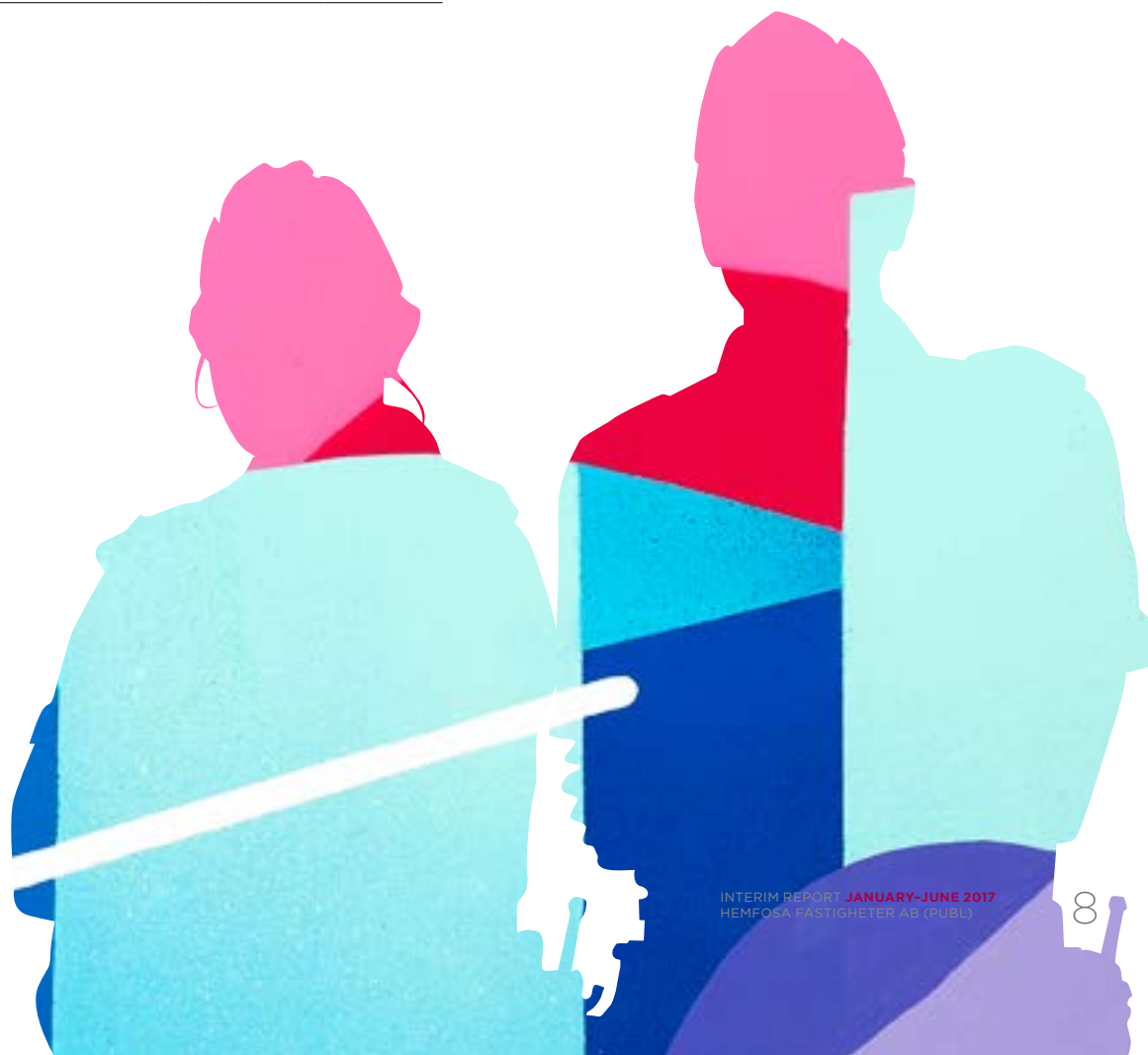
Sensitivity analysis, June 30, 2017

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 30
Economic leasing rate according to earnings capacity	+/- 1	+/- 30
Property expenses according to earnings capacity	+/- 1	+/- 8
Net operating income according to earnings capacity	+/- 5	+/- 108

CALCULATION BASIS

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

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



Shares in joint ventures

At June 30, 2017, Hemfosa was a partner in four joint ventures, including two minor holdings that are not presented in Hemfosa's 2016 Annual Report.

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

Equity share of joint ventures

MSEK	Jun 30		Dec 31
	2017	2016	2016
Capital share	1,886	1,210	1,676

Share in profit of joint ventures

MSEK	Apr-Jun		Jan-Jun		Jan-Dec
	2017	2016	2017	2016	2016
Profit for the period	197	61	333	101	542
<i>Of which</i>					
<i>Profit from property management</i>	35	33	65	60	124
<i>Changes in value, properties</i>	222	60	326	102	579
<i>Changes in value, derivatives</i>	13	-12	26	-39	-6
<i>Other</i>	-73	-20	-84	-22	-155

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

MSEK	Söderport Holding		Gardermoen Campus Utvikling	
	2017	2016	2017	2016
Non-current assets	6,259	5,650	2,220	599
<i>of which, investment properties</i>	6,066	5,582	2,220	599
Current assets	136	234	112	96
Equity	2,185	1,647	1,187	532
<i>of which, Hemfosa's share</i>	1,093	824	772	346
Long-term liabilities	3,850	4,001	1,017	120
<i>of which, deferred tax liability</i>	404	284	220	14
<i>of which, derivatives</i>	367	489	-	-
Current liabilities	360	236	128	42
Rental income	277	270	-	-
Net operating income	208	206	0	-
Net interest income	-81	-77	1	-
Changes in value, properties	222	193	330	-
Changes in value, derivatives	52	-76	-	0
Tax	-37	-54	-80	0
Profit	367	182	252	-
<i>of which, Hemfosa's share</i>	183	91	164	0
No. of properties	70	49	3	2
Leasable area, 000s of sqm	643	640	-	-

Söderport Holding AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB (Corp. Reg. No. 556819-2230). The focal point of Söderport's property portfolio is in the Stockholm and Gothenburg regions. During the period, Söderport acquired 15 warehouse and production properties with a total leasable area of 82,000 square meters. The leasing rate was 91 percent and the average remaining term of the leases was 4.6 years. The purchase consideration was MSEK 352. One of the properties was immediately sold on with no impact on profit or loss.

Söderport divested a property in Torslanda, Gothenburg, with a leasable area of 134,000 square meters. As part of the transaction, Söderport made an investment in the acquiring company corresponding to an ownership stake of 25 percent.

Gardermoen Campus Utvikling AS

Hemfosa owns Gardermoen Campus Utvikling AS (Corp. Reg. No. 913,111,915) (GCU) jointly with Aspelin Ramm Eiendom AS, a Norwegian property development company.

GCU owns and is developing an area at Gardermoen Airport into an important national expertise hub for health and social care. GCU manages about 12.5 hectares of land, with a zoning plan covering about half of the area. The zoning plan has approved construction on up to 68,000 square meters.

The ongoing investment in GCU comprises construction of a specialist hospital. The hospital is fully leased to Landsforeningen for Hjerte og Lungesyke (LHL) on a 25-year lease.

On behalf of the Municipality of Ullensaker, GCU is constructing a new local medical center adjacent to LHL's hospital.

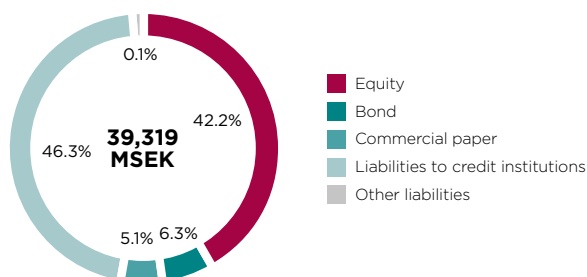
In March 2017, Hemfosa entered into a conditional agreement to become the sole owner of the hospital and the local medical center when the buildings have been completed at the beginning of 2018. Further development of the area will continue in cooperation with Aspelin Ramm as part of an unchanged joint venture structure.

Ongoing projects in Gardermoen Campus Utvikling AS, June 30, 2017

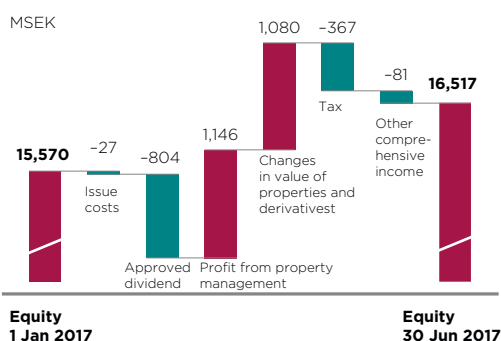
Municipality	Property	Tenant	Area, 000s of sqm	Estimated	Scheduled
				investment, MSEK	completion, quarter, year
Ullensaker, Norway	Gardermoen	LHL	28	1,351	Q1, 2018
Ullensaker, Norway	Gardermoen	Helsans Hus	9	251	Q1, 2018

Financing

Breakdown of sources of financing, June 30, 2017



Changes in equity during the period



Key performance data, financial objectives

	Jan-Jun		Full-year
	2017	2016	2016
Return on equity, %	27.3	21.9	27.1
Equity/assets ratio, %	39.7	38.7	41.2
Interest-coverage ratio, multiple	4.5 ¹	3.7	3.9

¹ The increase was due to nonrecurring items in net operating income, as shown on page 4 of the interim report.

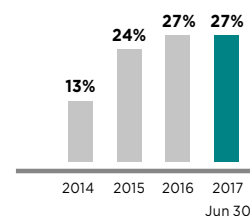
INTEREST-BEARING LIABILITIES

During the second quarter of 2017, Hemfosa issued bonds in an amount of MSEK 250. The margin is 2.0 percent and the bonds have no STIBOR floor. As part of the acquisition of properties in Karlskrona, Hemfosa assumed a covered bond loan of MSEK 723 with a term extending to September 2018 and a fixed interest rate of 5.8 percent. As a result of interest rate compensation received in connection with the takeover, Hemfosa is being charged an interest rate of 3.6 percent up to the refinancing. The bond loan is listed separately on Nasdaq Stockholm by Galladen Holding AB, under the ticker GALL 01.

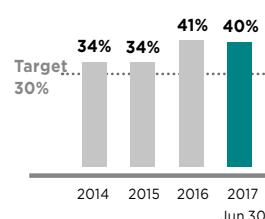
During the quarter, the company renewed existing commercial paper of MSEK 695 and took up new commercial paper of MSEK 900. At the end of the period, Hemfosa had commercial paper totaling MSEK 1,995 and a non-covered bond loan of MSEK 1,750 outstanding. The company has backup facilities, which are largely covered, for the commercial paper outstanding.

Financial objectives

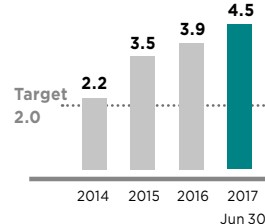
Hemfosa is to deliver the **highest return** among listed Swedish property companies over a five-year period. This applies to the return on equity.



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



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



Change in loan portfolio

MSEK	Jan-Jun		Full-year
	2017	2016	2016
Interest-bearing liabilities at the beginning of the period	20,666	18,960	18,960
Repayment of liabilities to credit institutions	-540	-3,208	-3,602
New liabilities to credit institutions	872	2,662	3,604
Redemption of commercial paper	-	-	-
Issue of commercial paper	1,100	-	895
Issue of bond loans	1,723	-	750
Redemption of bond loans	-998	-	-202
Exchange-rate difference	-100	136	261
Interest-bearing liabilities at the end of the period¹	22,724	18,551	20,666

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

Key performance data concerning the loan portfolio

	Jun 30		Dec 31
	2017	2016	2016
Net loan-to-value ratio, %	56.4	55.6	56.1
Average interest rate, %	1.99	2.05	1.98
Average remaining fixed-rate period, years	1.6	1.4	1.26
Average remaining loan maturity period, years	2.1	2.6	2.1
Interest-rate hedged portion of liabilities, %	53.2	55.6	56.0
Fair value of derivatives, MSEK	-64	-128	-84

Available liquidity

MSEK	Jun 30		Dec 31
	2017	2016	2016
Cash and cash equivalents	1,151	745	1,221
Unutilized overdraft facilities	450	390	450
Total	1,601	1,135	1,671

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 June 30, 2017, Hemfosa's outstanding interest-rate swaps had a nominal volume of MSEK 5,103 (5,142) and interest-rate caps had a nominal volume of MSEK 5,757 (4,829). All interest-rate swaps had a negative fair value at June 30, 2017.

Fixed-rate period distributed by instruments, June 30, 2017

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	21,932	-4,718	-5,373	11,841	52
1-2 years	723	3,463	3,226	7,412	33
2-3 years	26	1,055	200	1,282	6
3-4 years	0	200	1,879	2,079	9
4-5 years	0	0	68	68	0
>5 years	42	0	0	42	0
Total	22,724	0	0	22,724	100

During the second half of 2017, MSEK 3,088 of the Group's interest-bearing liabilities fall due for payment.

Maturity structure, interest-bearing liabilities, June 30, 2017

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest rate, derivatives, MSEK ¹⁾	Total interest, MSEK
2017	3,088	14	184	28	212
2018	6,974	31	319	44	362
2019	4,884	21	180	7	186
2020	6,177	27	71	3	74
2021	1,386	6	12	1	13
2022-	215	1	41	0	41
Total	22,724	100	806	81	887

¹ The net rate in the table is attributable to swaps with negative value.

Sensitivity analysis, June 30, 2017

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+ 89 / -30
Interest expenses assuming change in average interest rate ²	+/- 1	+/-227
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/- 1	+/-81

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

CURRENCY EXPOSURE

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

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

Currency exposure

MSEK	Jun 30		Dec 31
	2017	2016	2016
Exposure in EUR	80	44	90
Exposure in NOK	2,609	1,711	2,202

Sensitivity analysis, June 30, 2017

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/- 10	+/- 78
Changes in SEK/NOK exchange rates	+/- 10	+/- 264

CASH FLOW

Cash flow from operating activities, before changes in working capital amounted to MSEK 805 (581). Cash flow from operating activities totaled SEK 792 (414).

Investing activities impacted cash flow in the amount of MSEK -2,601 (-1,388), of which investments in existing properties accounted for MSEK -536 (-313), acquisitions of subsidiaries and properties for MSEK -2,319 (-1,799), divestments of subsidiaries and properties for MSEK 261 (810), received dividends from joint ventures for MSEK 50 (100) and other items for MSEK -59 (-186).

Financing activities had an impact of MSEK 1,740 (982) on cash flow for the period. Issued and redeemed bonds had a net positive impact on cash flow of MSEK 725 (-). New commercial paper loans had a positive impact on cash flow of MSEK 1,100 (-). During the period, new liabilities to credit institutions were raised in an amount of MSEK 872 (2,517). Repayment of liabilities to credit institutions amounted to MSEK -540 (-3,052). During the period, MSEK 394 (292) was paid in dividends to Hemfosa's shareholders. Other financing activities had an impact of MSEK -27 (1,809) on the cash flow. Overall, the change in cash and cash equivalents during the quarter was positive at MSEK -69 (9).

Cash flow

MSEK	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Cash flow from operating activities	652	121	792	414	1,108
Cash flow from investing activities	-2,194	-68	-2,601	-1,388	-3,246
Cash flow from financing activities	1,903	173	1,740	982	2,622
Total cash flow	361	225	-69	9	483

Other

THE SHARE AND SHAREHOLDERS

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

At June 30, 2017, the number of Hemfosa shares was 168,728,248, of which 157,728,249 were ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 158,828,248.9. Each ordinary share carries one voting right and each preference share one tenth of a voting right.

The closing price paid on June 30, 2017 was SEK 91.00 for the ordinary share and SEK 171.90 for the preference share. Total market capitalization was MSEK 16,244. At June 30, 2017, Hemfosa had 23,456 shareholders, of whom Swedish investors, institutions and private individuals owned 62.9 percent of the shares and 61.2 percent of the votes. International institutional investors owned 37.1 percent of the shares and 38.8 percent of the votes.

Owner distribution, June 30, 2017

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	13,783,609	-	8.2	8.7
Länsförsäkringar fondförvaltning AB	11,600,881	-	6.9	7.3
Swedbank Robur Funds	10,638,293	-	6.3	6.7
Kåpan Pensioner	8,236,274	-	4.9	5.2
Handelsbanken Funds	6,278,729	-	3.7	4.0
JPM Chase NA	3,823,721	233,004	2.4	2.4
SEB Investment Management	3,569,413	-	2.1	2.2
CBNY-Norges Bank	3,396,099	-	2.0	2.1
Other	96,401,230	10,766,995	63.5	61.4
Total	157,728,249	10,999,999	100.0	100.0

DIVIDEND POLICY

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

2017 ANNUAL GENERAL MEETING (AGM)

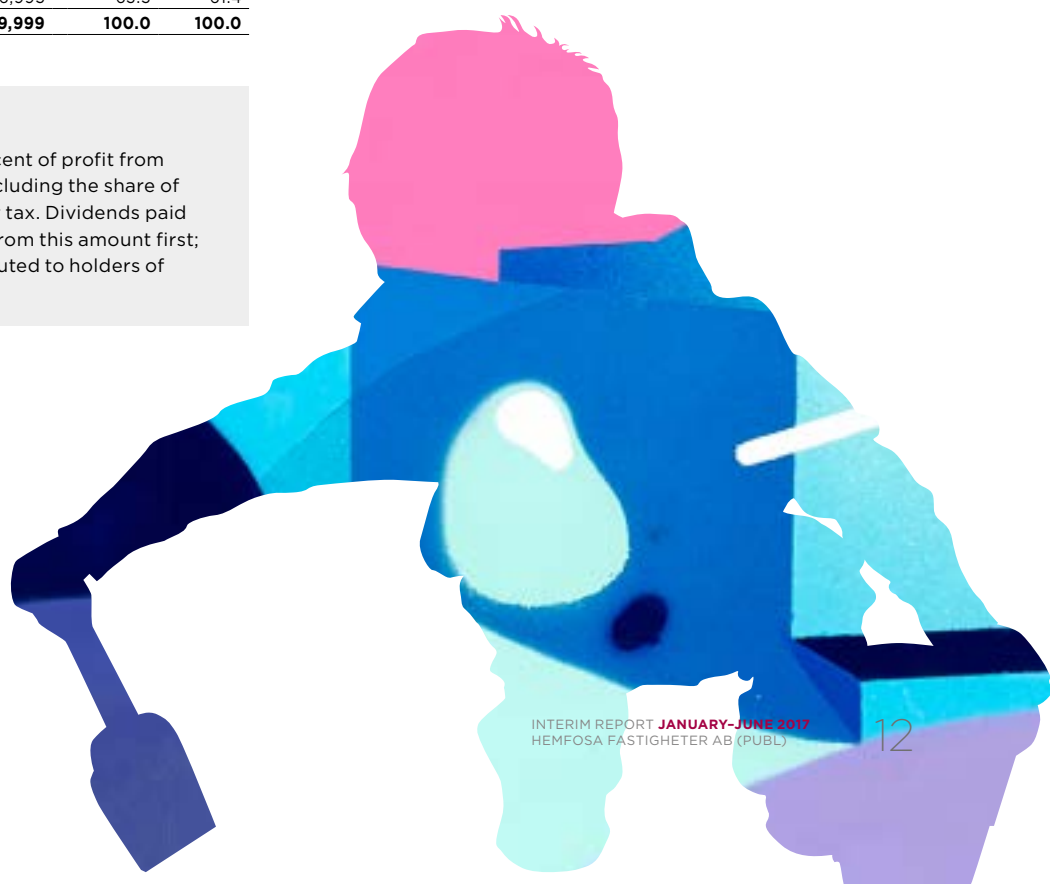
The company held its AGM on April 25 at the Hotel Rival, in Stockholm.

Dividends

The AGM resolved to pay a dividend to holders of ordinary shares, up to the following AGM, totaling SEK 4.40 per ordinary share with quarterly payment of SEK 1.10 per ordinary share. The Board proposes April 27, 2017, July 10, 2017, October 10, 2017 and January 10, 2018 as the record dates for receipt of dividends on ordinary shares. The AGM resolved to pay a dividend to holders of preference shares, up to the following AGM, totaling SEK 10.00 per preference share with quarterly payment of SEK 2.50 per preference share. The Board proposes July 10, 2017, October 10, 2017, January 10, 2018 and April 10, 2018 as the record dates for receipt of dividends on ordinary shares.

Warrants program for employees

The AGM resolved to introduce a warrants program for employees of the Hemfosa Group. In brief, the resolution entails a private placement of a maximum of 1,450,000 warrants. The issue of warrants will result in 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. A total of 52 employees have acquired a combined total of 1,294,000 warrants, corresponding to 89 percent of the maximum number of warrants issuable under the AGM's resolution.



ASSURANCE BY THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

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

Nacka, July 20, 2017
Hemfosa Fastigheter AB (publ)
Reg. No. 556917-4377)

Bengt Kjell
Chairman of the Board

Jens Engwall
Chief Executive Officer

Gunilla Högbom
Board member

Anneli Lindblom
Board member

Per-Ingemar Persson
Board member

Caroline Sundewall
Board member

Ulrika Valassi
Board member

This interim report was not audited.

The information in this press release is such that Hemfosa Fastigheter AB is obligated to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was issued for publication under the auspices of the CEO on July 20, 2017 at 7:30 a.m. CET.

Financial calendar

Interim report January-September 2017	November 8, 2017
Year-end report 2017	February 16, 2018
Annual Report 2017	Week of March 18, 2018
Interim report January-March 2018	April 18, 2018

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Condensed financial statements

Consolidated statement of profit/loss and comprehensive income

MSEK	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income	858	642	1,580	1,292	2,642
Property expenses					
Operating expenses	-124	-113	-281	-246	-433
Maintenance costs	-34	-53	-97	-99	-212
Property tax	-25	-23	-51	-45	-98
Property administration	-21	-21	-44	-42	-82
Net operating income	654	432	1,107	860	1,817
Central administration	-34	-38	-65	-64	-128
Other operating income and expenses	2	7	5	16	21
Share in profit of joint ventures	197	61	333	101	542
Financial income and expenses	-117	-109	-234	-219	-440
Profit from property management	699	352	1 146	693	1,812
Change in value of properties realized	-2	12	32	33	46
Change in value of properties unrealized	325	419	1,029	897	1,548
Changes in value of financial instruments, realized	0	0	0	0	-
Changes in value of financial instruments, unrealised	8	5	20	-26	18
Profit before tax for the year	1,030	788	2,227	1,596	3,424
Current tax	-25	0	-27	-3	-18
Deferred tax	-131	-85	-340	-236	177
Profit for the year	874	703	1,860	1,357	3,583
Other comprehensive income					
<i>Items that have or could be transferred to profit for the period</i>					
Translation differences for the period when translating foreign operations	-48	40	-81	65	156
Comprehensive income for the year	826	743	1,779	1,422	3,739
<i>Profit/loss for the year attributable to:</i>					
Parent Company shareholders	865	699	1,842	1,353	3,556
Non-controlling interests	9	3	18	4	27
Profit for the year	874	703	1,860	1,357	3,583
<i>Profit for the year attributable to:</i>					
Parent Company shareholders	818	740	1,763	1,418	3,709
Non-controlling interests	8	3	15	4	30
Comprehensive income for the year	826	743	1,779	1,422	3,739
Earnings per ordinary share for the year, before and after dilution, SEK	5.31	4.62	11.33	9.37	23.25

Consolidated statement of financial position

MSEK	Jun 30		Dec 31
	2017	2016	2016
ASSETS			
Investment properties	38,153	31,928	34,668
Shares in joint ventures	1,886	1,210	1,676
Shares in associated companies	92	54	56
Other fixed assets	19	19	13
Total fixed assets	40,149	33,211	36,413
Current receivables	357	241	141
Cash and cash equivalents	1,151	742	1,221
Total current assets	1,509	986	1,361
TOTAL ASSETS	41,658	34,198	37,774
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	16,438	13,219	15,506
Non-controlling interests	80	17	64
Equity	16,517	13,236	15,570
Non-current interest-bearing liabilities	17,329	15,448	14,639
Other long-term liabilities	69	133	91
Deferred tax liabilities	839	926	506
Total non-current liabilities	18,237	16,507	15,236
Current interest-bearing liabilities	5,342	3,047	5,966
Other current liabilities	1,562	1,408	1,002
Total current liabilities	6,904	4,455	6,968
Total liabilities	25,141	20,962	22,204
TOTAL EQUITY AND LIABILITIES	41,658	34,198	37,774

Consolidated statement of changes in equity

MSEK	Equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening shareholders' equity 2016-01-01	10,737	12	10,749
New issue, ordinary shares	1,809 ²	-	1,809
Dividend, ordinary shares	-635	-	-635
Dividend, preference shares	-110	-	-110
Comprehensive income Jan-Jun 2016	1,418	4	1,422
Closing equity 2016-06-30	13,219	17	13,236
Opening shareholders' equity 2017-01-01	15,506	64	15,570
New issue, ordinary shares	-27 ²	-	-27
Dividend, ordinary shares	-694	-	-694
Dividend, preference shares	-110	-	-110
Comprehensive income Jan-Jun 2017	1,763	15	1,779
Closing equity 2017-06-30	16,438¹	80	16,517

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

2 Costs of MSEK 33 for raising capital attributable to new issue of shares in April 2016.

Consolidated statement of cash flows

MSEK	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Operating activities					
Profit from property management	699	352	1,146	693	1,812
Adjustments for items not included in cash flow	-197	-60	-332	-100	-541
Income tax paid	-1	-12	-8	-12	-11
Subtotal	500	280	805	581	1,260
Change in operating receivables	-53	95	-167	-160	-56
Change in operating liabilities	205	-253	154	-7	-96
Cash flow from operating activities	652	121	792	414	1,108
Investing activities					
Acquisition of investment properties	5	-12	-33	-21	-46
Divestment of investment properties	-	-	7	7	16
Investments in existing properties	-244	-166	-536	-313	-893
Acquisition of subsidiaries	-2,023	-405	-2,286	-1,778	-3,498
Divestment of subsidiaries	66	509	254	803	1,264
Acquisition of joint ventures and associated companies	-40	-53	-49	-53	-56
Other	43	59	43	-32	-33
Cash flow from investing activities	-2,194	-68	-2,601	-1,388	-3,247
Financing activities					
New share issue	-27	1,809	-27	1,809	1,808
Loans raised	2,750	1,526	3,699	2,517	5,277
Repayment of loans	-646	-2,997	-1,538	-3,052	-3,804
Dividend paid to shareholders	-201	-166	-394	-292	-678
Other	-	-	-	-	18
Cash flow from financing activities	1,903	173	1,740	982	2,621
Cash flow for the period	361	225	-69	9	482
Cash and cash equivalents at the beginning of the period	790	517	1,221	732	732
Exchange-rate difference in cash and cash equivalents	-0	3	-1	4	7
Cash and cash equivalents at the end of the period	1,151	745	1,151	745	1,221

Key performance data

KEY FINANCIAL DATA

	Jun 30		Dec 31
	2017	2016	2016
Return on equity, %	27.3	21.9	27.1
Equity/assets ratio, %	39.7	38.7	41.2
Net loan-to-value ratio, properties, %	56.4	55.6	55.9
Debt/equity ratio, multiple	1.4	1.4	1.3
Interest-coverage ratio, multiple	4.5	3.7	3.9

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Profit from property management per ordinary share, SEK ²	4.25	2.23	6.92	4.61	11.49
Profit after tax per ordinary share, SEK ²	5.31	4.62	11.33	9.37	23.25
Equity per ordinary share, SEK ¹	92.86	72.45	92.86	72.44	86.95
Net asset value (EPRA NAV), SEK per ordinary share ^{1,2}	101.93	81.64	101.93	81.58	93.87
Cash flow from operating activities, before changes in working capital, SEK per ordinary share	3.00	1.73	4.76	3.80	7.76
Dividend per ordinary share, SEK	1.10	1.05	2.15	1.95	4.20
Weighted average number of ordinary shares, 000s	157,728	145,460	157,728	138,412	148,149
Number of ordinary shares outstanding, 000s ¹	157,728	157,728	157,728	157,728	157,728

PROPERTY-RELATED KEY FIGURES

	Jun 30		Dec 31
	2017	2016	2016
No. of properties	459	417	432
Rental value, MSEK ²	3,235	2,823	2,999
Leasable area, 000s of sqm	2,790	2,540	2,627
Fair value of properties, MSEK	38,153	31,928	34,668
Property value, SEK per sqm of leasable area	13,675	12,569	13,195
Economic leasing rate, %	92.2	91.2	91.1
Surplus ratio, Jan-Jun, %	70.1	66.6	68.8
Yield, Jan-Jun, %	5.4	5.7	5.5

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Dividend per preference share, SEK	2.50	2.50	5.00	5.00	10.00
Equity per preference share, SEK ¹	162.85	162.85	162.85	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000	11,000	11,000	11,000

¹ At the end of the period

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

Quarterly review

	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015	Quarter 3 2015
Rental income, MSEK	858	722	684	666	642	650	624	615
Property expenses								
Operating expenses, MSEK	-124	-158	-103	-84	-113	-133	-96	-82
Maintenance costs, MSEK	-34	-63	-67	-47	-53	-46	-48	-62
Property tax, MSEK	-25	-25	-24	-28	-23	-23	-24	-16
Property administration, MSEK	-21	-22	-18	-22	-21	-21	-20	-19
Net operating income, MSEK	654	455	472	485	432	428	437	436
Surplus ratio, %	76.2	62.9	69.0	72.8	67.3	65.8	70.0	70.9
Economic leasing rate, %	92.2	91.7	91.1	91.5	91.2	90.8	90.4	90.7
Yield, %	5.4	5.4	5.5	5.6	5.7	5.9	5.8	5.9
Profit from property management, MSEK	699	447	537	582	352	340	406	339
Profit from property management per ordinary share, SEK	4.25	2.66	3.23	2.23	2.23	2.30	2.78	2.35
Profit for the year, MSEK	874	986	837	1,389	703	654	697	560
Earnings for the year per ordinary share, SEK	5.31	6.02	5.02	8.59	4.62	4.59	4.89	3.90
Fair value of properties, MSEK	38,153	35,751	34,668	33,020	31,928	31,340	29,553	28,407
Equity, MSEK	16,517	16,496	15,570	14,731	13,236	11,429	10,750	10,222
Equity per ordinary share, SEK	92.86	92.77	86.95	81.81	72.44	70.69	65.71	63.06
EPRA NAV per ordinary share, SEK	101.93	100.89	93.87	88.40	81.58	80.61	73.98	71.61
Return on equity, % ¹	27.3	28.0	27.1	27.4	21.9	23.9	23.7	27.2
Equity/assets ratio, %	39.7	42.7	41.2	41.5	38.7	34.2	34.2	34.2
Net loan-to-value ratio, properties, %	56.4	55.5	55.9	55.0	55.6	61.8	61.5	60.1
Debt/equity ratio, multiple	1.4	1.3	1.3	1.3	1.4	1.7	1.8	1.7
Interest-coverage ratio, multiple	4.5	3.7	3.9	3.9	3.7	3.7	3.5	3.5
Cash flow from operating activities before changes in working capital, MSEK	500	312	321	357	280	301	290	304
Cash flow per ordinary share, SEK	3.00	1.81	1.86	2.09	1.82	2.01	1.93	2.03

¹ Pertains to rolling 12-month periods.

Notes

NOTE 1 ACCOUNTING POLICIES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting, as well as applicable regulations of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. For the Group and Parent Company, the same accounting policies and calculation basis were used as in the most recent Annual Report.

All amounts in this interim report are stated in millions of kronor (MSEK), unless otherwise stated. The amounts in parenthesis pertain to the year-earlier period. Rounding-off differences may occur. Since July 3, the company has applied Guidelines – Alternative Performance Indicators, as issued by ESMA (European Securities and Markets Authority). In accordance with these guidelines, disclosures have been expanded in the event that financial measures not defined by IFRSs are used; see glossary, page 20.

NOTE 3 OPERATING SEGMENTS

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

Net operating income, Total (MSEK)	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income	858	642	1,580	1,292	2,642
Property expenses					
<i>Operations</i>	-124	-113	-281	-246	-433
<i>Maintenance</i>	-34	-53	-97	-99	-212
<i>Property tax</i>	-25	-23	-51	-45	-98
Property administration	-21	-21	-44	-42	-82
Net operating income	654	432	1,107	860	1,817
Profit from property management	699	352	1,146	693	1,812
Changes in value	331	436	1,080	904	1,612
Profit before tax for the period	1,030	788	2,227	1,596	3,424
Tax	-156	-85	-367	-239	159
Profit for the period	874	703	1,860	1,357	3,583

Key performance data, June 30	Sweden		Norway		Finland		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	2,794	2,478	278	258	163	87	3,235	2,823
Leasable area ¹ , 000s sqm	2,518	2,324	160	152	112	64	2,790	2,540
Fair value of properties, MSEK	31,974	26,980	4,447	3,847	1,732	1,101	38,153	31,928
No. of properties	419	381	32	31	8	5	459	417
Yield ² , %	5.6	5.6	5.7	6.1	6.7	6.7	5.7	5.7
Economic leasing rate, %	91.4	90.0	99.3	99.5	93.6	100.0	92.2	91.2
Remaining lease term, years	5.4	5.6	8.1	8.9	6.8	9.0	5.7	6.1
Surplus ratio for the period, %	66.9	62.6	95.1	96.7	80.0	89.7	70.1	66.6

1 Excluding garage space

2 According to earnings capacity

NOTE 2 ESTIMATES AND JUDGMENTS

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

Net operating income, Sweden (MSEK)	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income	751	557	1,367	1,130	2,287
Property expenses					
<i>Operations</i>	-118	-111	-270	-243	-424
<i>Maintenance</i>	-33	-53	-93	-97	-207
<i>Property tax</i>	-23	-21	-46	-42	-90
Property administration	-23	-21	-43	-41	-78
Net operating income	554	352	915	707	1,488

Net operating income, Norway (MSEK)	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income	71	65	143	123	261
Property expenses					
<i>Operations</i>	-1	-1	-1	-1	-3
<i>Maintenance</i>	-1	0	-2	-1	-3
<i>Property tax</i>	-1	-1	-2	-1	-3
Property administration	0	0	-1	-1	-3
Net operating income	67	63	136	119	249

Net operating income, Finland (MSEK)	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Rental income	37	20	70	39	94
Property expenses					
<i>Operations</i>	-5	-1	-10	-2	-6
<i>Maintenance</i>	-1	0	-2	0	-2
<i>Property tax</i>	-1	-1	-2	-2	-5
Property administration	1	0	1	0	0
Net operating income	30	17	56	35	81

NOTE 4 TAX

The Group's effective tax rate for the period was 16,5 percent (2016 fiscal year: +4,7 percent and corresponding year-earlier period: 15,0 percent). The nominal corporate tax rate is 22 percent in Sweden. The reason for the deviation is that shares in profit from joint ventures of MSEK 333, an amount that is included in profit from property management, constitute after-tax profit.

Reconciliation of effective tax, MSEK	Jan-Jun 2017	
	%	MSEK
Profit before tax		2,227
Tax according to applicable tax rate for Parent Company	-22,0	-490
Other tax rates within the the Group	-0,3	-6
Non-deductible costs	0,1	1
Non-taxable income	0,3	7
Profit from shares in joint ventures	3,3	73
Tax attributable to previous years	0,2	4
Other	1,9	42
Recognized effective tax	-16,5	-367

According to the prevailing regulatory framework, temporary differences on all assets and liabilities are to be taken into account, with the exception of temporary differences on properties in connection with asset acquisitions. The residual value of investment properties for tax purposes totaled MSEK 17,944, which means that temporary differences of MSEK 9,792 are not recognized in the Statement of financial position.

MSEK	Jun 30, 2017
Tax loss carryforwards	4,520
Residual value for tax purposes, properties	17,944
Temporary difference not recognized in the consolidated financial statements	9,792

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments, MSEK	Carrying amount		Fair value	
	Jun 30, 2017	Jun 30, 2016	Jun 30, 2017	Jun 30, 2016
Derivatives with a positive value	2	2	2	2
Derivatives with a negative value	66	130	66	130

NOTE 6 FINANCING

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

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

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner on managing these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the Annual Report 2016 on pages 44-47 and 92-94.

NOTE 8 RELATED PARTIES

The Group owns shares in joint ventures; refer to page 11 of this interim report. Gardermoen Campus Utvikling AS is managed by AspelinRamm AS. Söderport Holding AB is managed by AB Sagax, apart from property management in Gothenburg and in seven smaller towns, which is provided by Hemfosa. At June 30, 2017, the Group had sureties of MSEK 187 (50) for the liabilities of joint ventures. At the same date, the Group had current receivables from joint ventures of MSEK 50, corresponding to an adopted but as yet unpaid dividend.

NOTE 9 SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

After the end of the quarter, Hemfosa acquired a community service property in Central Tønsberg, Norway, with an underlying property value MSEK 118. Hemfosa already owns the Statens Park area in Tønsberg, and is further strengthening its position in community service properties in the region through this acquisition. The property has a total leasable area of 8,000 sqm. The leasing rate is approximately 75 percent and the property has a total rental value of some MNOK 9.5. The average remaining lease term is five years. In conjunction with its increasing presence in the municipality, Hemfosa has recruited another property manager in Tønsberg to ensure a high level of service for the company's tenants.

A community service property in Eidsvoll Municipality in Norway, which currently houses the LHL Feiring Clinic, was also acquired at an underlying property value of MNOK 160. The seller, the Norwegian Heart and Lung Association ("LHL"), has signed a 15-year lease. The total leasable area is 16,000 sqm, with a rental value of MNOK 12. This acquisition further strengthens the already established cooperation between Hemfosa and LHL.

After the end of the quarter, a community service property in Bergen, Norway, was also acquired, with the municipality of Bergen as the largest tenant. The total leasable area is approximately 8,000 square meters, with a rental value of MNOK 10. The leases have an average remaining lease term of about three years.

Income statement for the Parent Company

MSEK	Apr-Jun		Jan-Jun		Full-year
	2017	2016	2017	2016	2016
Net sales	8	8	16	16	34
Other external costs	-15	-9	-26	-20	-34
Personnel expenses	-9	-8	-11	-13	-39
Depreciation/amortization	0	0	0	0	0
Operating profit/loss	-16	-9	-21	-17	-39
Profit from shares in Group companies	-3	-	-3	-	979
Interest income and similar income items	5	8	10	19	15
Interest expenses and similar expense items	-19	-9	-36	-18	-24
Profit after financial items	-33	-10	-50	-16	931
Appropriations					
Group contributions received and paid	-2	110	-2	110	162
Profit after appropriations	-35	100	-52	94	1,093
Tax	-0	-24	-0	-24	-24
Profit for the year	-35	76	-52	70	1,069

For the January-June 2017 period, the Parent Company recognized a result after tax of MSEK -52 (70). The Parent Company's fee during the period for central and property administrative services on behalf of Group companies was MSEK 16 (16). Profit for the year total corresponds to comprehensive income for the year.

Balance sheet for the Parent Company

MSEK	Jun 30		Dec 31
	2017	2016	2016
ASSETS			
Tangible assets	1	1	1
Participations in Group companies	5,397	4,493	5,258
Non-current receivables from Group companies	477	796	477
Deferred tax asset	-	1	-
Total fixed assets	5,875	8,290	5,736
Current receivables from Group companies	10,198	6,612	8,898
Other current receivables	64	72	47
Cash and bank balances	-28	6	671
Total current assets	10,235	6,690	9,616
TOTAL ASSETS	15,816	11,980	15,352
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity	84	84	84
Unrestricted equity	10,149	10,034	11,033
Equity	10,234	10,119	11,117
Bond	1,750	-	750
Non-current liabilities to Group companies	1,750	27	-
Total non-current liabilities	1,750	27	750
Bond	1,995	1,200	998
Commercial paper	1,100	-	895
Current liabilities to Group companies	1,194	-	1,330
Other current liabilities	643	634	261
Total current liabilities	3,832	1,834	3,485
Total liabilities	5,592	1,861	4,235
TOTAL EQUITY AND LIABILITIES	15,816	11,980	15,352
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Participations in Group companies	5,397	4,493	5,258
<i>Contingent liabilities</i>			
Sureties for liabilities in Group companies	14,887	13,653	14,273
Sureties for liabilities in joint ventures	187	131	187

At June 30, 2017, the Parent Company had shareholders' equity totaling MSEK 10,234 (10,034), of which restricted equity accounted for MSEK 84 (84). The surety mainly pertains to liabilities in the Norwegian co-owned company Gardermoen Campus Utvikling AS, which owns and is developing a health and medical care competence park by Gardermoen Airport.

Shareholders' equity during the period has been reduced by MSEK 804 for the adopted dividend payment. Intra-Group liabilities totaled MSEK 1,194 (-) and intra-Group receivables MSEK 11,479 (7,408).

Glossary

Return on equity

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

Yield*

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

Net operating income*

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

Equity per ordinary share

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

Equity per preference share

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

Economic leasing rate

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

Property

Properties held under title or site leasehold.

Profit from property management*

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

Profit from property management per ordinary share

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

Rental income

Rents charged including supplements for heating and property tax.

Rental value*

Rental income for the total leasable area.

IAS

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

IFRS

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

Cash flow from operating activities per ordinary share

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

Net loan-to-value ratio*

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

Preference share capital

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

Earnings per ordinary share

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

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 income 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.

Community service properties

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

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Net asset value (EPRA NAV) per ordinary share

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax 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 indicator is to show the fair value of net assets in a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivative instruments 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 sale of a site leasehold is subject to the same regulations as the sale of a freehold property.

Dividend policy

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

Surplus ratio*

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

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



Hemfosa
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