

Q1 Interim REPORT

January – March 2018

KEY FIGURES

	Jan-Mar		Full-year
	2018	2017	2017
Rental income, MSEK	815	722	3,134
Net operating income, MSEK	527	454	2,232
Surplus ratio, %	64.7	62.9	71.2
Profit from property management, MSEK	439	447	2,186
- per ordinary share, SEK	2.61	2.66	13.16
Profit after tax, MSEK	701	986	3,163
- per ordinary share before dilution, SEK	4.19	6.02	19.22
- per ordinary share after dilution, SEK	4.19	6.02	19.21
Cash flow from operating activities, MSEK	503	140	1,542
- per ordinary share, SEK	3.01	0.72	9.60
Property value, SEK billion	44.9	35.8	41.1
- of which, community service properties, %	67	65	64
Net asset value EPRA NAV, SEK	118.87	100.89	112.20
Equity/assets ratio, %	39.5	42.7	40.4

- Rental income amounted to MSEK 815 (722) for the quarter
- Profit from property management excluding the share in profit from part-owned companies amounted to MSEK 371 (312) for the quarter. Profit from property management including the share in profit in part-owned companies totaled MSEK 439 (447) for the quarter, corresponding to SEK 2.61 per ordinary share (2.66). Profit from property management in the preceding year was impacted by a significant increase in value of part-owned properties, recognized in share in profit from joint ventures
- Profit after tax for the quarter totaled MSEK 701 (986), corresponding to SEK 4.19 per ordinary share before dilution (6.02). Profit in the preceding year was impacted by a significant increase in value of part-owned properties, recognized in share in profit from joint ventures
- The earnings capacity at March 31, 2018 amounted to MSEK 1,946

Significant events during and after the quarter

- In March, Hemfosa became sole owner of the specialist hospital and the local medical center in Gardermoen, Norway, when the property-owning companies that were previously held in a joint venture became wholly owned subsidiaries of Hemfosa
- At the end of March, the Hansagården property in Bergen, with a high proportion of tenants in the community services sector, was acquired. The total area amounts to 29,000 sqm and the rental value to MSEK 34.
- The process involving an in-depth analysis of the opportunities and structure for a split of the Hemfosa Group into two listed companies is progressing. The aim is to create greater shareholder value through defining a community services-focused property company and a transaction-based property company, which both are poised to capture favorable property transactions.

This is HEMFOSA

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

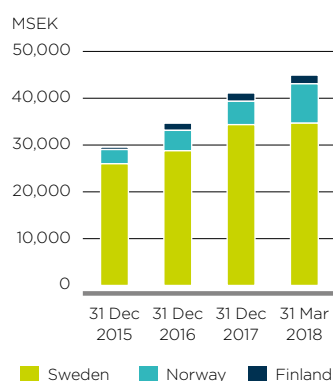
Hemfosa will generate long-term, high and stable growth combined with a strong cash flow by:

- 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

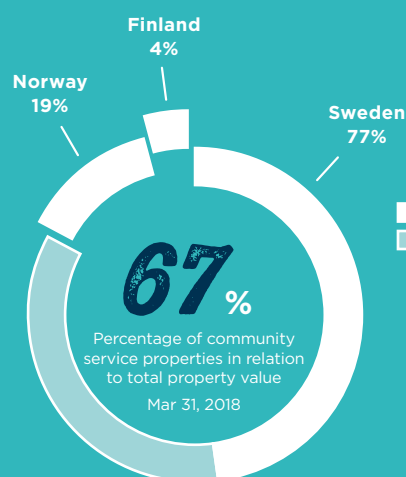
Hemfosa will be active in the Nordic transaction market in order to:

- 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.



COMMENTS FROM THE CEO

Exciting acquisitions and future plans

Hemfosa started 2018 at a fast tempo. We acquired community service properties in Norway and developed our cooperation with established players in the community services sector and our other tenants. We are particularly proud that in March we became the long-term sole owner of the ultra-modern and fully leased healthcare and medical properties in Gardermoen near Oslo, that have now been completed and in which the Norwegian Heart and Lung Association (LHL) and other tenants now are moving in. During the quarter, we also took the next steps in the process of evaluating a demerger of Hemfosa into two companies.

Hemfosa is reporting favorable and stable profit from property management for the first quarter of the year. A snowy and cold winter led to slightly higher property expenses at the same time as we increased earnings by over MSEK 140 through a growing property portfolio. In total, we took possession of community service properties at a value of approximately SEK 2.7 billion during the quarter.

HEALTHCARE PROPERTIES COMPLETED ACCORDING TO PLAN

At the end of March, Hemfosa became the sole owner of two healthcare properties in Gardermoen's new center of excellence for health services and medical care that was recently completed. This is a new build project that we started working with in 2015, in a joint venture together with property developer Aspelin Ramm of which we are both proud and pleased to have completed. When we entered into the project, we knew that project engineering and constructing a large, modern hospital would be a complex assignment. We shared a well-thought out concept and a clear strategy for the development of the entire area together with our partner Aspelin Ramm and the tenant the Norwegian Heart and Lung Association (LHL). The new specialist hospital was completed on schedule, on budget and with no observations in final inspection.

As an owner and manager of mainly community service properties, it feels particularly important to contribute toward a society that is sustainable in the long term. Therefore, we are also proud that the specialist hospital, besides setting a high standard for the operations, is one of the most climate and energy-friendly hospitals in Norway. For the long-term finance of the healthcare properties at Gardermoen, Hemfosa has raised a green loan from

Swedbank for SEK 1.5 billion, which is clear evidence that the investment fulfills high demands for sustainability while also providing competitive terms and conditions.

BUILDING A NETWORK OF PARTNERSHIPS

We are continuing to build a network of partnerships in the community services sector and develop well-functioning premises for a growing number of community players. One of them is Emrahus, from which we acquired two additional LSS homes during the quarter. Others are the Swedish Migration Agency, which recently moved into newly renovated premises in Uppsala. Other projects are the planning of properties for a school in Järfälla and a government agency in Norway. We can also see that the need for new functional community service properties is continuing to rise in many areas of our markets.

NO NEGATIVE EFFECT OF NEW DEDUCTION RULES

In March, the Swedish government presented a proposal on new tax rules referred to the Council on Legislation for consideration, which includes limitation on companies' right to make tax deduction on interest. We do not believe that this will have any material impact on Hemfosa. Looking at the industry as a whole, we believe that the new rules will lead to slight decrease in the indebtedness of companies.

We believe that the property market is rather cautious at the moment, probably affected by the uncertainty in the housing sector. Nevertheless, we see interesting opportunities for Hemfosa in terms of both acquisitions and new build projects in cooperation with property developers and tenants.

We are also looking forward to continuing the process of evaluating and planning for a demerger of Hemfosa into two new companies. We are convinced that a transaction-focused company, poised to capture favorable property transactions, and a community services-focused property company with development potential, which in addition to continued property transactions also will strengthen its project development operations, is the right way forward for the market we see before us.

Jens Engwall, CEO

The **MOST IMPORTANT**
PEOPLE DESERVE
THE best **PROPERTIES**

Operational DEVELOPMENT

INTERIM REPORT JANUARY-MARCH 2018

Earnings

	Jan-Mar		Full-year
MSEK	2018	2017	2017
Rental income	815	722	3,134
Net operating income	527	454	2,232
Surplus ratio, %	64.7	62.9	71.2
Profit from property management excl. shares in profit of joint ventures and associated companies	371	312	1,619
Profit from property management incl. shares in profit of joint ventures and associated companies	439	447	2,186
Changes in value of properties	493	738	1,651
Changes in value of financial instruments	10	12	50
Tax	-241	-211	-723
Profit	701	986	3,163
Comprehensive income	910	709	3,059

Net operating income

Rental income for the quarter amounted to MSEK 815 (722). The increase of 13 percent was attributable to a larger property portfolio and lease renegotiations, signing of new leases and indexation according to leases. At March 31, 2018, the leasable area of Hemfosa's total property portfolio totaled 2,984,000 square meters (2,624,000). The economic leasing rate was 93.4 percent (91.6).

Property expenses amounted to MSEK 262 (246) and costs for property administration to MSEK 26 (23). The high surplus ratio for the full-year 2017 was due primarily to other property income of a nonrecurring nature in the latter part of 2017.

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

Profit from property management

Central administration costs amounted to MSEK 33 (30).

Financial expenses totaled MSEK 126 (115). At March 31, the average interest rate in the loan portfolio was 2.02 percent (1.98).

Profit from property management excluding shares in profit from joint ventures and associated companies amounted to MSEK 371 (312), an increase of 19 percent.

The share in profit from joint ventures and associated companies amounted to MSEK 68 (135).

Tax

The tax expense totaled MSEK -241 (211), of which MSEK -154 (-192) was due to changes in deferred tax liabilities attributable to investment properties. Hemfosa's effective tax rate for the quarter was -26 percent (18). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to tax attributable to the preceding income year.

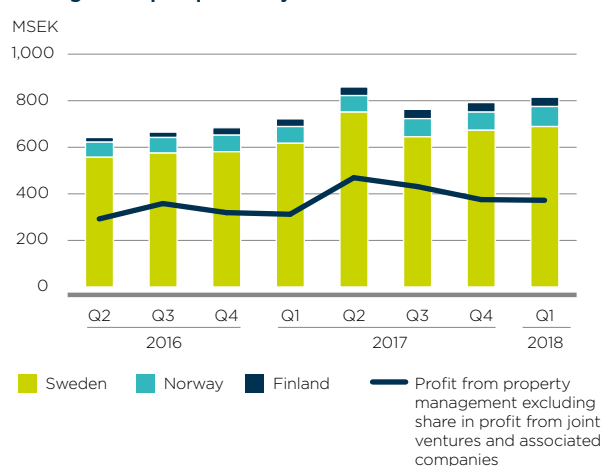
Profit for the quarter

MSEK **701**
(986)

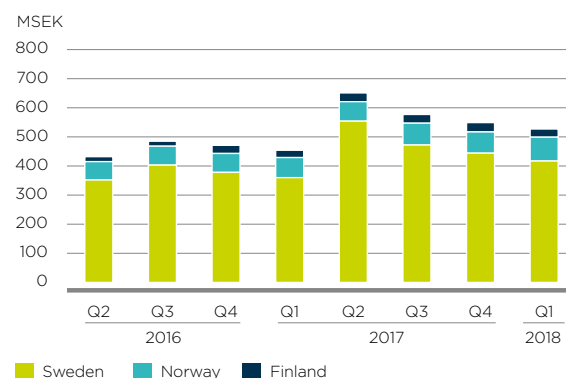
Earnings per ordinary share for quarter

SEK **4.19**
(6.02)

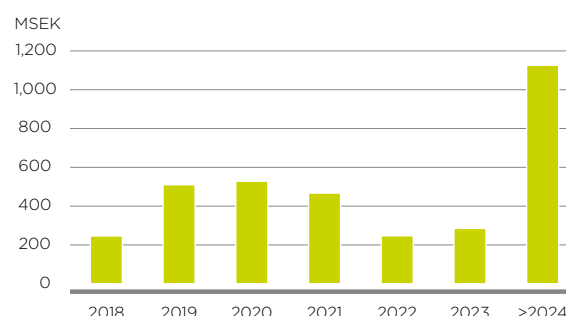
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Maturity structure of leases at March 31, 2018



PROPERTY *portfolio*

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

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

Community service properties

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

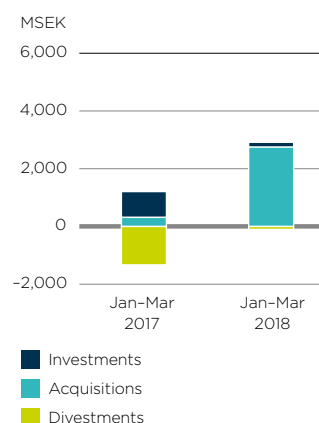
Hemfosa's definition of Community service properties is properties with, directly or indirectly, publicly financed tenants that account for at least 70 percent of the rental income.

CHANGES IN PROPERTY PORTFOLIO

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

MSEK	Sweden		Norway		Finland		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening value for the year	34,359	28,778	4,988	4,359	1,772	1,531	41,119	34,668
Acquired properties	30	154	2,724	-	-1	160	2,753	314
Investments in existing properties	157	277	10	15	1	-	168	288
Divested properties	-67	-200	-	-	-	-	-67	-204
Realized changes in value in profit or loss for the period	-2	34	-	-	-	-	-2	34
Unrealized changes in value in profit or loss for the period	190	513	299	188	6	4	495	704
Translation differences	-	-	390	-56	80	-3	470	-59
Closing fair value	34,667	29,553	8,411	4,506	1,858	1,692	44,937	35,751

Acquisitions, investments and divestments



Acquisitions and divestments of properties

Four community service properties in Sweden and Norway were acquired during the quarter for a total value of MSEK 2,753. The largest acquisitions were the hospital and specialist clinic in Gardermoen in Norway. The acquisitions during the quarter contribute a total rental value of MSEK 159 and have a total average rental period of 17.5 years.

The portfolio was streamlined in the quarter with the divestment of a hotel property in Karlskrona.

Acquisitions, January–March 2018

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Helsingborg	Möllarp 1:57	Community services	1	1
Gardermoen, Norway	Ullensaker 136/158	Community services	28	103
Gardermoen, Norway	Ullensaker 136/160	Community services	9	21
Bergen, Norway	Kalfarveien 72,76,78,82 Fjellmagasinet	Community services	29	34

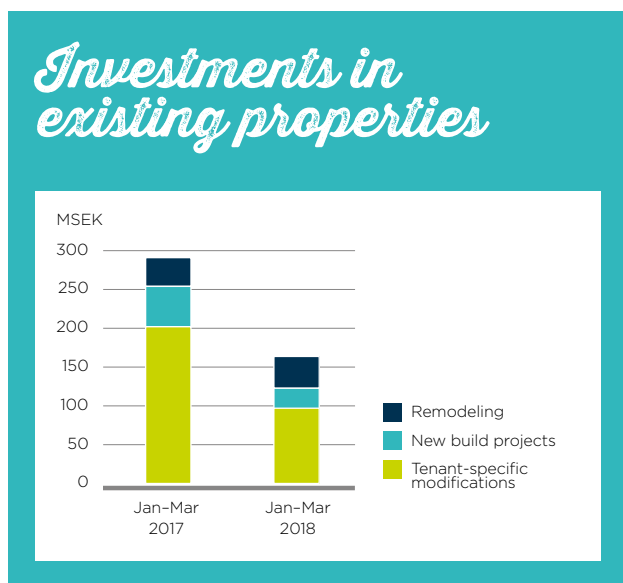
Divestments, January–March 2018

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Karlskrona	Humble 2	Other	3	6

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 in the property. The project is scheduled for completion in 2019. In Sundsvall on behalf of Internationella Engelska Skolan, conversion of an existing and construction of a new building are under way to satisfy the school's growing needs.



Ongoing projects in wholly owned properties, March 31, 2018

Municipality	Property	Type of property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Other	Retirement homes, etc.	52	360	Q2, 2019
Umeå	Tyr 8	Community services	Vattenfall	5	129	Q2, 2019
Sundsvall	Västhagen 1	Community services	Engelska Skolan	6	146	Q2, 2018
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 year was MSEK 495 (704), mainly resulting from the acquisition of the two properties in Gardermoen, Norway, which previously were jointly owned.

The weighted yield requirement was 6.0 percent (6.2), and was 6.1 percent at the previous valuation date of December 31, 2017. The weighted cost of capital for calculating the present value of cash flow and the residual value was 7.3 percent (7.4) and 8.2 percent (8.3), respectively.

VALUATION TECHNIQUES

The value of the properties has been assessed based on a market-adapted cash-flow estimate in which, by simulating the calculated future income and expenses, an analysis has been made of the market's expectations with respect to the valuation object. The yield requirement used in the estimate derives from sales of comparable properties. For further information, see Hemfosa's 2017 Annual Report, Note 11.

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

PROPERTY PORTFOLIO AS AT MARCH 31

Community service properties

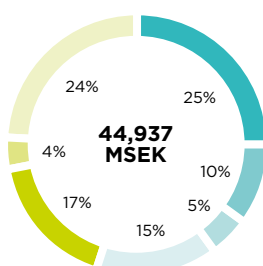
	Schools		Offices		Judicial system		Care services		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Rental value, MSEK	595	565	778	599	411	402	460	297	69	29	2,312	1,892
Leasable area ¹ , 000s sqm	434	419	578	462	279	278	312	250	62	33	1,666	1,443
Fair value of properties, MSEK	7,908	7,525	9,273	7,022	4,895	4,644	7,189	3,914	778	248	30,043	23,352
No. of properties	77	77	74	55	41	41	123	105	14	8	329	286
Economic leasing rate, %											96.1	94.9
Remaining lease term, years											7.2	6.8

Other properties

	Offices		Logistic/ware-house activities		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Rental value, MSEK	916	730	266	256	156	163	1,338	1,150
Leasable area ¹ , 000s sqm	716	579	424	414	179	188	1,319	1,181
Fair value of properties, MSEK	9,968	7,558	3,409	3,271	1,517	1,569	14,894	12,399
No. of properties	79	67	30	28	41	42	150	137
Economic leasing rate, %							88.7	85.9
Remaining lease term, years							4.2	4.5

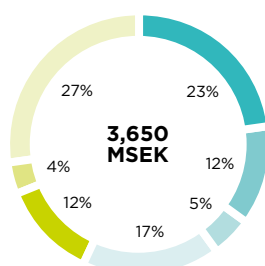
¹ Excluding garage space

Fair value per region
Mar 31, 2018



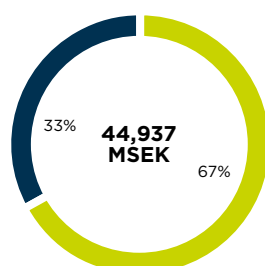
Stockholm
Gothenburg
Malmö
Coast of Norrland
Oslo
Helsinki
Other

Rental value per region
Mar 31, 2018



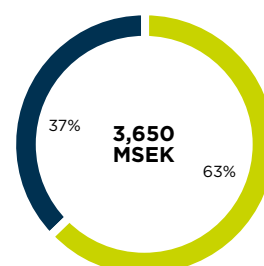
Stockholm
Gothenburg
Malmö
Coast of Norrland
Oslo
Helsinki
Other

Fair value per type of property
Mar 31, 2018



Community service properties
Other properties

Rental value per type of property
Mar 31, 2018



Community service properties
Other properties

CURRENT EARNINGS CAPACITY

Below is the company's current earnings capacity presented on a 12-month basis on the balance-sheet date. Current earnings capacity is to be considered solely as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on the property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions. The yield according to earnings capacity was 5.6 percent (5.4) for community service properties and 5.5 percent (5.3) for other properties.

Group's earnings capacity

MSEK	Mar 31, 2018
Rental income	3,388
Property expenses	-814
Property administration	-82
Net operating income	2,493
Central administration	-128
Share in profit from joint ventures and associated companies	140
Financial expenses	-558
Profit from property management	1,946

Sensitivity analysis, March 31, 2018

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 34
Economic leasing rate according to earnings capacity	+/- 1	+/- 34
Property expenses according to earnings capacity	+/- 1	+/- 9
Net operating income according to earnings capacity	+/- 5	+/- 125

CALCULATION BASIS

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

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

Shares in JOINT VENTURES

At March 31, 2018, Hemfosa was a partner in four joint ventures, including two minor holdings, which are presented in Hemfosa's 2017 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. Share in profit from joint ventures is recognized in the Group's profit from property management, but is not included in Hemfosa's dividend-based profit.

Equity share of joint ventures

MSEK	Mar 31		Dec 31
	2018	2017	2017
Capital share	1,442	1,812	2,096

Share in profit from joint ventures

MSEK	Jan-Mar		Jan-Dec
	2018	2017	2017
Profit for the period	67	135	135
Of which			
Profit from property management	32	30	127
Changes in value, properties	38	104	490
Changes in value, derivatives	8	13	45
Other	-12 ¹	-12	-115

¹ including share in profit prior to March 22, 2018

Key performance data for material holdings in joint ventures, March 31

MSEK	Söderport		Gardermoen Campus Utvikling	
	2018	2017	2018	2017
Non-current assets	7,079	6,099	110	1,804
of which, investment properties	6,870	5,887	110	1,804
Current assets	152	294	1	58
Equity	2,709	2,281	98	1,001
of which, Hemfosa's share	1,355	1,140	64	651
Non-current liabilities	4,303	3,859	3	784
of which, deferred tax liabilities	535	387	3	156
of which, derivatives	311	398	-	-
Current liabilities	218	252	10	77
Rental income	142	144	-	-
Net operating income	99	105	0	0
Net interest income	-39	-42	0	0
Changes in value, properties	76	179	-	36
Changes in value, derivatives	17	26	-	-
Tax	-33	-12	-	-9
Profit	122	263	0	27
of which, Hemfosa's share	61	131	0	18
No. of properties	69	70	1	3
Leasable area, 000s of sqm	658	633	-	-

Söderport

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

Gardermoen Campus Utvikling

Until March 22, 2018, Hemfosa was a part-owner of Gardermoen Campus Utvikling AS (Corp. Reg. No. 913 111 915) through a joint venture with Aspelin Ramm. On March 22, 2018, Hemfosa became sole owner of the company, which owns the specialist hospital and local medical center constructed at Gardermoen. Following acquisition by Hemfosa, the name of the company was changed to Samhold IV AS.

Hemfosa remains a part-owner of a joint venture – a newly founded company Gardermoen Campus Utvikling AS (Corp. Reg. No. 920599192) (GCU) – together with Aspelin Ramm. Hemfosa's shareholding amounts to 65 percent.

The new company owns land, parking facilities and certain infrastructure by the Gardermoen Airport area where the hospital and local medical center that Hemfosa has acquired is located. GCU will continue to develop the area into an important national expertise hub for health and care services. GCU controls a total of about five hectares of land with a zoning plan, for which construction of up to a total of 51,000 square meters has been approved.

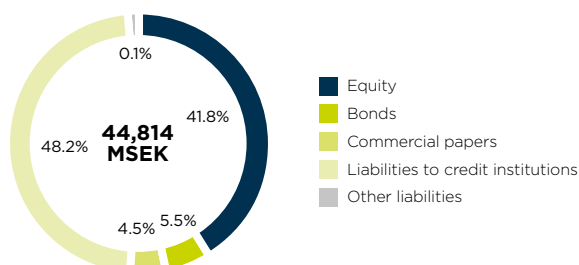
Further development of the area will continue in cooperation with Aspelin Ramm as part of an unchanged joint venture structure.

SHARES IN ASSOCIATED COMPANIES

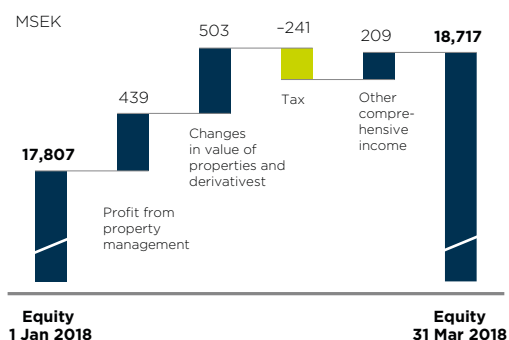
Hemfosa holds 26.6 percent of the shares and voting rights of Offentlig Eiendom AS (Corp. Reg. No. 914 428 467). The company owns and manages nine community service properties in Norway.

Financing

Breakdown of sources of financing, March 31, 2018



Changes in equity during the period



Key performance data, financial objectives

	Jan-Mar		Jan-Dec
	2018	2017	2017
Return on equity, %	31.3	28.0	19.0
Equity/assets ratio, %	39.5	42.7	40.4
Interest-coverage ratio, multiple	3.9	3.7	4.4 ¹

¹ The higher interest-coverage ratio for full-year 2017 was due to nonrecurring items in net operating income, refer to Hemfosa's year-end report January-December 2017.

INTEREST-BEARING LIABILITIES

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

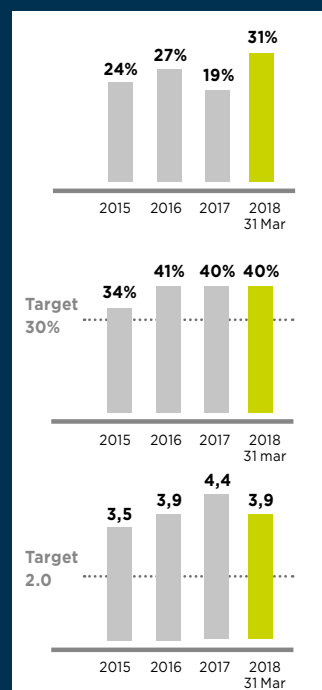
In the first quarter 2018, Hemfosa raised new bank loans to finance acquisitions of properties in Norway. Covered bonds were repaid in connection with the divestment of a property in Sweden. During the quarter, commercial paper in the amount of MSEK 1,595 were extended. At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,995 and non-covered bonds of MSEK 2,000. The company has backup facilities for the outstanding commercial papers, most of which are covered.

FINANCIAL objectives

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

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

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



Change in loan portfolio

	Jan-Mar		Jan-Dec
MSEK	2018	2017	2017
Interest-bearing liabilities at the beginning of the period	24,110	20,666	20,666
New bank loans	1,945	-	5,527
Repayment of bank loans	-67	-374	-3,794
Expired commercial paper	-	-685	-
Issue of commercial paper	-	885	1,100
Issue of bonds	-	750	1,973
Redemption of bonds	-66	-518	-1,248
Exchange-rate difference	219	-33	-114
Interest-bearing liabilities at the end of the period¹	26,142	20,692	24,110

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

Key performance data concerning the loan portfolio

	Mar 31		Dec 31
	2018	2017	2017
Net loan-to-value ratio, %	56.9	55.5	57.1
Average interest rate, %	2.02	1.98	1.94
Average remaining fixed-rate period, years	1.4	1.10	1.5
Average remaining loan maturity period, years	2.3	2.2	2.3
Interest-rate hedged portion of liabilities, %	65.2	54.9	69.1
Fair value of derivatives, MSEK	-19	-72	-34

Available liquidity

MSEK	Mar 31		Dec 31
	2018	2017	2017
Cash and cash equivalents	503	790	541
Unutilized overdraft facilities	450	450	450
Total	953	1,240	991

Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates have less impact on the Group's interest expenses. In some cases, the Group has entered into loan agreements with an interest-rate floor provision, meaning that 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, 2018, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 5,114 (4,706) and interest-rate caps MSEK 11,451 (11,405). Most of the interest-rate swaps had a negative fair value at March 31, 2018. During the quarter, Hemfosa repaid interest-rate swaps for a nominal value of MSEK 675, which resulted in a realized change in value of MSEK 1.3. At the same time, Hemfosa raised new interest-rate swaps for a nominal value of MSEK 1,000.

Fixed-rate period distributed by instrument type, March 31, 2018

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	26,078	-2,413	-9,549	14,116	54
1-2 years	24	1,213	3,531	4,768	18
2-3 years	0	200	2,875	3,075	12
3-4 years	0	0	1,400	1,400	5
4-5 years	0	1,000	1,743	2,743	10
>5 years	40	0	0	40	0
Total	26,142	0	0	26,142	100

Maturity structure, interest-bearing liabilities, March 31, 2018

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, neg. value, MSEK	Net interest, derivatives, pos. value, MSEK	Total interest, MSEK
2018	6,793 ¹	26	334	30	1	365
2019	6,441	25	318	12	2	332
2020	5,022	19	206	11	0	217
2021	3,612	14	129	10	0	139
2022	2,600	10	85	9	0	95
2023-	1,674	6	49	2	0	51
Total	26,142	100	1,121	74	3	1,199

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

Sensitivity analysis, March 31, 2018

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+132/-48
Interest expenses assuming change in average interest rate ²	+/- 1	+/-261
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/- 1	+/-94

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

CURRENCY EXPOSURE

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

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

Currency exposure

MSEK	Mar 31		Dec 31
	2018	2017	2017
Exposure in EUR	85	110	82
Exposure in NOK	3,062	2,319	2,707

Sensitivity analysis, March 31, 2018

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/- 10	+/-87
Changes in SEK/NOK exchange rates	+/- 10	+/- 325

CASH FLOW

Cash flow from operating activities totaled MSEK 503 (140).

Investing activities impacted cash flow in the amount of MSEK -2,102 (-407), mainly comprising of direct and indirect acquisitions and divestments of properties of MSEK -1,943 (-106) and of investments in existing properties of MSEK -168 (-291).

Financing activities had an impact of MSEK 1,554 (-164) on cash flow for the period. The net change in bank loans was MSEK 1,755 (56). During the period, MSEK 201 (193) was paid in dividends to Hemfosa's shareholders.

Cash and cash equivalents changed in a total of MSEK -46 (-430) during the year.

Cash flow

MSEK	Jan-Mar		Jan-Dec
	2018	2017	2017
Cash flow from operating activities	503	140	1,542
Cash flow from investing activities	-2,102	-407	-4,955
Cash flow from financing activities	1,554	-164	2,732
Total cash flow	-46	-430	-681

Other

INFORMATION ON THE DEMERGER PROCESS

The process involving an in-depth analysis of the opportunities and structure for a split of the Hemfosa Group into two listed companies is progressing. The aim is to create a community services-focused property company with development potential and a transaction-based property company poised to capture lucrative business transactions. The last mentioned is planned to be distributed to Hemfosa's ordinary shareholders and listed on Nasdaq Stockholm. If the ongoing evaluation results in a decision by the Board to continue the demerger process, the Board will convene an Extraordinary General Meeting. If a decision is made, the distribution and listing is expected to take place in the second half of 2018.

THE SHARE AND SHAREHOLDERS

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

At March 31, 2018, 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 on March 31, 2018 was SEK 101.30 per ordinary share and SEK 184.50 per preference share. Total market capitalization was MSEK 18,007. At March 31, 2018, Hemfosa had 23,755 shareholders, of whom Swedish investors, institutions and private individuals owned 55.2 percent of the shares and 53.4 percent of the voting rights. International institutional investors owned 44.8 percent of the shares and 46.6 percent of the votes.

Ownership structure, March 31, 2018

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Länsförsäkringar				
Fondförvaltning AB	8,869,380	-	5.3	5.6
Fourth AP Fund	8,755,616	-	5.2	5.5
Kåpan Pensioner				
Försäkringsförening	8,236,274	-	4.9	5.2
Swedbank Robur Funds	7,706,968	-	4.6	4.8
Handelsbanken Funds	5,940,000	-	3.5	3.7
JPM Chase NA	5,294,809	355,566	3.4	3.4
SEB Investment Management	5,023,259	-	3.0	3.2
ICA-handlarnas Förbund				
Finans AB	4,180,154	286,439	2.6	2.6
Other	103,721,789	10,357,994	67.5	66.0
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.

2018 AGM

The AGM of Hemfosa Fastigheter AB (publ) will be held at 2:00 p.m. CET on Wednesday, April 18, 2018 at Hilton Stockholm Slussen, Guldgränd 8, Stockholm, Sweden. AGM documentation including information about the Board of Directors' motions is available on the company's www.hemfosa.se website.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer gives his 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, April 18, 2018
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Jens Engwall
Chief Executive Officer

This interim report was not audited.

The information 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 April 18, 2018 at 7:30 a.m. CET.

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

FINANCIAL CALENDAR

Interim report
January–June 2018 **July 19, 2018**

Interim report
January–September 2018 **November 7, 2018**

Year-end report
January–December 2018 **February 15, 2019**

CONTACT INFORMATION

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Condensed FINANCIAL STATEMENTS

Consolidated statement of PROFIT/LOSS AND COMPREHENSIVE INCOME

	Jan-Mar		Jan-Dec
MSEK	2018	2017	2017
Rental income	815	722	3,134
Property expenses			
Operating expenses	-175	-158	-488
Maintenance costs	-58	-63	-221
Property tax	-29	-25	-108
Property administration	-26	-23	-85
Net operating income	527	454	2,232
Central administration	-33	-30	-137
Other operating income and expenses	2	3	11
Share in profit of joint ventures ¹	67	135	548
Share in profit of associated companies	1	-	19
Financial income and expenses	-127	-114	-487
Profit from property management	439	447	2,186
Changes in value of properties, realized	-2	34	22
Unrealized changes in value of properties	495	704	1,629
Changes in value of financial instruments, realized	1	-	-
Unrealized changes in value of financial instruments	9	12	50
Profit before tax for the year	942	1,197	3,887
Current tax	-87	-2	-30
Deferred tax	Note 4	-154	-209
Profit for the year	701	986	3,163
Other comprehensive income			
<i>Items that have or could be transferred to profit for the period</i>			
Translation differences for the period when translating foreign operations	209	-33	-104
Comprehensive income for the year	909	953	3,059
<i>Profit for the year attributable to:</i>			
Parent Company shareholders	688	977	3,142
Non-controlling interests	12	9	21
Profit for the year	701	986	3,163
<i>Comprehensive income for the year attributable to:</i>			
Parent Company shareholders	892	945	3,042
Non-controlling interests	18	8	18
Comprehensive income for the year	910	953	3,059
Profit for the year per ordinary share, before dilution, SEK	4.19	6.02	19.22
Profit for the year per ordinary share, after dilution, SEK	4.19	6.02	19.21

Consolidated statement of FINANCIAL POSITION

	Mar 31		Dec 31
MSEK	2018	2017	2017
ASSETS			
Investment properties	44,937	35,751	41,119
Shares in joint ventures	1,442	1,812	2,096
Shares in associated companies	133	55	123
Other fixed assets	15	13	17
Total fixed assets	46,527	37,631	43,355
Current receivables	353	254	190
Cash and cash equivalents	503	790	541
Total current assets	856	1,044	731
TOTAL ASSETS	47,382	38,675	44,086
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to			
Parent Company shareholders	18,615	16,424	17,723
Non-controlling interests	103	72	85
Equity	18,717	16,496	17,807
Non-current interest-bearing liabilities	17,011	15,200	15,139
Other non-current liabilities	35	79	52
Deferred tax liabilities	1,358	714	1,184
Total non-current liabilities	18,404	15,993	16,375
Current interest-bearing liabilities	9,051	5,430	8,894
Other current liabilities	1,210	757	1,010
Total current liabilities	10,261	6,186	9,904
Total liabilities	28,665	22,179	26,279
TOTAL EQUITY AND LIABILITIES	47,382	38,675	44,086

¹ See table on page 9

Consolidated statement of CHANGES IN EQUITY

MSEK	Equity attributable to Parent Company shareholders	Non- controlling interests	Total equity
Opening equity			
Jan 1, 2017	15,506	64	15,570
New issue, ordinary shares	-26 ²	-	-26
Comprehensive income			
Jan-Mar 2017	945	8	953
Closing equity			
Mar 31, 2017	16,424	72	16,496
Opening equity			
Jan 1, 2018	17,723	85	17,807
Comprehensive income			
Jan-Mar 2018	892	18	910
Closing equity			
Mar 31, 2018	18,615 ¹	103	18,717

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

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

STATEMENT OF CASH FLOW for the Group

MSEK	Jan-Mar		Jan-Dec
	2018	2017	2017
Operating activities			
Profit from property management	439	447	2,186
Adjustments for non-cash items	-72	-135	-566
Income tax paid	-12	0	-8
Subtotal	354	312	1,612
Change in operating receivables	-171	-114	-15
Change in operating liabilities	319	-58	-55
Cash flow from operating activities	503	140	1,542
Investing activities			
Acquisition of investment properties	-13	-38	-62
Divestment of investment properties	-	7	7
Investments in existing properties	-168	-291	-956
Acquisition of subsidiaries	-1,995	-263	-4,239
Divestment of subsidiaries	66	188	288
Acquisition of joint ventures and associated companies	-1	-8	-62
Other	9	-1	68
Cash flow from investing activities	-2,102	-407	-4,955
Financing activities			
Loans raised	1,892	949	8,588
Repayment of loans	-137	-892	-5,042
Dividend paid to shareholders	-201	-193	-799
Other	0	-27	-15
Cash flow from financing activities	1,554	-164	2,732
Cash flow for the period	-46	-430	-681
Cash and cash equivalents at the beginning of the period	541	1,221	1,221
Exchange-rate difference in cash and cash equivalents	8	-1	0
Cash and cash equivalents at the end of the period	503	790	541

Key performance data

KEY FINANCIAL DATA

	Mar 31		Dec 31
	2018	2017	2017
Return on equity, %	31.3	28.0	19.0
Equity/assets ratio, %	39.5	42.7	40.4
Net loan-to-value ratio, properties, %	56.9	55.5	57.1
Debt/equity ratio, multiple	1.4	1.3	1.3
Interest-coverage ratio, multiple	3.9	3.7	4.4

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Jan-Mar		Jan-Dec
	2018	2017	2017
Profit from property management per ordinary share ²	2.61	2.66	13.16
Profit after tax per ordinary share before dilution, SEK ²	4.19	6.02	19.22
Profit after tax per ordinary share after dilution, SEK ²	4.19	6.02	19.21
Equity per ordinary share, SEK ¹	106.66	92.77	101.01
Net asset value (EPRA NAV), SEK per ordinary share ^{1,2}	118.87	100.89	112.20
Cash flow from operating activities per ordinary share, SEK	3.01	0.72	9.60
Dividend per ordinary share, SEK	1.10	1.05	4.35
Weighted average number of ordinary shares, 000s	157,728	157,728	157,728
Number of ordinary shares outstanding, 000s ¹	157,728	157,728	157,728

PROPERTY-RELATED KEY FIGURES

	Mar 31		Dec 31
	2018	2017	2017
No. of properties	479	423	472
Rental value, MSEK ²	3,650	3,042	3,397
Leasable area, 000s of sqm	2,984	2,624	2,918
Fair value of properties, MSEK	44,937	35,751	41,119
Property value, SEK per sqm of leasable area	15,058	13,624	14,092
Economic leasing rate, %	93.4	91.5	92.5
Surplus ratio, Jan-Mar, %	64.7	62.8	71.2
Yield, Jan-Mar, %	5.4	5.4	5.5

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Jan-Mar		Jan-Dec
	2018	2017	2017
Dividend per preference share, SEK	2.50	2.50	10.00
Equity per preference share, SEK ¹	162.85	162.85	162.85
Number of preference shares outstanding, 000s ¹	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.

COMPONENTS OF KEY PERFORMANCE DATA

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

RETURN ON EQUITY

	Mar 31		Dec 31
MSEK	2018	2017	2017
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	5,476	3,880	3,150
Average equity attributable to Parent Company shareholders	17,519	13,926	16,614
Return on equity, %	31.3	28.0	19.0

EPRA NAV

	Mar 31		Dec 31
MSEK	2018	2017	2017
Equity attributable to Parent Company shareholders	18,615	16,424	17,723
Preference share capital	1,791	1,791	1,791
Deferred tax	1,358	714	1,184
Derivatives	19	72	34
Deferred tax in joint ventures, Hemfosa's share	394	295	383
Derivatives in joint ventures, Hemfosa's share	155	199	164
Number of ordinary shares, millions	158	158	158
EPRA NAV, SEK	118.87	100.89	112.20

NET LOAN-TO-VALUE RATIO

	Mar 31		Dec 31
MSEK	2018	2017	2017
Cash and cash equivalents	503	790	541
Interest-bearing liabilities	26,062	20,630	24,033
Investment properties	44,937	35,751	41,119
Net loan-to-value ratio, %	56.9	55.5	57.1

INTEREST-COVERAGE RATIO

	Mar 31		Dec 31
MSEK	2018	2017	2017
Profit from property management	439	447	2,186
Share in profit from joint ventures and associated companies	68	135	548
Depreciation/amortization	0	-1	-1
Financial income and expenses	-127	-114	-487
Interest-coverage ratio, multiple	3.9	3.7	4.4

EQUITY/ASSETS RATIO

	Mar 31		Dec 31
MSEK	2018	2017	2017
Equity	18,717	16,496	17,807
Total assets	47,383	38,675	44,086
Equity/assets ratio, %	39.5	42.7	40.4

Quarterly review

	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016
Rental income, MSEK	815	792	762	858	722	684	666	642
Property expenses								
Operating expenses, MSEK	-175	-124	-83	-124	-158	-103	-84	-113
Maintenance costs, MSEK	-58	-71	-52	-34	-63	-67	-47	-53
Property tax, MSEK	-28	-30	-28	-25	-25	-24	-28	-23
Property administration, MSEK	-26	-18	-22	-21	-22	-18	-22	-21
Net operating income, MSEK	527	548	576	654	455	472	485	432
Surplus ratio, %	64.7	69.3	75.6	76.2	62.9	69.0	72.8	67.3
Economic leasing rate, %	93.4	92.5	92.0	92.2	91.7	91.1	91.5	91.2
Yield, %	5.4	5.4	5.9	5.4	5.4	5.5	5.6	5.7
Profit from property management, MSEK	439	525	515	699	447	537	582	352
Profit from property management per ordinary share, SEK	2.61	3.15	3.09	4.25	2.66	3.23	2.23	2.23
Profit for the year, MSEK	701	528	775	874	986	837	1,389	703
Profit for the year per ordinary share, before dilution, SEK	4.19	3.17	4.73	5.31	6.02	5.02	8.59	4.62
Profit for the year per ordinary share, after dilution, SEK	4.19	3.16	4.69	5.31	6.02	5.02	8.59	4.62
Fair value of properties, MSEK	44,937	41,119	39,736	38,153	35,751	34,668	33,020	31,928
Equity, MSEK	18,717	17,807	17,303	16,517	16,496	15,570	14,731	13,236
Equity per ordinary share, SEK	106.66	101.01	97.82	92.86	92.77	86.95	81.81	72.44
EPRA NAV per ordinary share, SEK	118.87	112.20	107.55	101.93	100.89	93.87	88.40	81.58
Return on equity, % ¹	31.3	19.0	21.5	27.3	28.0	27.1	27.4	21.9
Equity/assets ratio, %	39.5	40.4	40.6	39.7	42.7	41.2	41.5	38.7
Net loan-to-value ratio, properties, %	56.9	57.1	56.8	56.4	55.5	55.9	55.0	55.6
Debt/equity ratio, multiple	1.4	1.3	1.3	1.4	1.3	1.3	1.3	1.4
Interest-coverage ratio, multiple	3.9	4.4	4.5	4.5	3.7	3.9	3.9	3.7
Cash flow from operating activities before changes in working capital, MSEK ²	354	373	433	500	312	321	357	280
Cash flow per ordinary share, SEK ²	2.07	2.19	2.57	3.00	1.81	1.86	2.09	1.82
Cash flow from operating activities, MSEK	503	449	301	652	140	296	398	121
Cash flow per ordinary share, SEK	3.01	2.67	1.73	3.96	0.72	1.67	2.35	0.64

¹ Pertains to rolling 12-month periods.

² The key figure will no longer be included in the Quarterly review as of the first quarter of 2019.

Notes

note 1 ACCOUNTING POLICIES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting, as well as applicable regulations of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. For both the Group and the Parent Company, the same accounting policies have been applied as in the most recent Annual Report, with the exception of the amended accounting policies described below. All amounts in this interim report are stated in millions of kronor (MSEK), unless otherwise stated. The amounts in parenthesis pertain to the year-earlier period. Rounding off differences may occur.

The Group started to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The Group made use of the exemption to not restate comparative information for earlier periods as regards changes to classification and measurement (including impairment). The Group's revenue essentially comprises rental income recognized according to IAS 17 Leases, which is why IFRS 15 will only apply to sales of property management services and media. The impact on the consolidated financial statements when IFRS 15 becomes effective consists essentially of a breakdown of revenue into rental income and other income. IFRS 15 will also result in expanded disclosure requirements regarding income, see note 3.

IFRS 9 Financial Instruments

IFRS 9 entails changes in how financial assets are classified and measured, introduces an impairment model that is based on expected credit losses rather than losses incurred. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Impairment of financial assets and contract assets

IFRS 9 replaces the incurred loss model with an expected credit loss model. This new impairment model is to be applied to financial assets measured at amortized cost or fair value through other comprehensive income except for investments in equity instruments (shares and participations) and contract assets.

Under IFRS 9, loss allowances are recognized as follows:

- 12-month expected credit losses: recognized for default events that can be expected to occur within 12 months
- full lifetime expected credit losses: recognized for default events that can be expected to occur over the life of the asset.

The receivables recognized in the Group mainly comprise rent receivables in respect of advance payment subject to a very low credit risk. The Group has made the assessment that no additional impairment is required.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces existing IFRSs governing revenue recognition from January 1, 2018. The Group's revenue essentially comprises rental income recognized according to IAS 17 Leases, which is why IFRS 15 only applies to sales of property management services and media. The impact on the consolidated financial statements consists essentially of a breakdown of revenue into rental income and other income. X.X percent of rental income for the first quarter of 2018 comprised other income.

IFRS 16 Leases

Effective 2019, IFRS 16 Leases replaces existing IFRSs related to recognition of leases, such as IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. The Group has decided not to implement IFRS 16 prospectively. IFRS 16 mainly impacts lessees and the greatest impact is that all leases that according to the currently prevailing policies are to be recognized as operating leases will have to be recognized in a manner that resembles recognition of financial leases. This entails that an asset and liability will have to be recognized for operating leases, with associated recognition of costs for depreciation/amortization and interest payments – in contrast to the current policies, according to which no recognition is necessary for leased assets and the related debt, and that leasing fees are accrued straight line as a leasing expense.

The Group's initial assessment of the potential effects on the financial statements is that the impact will be marginal. The final effect of the introduction of IFRS 16 will depend on future economic circumstances, including the Group's loan interest on January 1, 2019, the composition of the Group's lease portfolio on that date, the Group's most recent assessment of whether it will use any options to extend leases and the extent to which the Group decided to make use of relief rules and exemptions from recognition in the balance sheet/statement of financial position.

note 2 ESTIMATES OCH ASSESSMENT

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.

note 3 OPERATING SEGMENTS

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

5 percent of total rental income comprises income for media and service, such as snow clearance.

	Jan-Mar		Jan-Dec
Net operating income, Sweden (MSEK)	2018	2017	2017
Rental income	689	617	2,684
Property expenses			
<i>Operations</i>	-165	-152	-463
<i>Maintenance</i>	-55	-61	-211
<i>Property tax</i>	-25	-23	-96
Property administration	-26	-20	-84
Net operating income	417	361	1,831

	Jan-Mar		Jan-Dec
Net operating income, Norway (MSEK)	2018	2017	2017
Rental income	86	72	299
Property expenses			
<i>Operations</i>	-2	-1	-5
<i>Maintenance</i>	-1	-1	-5
<i>Property tax</i>	-1	-1	-4
Property administration	0	-1	-1
Net operating income	82	69	284

	Jan-Mar		Jan-Dec
Net operating income, Finland (MSEK)	2018	2017	2017
Rental income	40	33	151
Property expenses			
<i>Operations</i>	-7	-5	-20
<i>Maintenance</i>	-2	-1	-4
<i>Property tax</i>	-2	-1	-8
Property administration	0	-1	0
Net operating income	28	25	118

	Jan-Mar		Jan-Dec
Net operating income, Total (MSEK)	2018	2017	2017
Rental income	815	722	3,134
Property expenses			
<i>Operations</i>	-175	-158	-488
<i>Maintenance</i>	-58	-63	-221
<i>Property tax</i>	-29	-25	-108
Property administration	-26	-23	-85
Net operating income	527	454	2,232

Profit from property management	439	447	2,186
Changes in value	503	750	1,700
Profit before tax for the period	942	1,197	3,887
Tax	-241	-211	-723
Profit for the period	701	986	3,163

	Sweden		Norway		Finland		Total	
Key performance data, March 31	2018	2017	2018	2017	2018	2017	2018	2017
Rental value, MSEK	2,977	2,596	499	284	174	162	3,650	3,042
Leasable area ¹ , 000s sqm	2,605	2,352	268	160	112	112	2,984	2,624
Fair value of properties, MSEK	34,667	29,553	8,411	4,506	1,858	1,692	44,937	35,751
No. of properties	426	383	45	32	8	8	479	423
Yield ² , %	5.2	5.2	5.8	5.8	6.5	6.7	5.4	5.4
Economic leasing rate, %	92.2	90.5	99.5	99.3	95.2	93.6	93.4	91.5
Remaining lease term, years	5.2	5.7	11.8	8.3	6.0	6.9	6.2	6.0
Surplus ratio for the period, %	60.6	58.5	95.2	95.8	71.0	75.8	64.7	62.9

¹ Excluding garage space

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

note 4 TAX

The Group's effective tax rate for the quarter was -26.0 percent (17.6).

According to the prevailing regulatory framework, deferred tax on temporary differences on all assets and liabilities is to be taken into account, with the exception of temporary differences on properties in connection with asset acquisitions. The residual value of investment properties for tax purposes totaled MSEK 22,515, which means that temporary differences of MSEK 12,645 are not recognized in the Statement of financial position.

MSEK	Mar 31, 2018
Loss carryforwards	4,305
Residual value for tax purposes, properties	22,515
Temporary difference not recognized in the consolidated financial statements	12,645

note 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments, MSEK	Carrying amount		Fair value	
	Mar 31, 2018	Mar 31, 2017	Mar 31, 2018	Mar 31, 2017
Derivatives with a positive value	7	3	7	3
Derivatives with a negative value	26	75	26	75

note 6 FINANCING

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

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

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner on managing these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2017 Annual Report on pages 42-45 and 94-96.

note 8 RELATED PARTIES

The Group owns shares in joint ventures; refer to page 9 of this year-end 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. During 2017, one property was acquired from Söderport. All transactions were conducted on market-based terms. At March 31, 2018, the Group had sureties of MSEK 30 (187) for the liabilities of joint ventures. At March 31, 2018, the Group had receivables of MSEK 24 from joint ventures.

note 9 SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

No significant events occurred after the end of the period.

note 10 EARNINGS PER SHARE

An incentive program employees was introduced in 2017. Under the program, 1,294,000 warrants were issued conferring rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022. In addition to the warrants, 61,500 synthetic options were issued, conferring rights to subscribe for shares or alternatively to a cash payment during the periods May 1-31, 2022 and August 1-31, 2022. Hemfosa had bought back 40,000 warrants at March 31, 2018. The warrants program is described in the 2017 annual report, page 48.

MSEK	Jan-Mar		Jan-Dec
	2018	2017	2017
Profit for the period attributable to Parent Company shareholders	688	977	3,142
Dividend on preference shares	-28	-28	-110
Profit attributable to Parent Company ordinary shareholders	660	949	3,032
Average weighted number of ordinary shares, millions	158	158	158
Profit per ordinary share, before dilution, SEK	4.19	6.02	19.22
Profit per ordinary share, after dilution, SEK	4.19	6.02	19.21
Number of ordinary shares, millions	158	158	158
Number of warrants issued, millions	1	-	1
Estimated dilution, %	0.04	-	0.04

INCOME STATEMENT for the Parent Company

MSEK	Jan-Mar		Jan-Dec
	2018	2017	2017
Net sales	9	8	33
Other external costs	-9	-11	-47
Personnel costs	-10	-2	-32
Depreciation/amortization	0	0	0
Operating loss	-10	-5	-46
Profit from shares in Group companies	-	-	897
Interest income and similar income items	8	5	26
Interest expenses and similar expense items	-13	-17	-71
Profit/loss after financial items	-16	-18	806
Appropriations			
Group contributions received and paid	-	-	116
Profit/loss after appropriations	-16	-18	922
Tax	4	-	0
Profit/loss for the year	-12	-18	922

For the January-March 2018 period, the Parent Company recognized a loss after tax of MSEK -12 (-18). The Parent Company's fee for central and property administrative services on behalf of Group companies during the period was MSEK 9 (8). Profit for the year total corresponds to comprehensive income for the year.

BALANCE SHEET for the Parent Company

MSEK	Mar 31		Dec 31
	2018	2017	2017
ASSETS			
Tangible assets	1	1	1
Participations in Group companies	5,397	5,254	5,326
Non-current receivables from Group companies	835	477	810
Deferred tax assets	-	-	-
Total fixed assets	6,233	5,732	6,137
Current receivables from Group companies	10,040	9,613	11,440
Other current receivables	66	50	45
Cash and bank balances	0	23	0
Total current assets	10,107	9,686	11,535
TOTAL ASSETS	16,340	15,418	17,672
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity	84	84	84
Unrestricted equity	11,117	10,988	10,207
Equity	11,202	11,072	11,214
Non-current interest-bearing liabilities	2,011	1,500	2,000
Non-current liabilities to Group companies	-	-	8
Other non-current liabilities	-	-	3
Total non-current liabilities	2,011	1,500	2,011
Current interest-bearing liabilities	-	480	-
Commercial paper, short-term	1,995	1,095	1,995
Current liabilities to Group companies	1,099	1,222	2,208
Other current liabilities	33	49	244
Total current liabilities	3,127	2,846	4,447
Total liabilities	5,139	4,346	6,458
TOTAL EQUITY AND LIABILITIES	16,340	15,418	17,672
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Participations in Group companies		2,660	2,660
<i>Contingent liabilities</i>			
Sureties for liabilities in Group companies		14,273	17,353
Sureties for liabilities in joint ventures		187	310

At March 31, 2018, the Parent Company had shareholders' equity totaling MSEK 11,202 (11,072), of which restricted equity accounted for MSEK 84 (84).

Intra-Group liabilities totaled MSEK 1,099 (1,222) and intra-Group receivables MSEK 10,875 (10,090).

GLOSSARY

Return on equity

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

Yield*

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

Net operating income*

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

Equity per ordinary share

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

Equity per preference share

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

Economic leasing rate

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

Property

Properties held under title or site leasehold.

Profit from property management*

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

Profit from property management per ordinary share

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

Rental income

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

Rental value*

Rental income for the total leasable area.

IAS

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

IFRS

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

Cash flow from operating activities per ordinary share

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

Net loan-to-value ratio*

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

Preference share capital

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

Profit per ordinary share before dilution

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

Profit per ordinary share after dilution

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

Interest-rate swaps

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

Interest-rate cap

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

Interest-coverage ratio*

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in profit in joint ventures and associated companies as a percentage of financial income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities.

Community service properties

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

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Net asset value (EPRA NAV) per ordinary share

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax liabilities according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period.

The purpose of this key figure is to show the fair value of net assets in a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be adjudged to be realized, such as the fair value of derivatives and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

Ground rent

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

Site leasehold

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

Dividend policy

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

Surplus ratio*

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

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



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