

## Sights set on growth

### JULY-SEPTEMBER 2014 QUARTER

- Rental income amounted to MSEK 409 (388)
- Profit from property management totaled MSEK 243 (60), corresponding to SEK 3.7 per share (2.4)\*
- Profit after tax was MSEK 227 (65), corresponding to SEK 3.5 per share (2.6)\*
- Cash flow from operating activities was MSEK 245 (52), corresponding to SEK 3.7 per share (2.1)\*

### INTERIM PERIOD JANUARY-SEPTEMBER 2014

- Rental income amounted to MSEK 1,190 (1,177)
- Profit from property management totaled MSEK 642 (230), corresponding to SEK 11.7 per share (9.2)\*
- Profit after tax amounted to MSEK 572 (136), corresponding to SEK 10.4 per share (5.4)\*
- Recognized property value of SEK 17.5 billion (16.2) pertains to 195 (196) directly owned properties.
- Net asset value (EPRA NAV) per share was SEK 115.1 (118.4)
- Cash flow from operating activities was MSEK 380 (129), corresponding to SEK 6.9 per share (5.2)\*

\* The number of shares at the end of the period was 65,720,000 (25,000,000)

### SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- In July, Hemfosa's joint venture, Söderport Fastigheter, divested a housing project in Stockholm for MSEK 355.
- On October 13, the Board of Directors decided to convene an Extraordinary General Meeting to pass resolutions about an amendment to the Articles of Association, which will facilitate the issuance of preferential shares.
- Two major renegotiations totaling approximately 15,000 sqm were implemented for the Police Authority and the National Courts Administration, entailing the extension of both leases for 15 years combined with refurbishment and expansion of approximately MSEK 120, to adapt the premises to the tenants' needs.
- After the quarter, Hemfosa implemented two acquisitions of public and logistics properties in central Sweden at a value of about MSEK 795, of which public properties accounted for approximately MSEK 200. The acquired properties represent leasable area of about 94,000 square meters and include schools and properties used in county council operations.

## The art of creating value



## Comments from the CEO

Very  
strong  
cash flow

MSEK  
800  
Acquisitions  
of public and  
logistics  
properties

### Sights set on growth

We are leaving a quarter behind us that shows that the operations continue to perform well – continued improvement in profit from property management, increased earnings capacity and very strong cash flow. Today, the company also has a significantly more favorable financial structure than in the past. The aspect that really characterizes the soul of Hemfosa – our interest in transactions – was quite evident in our work in the past quarter. We have a clear focus on identifying and evaluating potential business – acquiring property portfolios to which we can add value and that can further strengthen Hemfosa's property portfolio.

During the quarter, we refused a couple of objects that failed to meet our investment criteria, while we will be moving ahead with other objects that were deemed highly interesting. We also implemented a number of transactions. During the quarter, we divested a housing project through our joint venture company, Söderport Fastigheter. After the close of the quarter, we acquired public and logistics properties in Central Sweden with a value of nearly MSEK 800. I regard this as a completely correct and interesting transaction – it contributes strong cash flow, improves our earnings and also strengthens us strategically in the school sector.

Management of the existing portfolio is progressing well and, during the quarter, this included several renegotiated leases, featuring adaptations and renovations of premises to meet the needs of our tenants. The acquisitions implemented earlier in the year have been smoothly integrated into Hemfosa's property portfolio and property management.

There is no doubt that Hemfosa has a clear growth objective. In line with this, the Board decided in October to convene an Extraordinary Meeting to request authorization empowering the issue of preference shares in the future. We believe this is an appropriate way to supplement our opportunities to access expansion capital for attractive future acquisitions.

Our impression of the market did not change during the quarter; the macroeconomic prerequisites remain favorable for our sector, with healthy economic growth, low inflation and low interest rates. Competition for objects remains considerable but few possess Hemfosa's implementation power – in the form of both experience and expertise, but also contact network and financing opportunities. We are proud of the platform we have built and the relationships we have created. It is an excellent foundation on which to stand ahead of our continued expansion.

*Jens Engwall, CEO*

### BUSINESS CONCEPT

Hemfosa's business concept is to own, develop and manage properties with publicly financed tenants, in order to generate a long-term, high and stable yield, and create value by actively participating in the transaction market.

### STRATEGY

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

- Developing and adding value to its property portfolio
- Creating and maintaining long-term relationships with tenants by exercising market-oriented and professional property management.

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

- Generate growth
- Maximize yield in relation to risks
- Generate transaction gains

### FINANCIAL TARGETS

- To deliver the highest yield among listed Swedish property companies over a five-year period
- To increase equity to SEK 10 billion over a five-year period
- To achieve a long-term dividend of 60 percent of profit from property management excluding participations from joint ventures and after deduction for tax paid.
- To achieve a long-term equity ratio of at least 30 percent.

# Operations

## Summary of earnings

MSEK	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
Rental income	409	388	1,190	1,177	1,584
Property expenses including property management	-121	-118	-388	-402	-537
<b>Net operating income</b>	<b>288</b>	<b>270</b>	<b>802</b>	<b>775</b>	<b>1,047</b>
Central administration	-17	-29	-50	-70	-79
Other operating income and expenses	30	7	50	6	0
Share in profit of joint ventures	29	16	224	99	125
Financial income and expenses	-87	-204	-384	-580	-770
<b>Profit from property management</b>	<b>243</b>	<b>60</b>	<b>642</b>	<b>230</b>	<b>323</b>
Change in value of properties	62	20	220	-192	-214
Change in value of financial instruments	-63	2	-208	74	23
<b>Profit before tax for the period/year</b>	<b>241</b>	<b>82</b>	<b>653</b>	<b>112</b>	<b>132</b>
Current tax	0	0	-1	0	-
Deferred tax	-14	-17	-80	24	99
<b>Profit for the period/year</b>	<b>227</b>	<b>65</b>	<b>572</b>	<b>136</b>	<b>231</b>

## COMMENTS ON THE THIRD QUARTER JULY-SEPTEMBER 2014

During the third quarter, the focus continued to be on identifying and evaluating potential acquisitions that could contribute to adding value to Hemfosa's property portfolio.

The leasable area of Hemfosa's total property portfolio at the end of the period amounted to 1,750,000 square meters (1,704,000). The leasing rate was 90.1 percent (90.7). The yield for the entire period was 6.6 percent (6.7).

Management of the existing portfolio during the quarter included several renegotiated leases, as well as adaptations and renovations of premises to meet the needs of our tenants. Since the end of the preceding quarter, Hemfosa is now the new owner of properties including Mid Sweden University's premises in Sundsvall and office premises in Kristianstad and Sundsvall. The takeover of the management of these properties has proceeded very well.

Compensation of MSEK 26 was received from a tenant who, due to downsizing of the company's own operations, opted to relocate prematurely. The amount pertains to compensation for advance redemption of a lease and is recognized as other operating income.

Profit from participations in joint ventures was MSEK 29 (16), which was generated primarily from the holdings in Söderport Holding AB and Kronfastigheter Holding AB. The share in profit from joint ventures comprised MSEK 38 (15) in profit from property management, MSEK 5 (3) in revaluation of properties and financial instruments and MSEK -14 (-2) in other items.

The lower interest expense derived from part of an interest-bearing shareholders' loan being converted to equity and being partly repaid during the first quarter of 2014. Hemfosa also restructured its entire derivative portfolio during the second quarter of 2014, which is expected to lead to an annualized reduction of approximately MSEK 70 in interest expense.

Changes in the value of investment properties totaled MSEK 62 (20), of which MSEK -3 (-6) pertained to realized changes in value and MSEK 65 (26) to unrealized changes in value. No property transactions were completed during the quarter. The realized changes in value derive from transactions implemented in the second quarter of 2014.



Changes in the value of financial instruments amounted to MSEK -63 (2), with unrealized changes in value accounting for the entire amount. The continued decline in interest rates increased the negative value of interest-rate swaps.

#### **INTERIM PERIOD JANUARY-SEPTEMBER 2014**

##### *Earnings*

Profit from property management amounted to MSEK 642 (230). The higher year-on-year earnings derived mainly from higher profit from Hemfosa's shares in joint ventures and from lower financial costs. The mild winter led to lower costs for energy consumption, operation and property upkeep. The yield was 6.3 percent (6.4).

Other operating income mainly comprises compensation of MSEK 20 from a seller for a defect detected in a property when Hemfosa took over occupancy, as well as remuneration of MSEK 26 from a tenant as advance redemption of a lease.

Financial income and expenses amounted to MSEK -384 (-580). The lower costs, compared with the year-earlier period, were attributable to a lower average interest rate on the loan portfolio, and to the conversion of the interest-bearing shareholders' loan to equity during the first quarter of 2014.

Changes in the value of Hemfosa's investment properties totaled MSEK 220 (-192), of which MSEK 27 (-32) pertained to realized changes in value. Hemfosa's work on adding value to the property portfolio led to the divestment of five properties during the period.

Changes in the value of financial instruments totaled MSEK -208 (75), with realized changes in value that arose in connection with the termination of interest-rate swaps accounting for MSEK -55 (-). At September 30, 2014, interest-rate swaps had a negative fair value of MSEK -85 (-60).

The company recognized a current tax expense of MSEK -1 (0) and a deferred tax expense of MSEK -80 (24).

##### *Cash flow*

Cash flow from operating activities for the period amounted to MSEK 380 (129), corresponding to SEK 6.9 per share (5.2). Investing activities impacted cash flow in the amount of MSEK -1,006 (-343), of which investments in existing properties accounted for MSEK -387 (-450), acquisitions of subsidiaries and properties for MSEK -787 (-65) and divestment of subsidiaries and properties for MSEK 179 (191). Furthermore, a shareholders' contribution totaling MSEK -11 (-19) was granted to Hemfosa's joint venture company, Söderport Holding AB. During the period, a dividend from the same party was received totaling MSEK 38 (-).

A major remodeling and expansion project and a new build of residential units were completed during the period. Upon completion, the construction credit was replaced by a bank loan with the properties as collateral.

Financing activities had an impact of MSEK 840 (285) on cash flow for the period. In connection with the listing of the company's share on Nasdaq Stockholm in March 2014, Hemfosa received MSEK 809. Bond loans of MSEK 1,200 were raised, which contributed MSEK 1,188 to the company after transaction expenses. In addition to acquiring properties, the capital contribution was used to repay existing loans and to strengthen liquidity. All existing interest-rate swaps were settled during the period for a redemption price of MSEK -234. Combined with incoming new interest-rate swaps, this resulted in a relative reduction in interest payments by approximately MSEK 17 during the third quarter of 2014.

Cash and cash equivalents changed by a total of MSEK 214 (71) during the period.

## Key figures

	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
Rental income, MSEK	409	388	1,190	1,177	1,584
Profit from property management, MSEK	243	60	642	230	323
Profit after tax, MSEK	227	65	572	136	231
Profit after tax per share, SEK	3.5	2.6	10.4	5.4	7.4
Equity per share, SEK	102.3	91.0	102.3	91.0	94.8
Net asset value (EPRA NAV) per share, SEK	115.1	118.4	115.1	118.4	116.4
Carrying amount of investment properties, SEK billion	17.5	16.2	17.5	16.2	16.3
Weighted average number of shares, 000s	65,720	25,000	54,977	25,000	25,000
Number of shares outstanding per balance-sheet date, 000s	65,720	25,000	65,720	25,000	25,000

## Segment reporting

*The property portfolio is distributed into four segments: Public properties, Office properties in growth municipalities, Logistics properties and Transaction properties. Public properties pertain to properties with publicly financed tenants, either directly or indirectly, who account for at least 70 percent of the rental value. Office properties in growth municipalities are centrally located office properties in expanding districts. Logistics properties are primarily modern logistics properties located in attractive logistics hubs. Transaction properties include properties from the other segments that have been not deemed to generate an acceptable long-term, risk-adjusted return, as well as properties that are considered unique in terms of geography or category.*

### PUBLIC PROPERTIES

**50%**  
of the  
Group's net  
operating  
income

Public properties contribute approximately half of Hemfosa's net operating income. At September 30, 2014, the segment included a total of 86 properties with a leasable area of 677,000 square meters. At the end of the second quarter, a large portfolio was acquired in Sundsvall totaling 33,000 square meters and the new build of a housing portfolio was completed, thus positively affecting operating income for the quarter compared with the year-earlier period. During the quarter, a property in the segment was reclassified as a transaction property.

The leasing rate was positive during the quarter, rising from 94.3 percent at June 30, 2014 to 95.6 percent at the end of the period. Leasing work included the renegotiation of several leases, as well as adaptations and renovations of premises to meet the needs of tenants. This included the renewal of a 15-year lease with Haninge Municipality covering approximately 22,000 square meters. A lease was renegotiated with the Police Authority, Hemfosa's largest tenant, pertaining to premises in Sollentuna, which involves a new lease period of 15 years and the remodeling of premises to suit the changing needs of the tenant.

A 15-year lease was signed with the National Courts Administration in Alingsås, which also includes the expansion of about 1,000 square meters of courtrooms and offices. In connection with this, about 3,000 square meters of existing offices and shared spaces will be customized and upgraded for the District Court, which is already a tenant in the property. The project entails construction of a completely new building and the refurbishment of an existing building in order to create a larger number of, and more appropriate, premises for the District Court.

A major renovation of an approximately 6,000 square meter office property was completed and the tenant moved back from temporary premises.

The yield for Public properties amounted to 6.5 percent.

	July-September		January-September		Full-year
<b>Public properties (MSEK)</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Rental income	210	192	590	577	785
Property expenses					
<i>Operations</i>	-34	-30	-114	-121	-156
<i>Maintenance</i>	-14	-14	-34	-36	-54
<i>Property tax</i>	-7	-7	-20	-20	-27
Property administration	-7	-6	-21	-19	-28
<b>Net operating income</b>	<b>147</b>	<b>135</b>	<b>401</b>	<b>381</b>	<b>520</b>
Number of properties at the end of the period			86	84	85
Leasable area, 000s of sqm*			667	613	632
Economic leasing rate, %			95.6	95.7	92.0

\*excluding garage space

#### OFFICE PROPERTIES IN GROWTH MUNICIPALITIES

At September 30, 2014, the Office properties in growth municipalities segment included a total of 46 properties with a leasable area of 438,000 square meters. The economic leasing rate was 82.4 percent. During the quarter, large office premises in the West region became vacant, which had a negative impact on the leasing rate. The tenant paid compensation for relocating before the lease had expired. The premises have an excellent geographic location, whereby the risk of long-term vacancy is deemed low. The Byrådirektören 3 property in Malmö has been re-included in ongoing property management after having undergone extensive renovation and remodeling. The property's rental value is MSEK 20 and it is 96-percent leased.

Leasing work during the quarter included the renegotiation of leases together with implementation of tenant-specific modifications.

Two office properties were acquired during the period, one in Kristianstad and one in Sundsvall, and a property in Partille was divested. The yield on Office properties in growth municipalities was 5.9 percent.

	July-September		January-September		Full-year
<b>Office properties in growth municipalities (MSEK)</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
Rental income	115	107	332	324	436
Property expenses					
<i>Operations</i>	-18	-18	-64	-70	-86
<i>Maintenance</i>	-6	-10	-21	-23	-35
<i>Property tax</i>	-7	-7	-22	-20	-29
Property administration	-5	-5	-15	-15	-19
<b>Net operating income</b>	<b>78</b>	<b>67</b>	<b>211</b>	<b>196</b>	<b>267</b>
Number of properties at the end of the period			46	47	45
Leasable area, 000s of sqm*			438	446	431
Economic leasing rate, %			82.4	84.0	83.8

\*excluding garage space

**26%**  
of the  
Group's net  
operating  
income

**17%**  
of the  
Group's net  
operating  
income

## LOGISTICS PROPERTIES

At September 30, 2014, the Logistics properties segment included a total of 23 properties, of which about half in southern Sweden, with the remainder divided geographically between central Sweden, western Sweden and the Stockholm area. The leasable area was 406,000 square meters and the leasing rate, which improved marginally during the quarter, was 94.8 percent.

Most of the leases in the segment have been formulated so that the tenants themselves account for operating expenses connected to the leased spaces, so-called triple-net-agreement.

Net operating income has been charged with expenses for an expected loss of rent. The yield for Logistics properties totaled 6.6 percent.

Logistics properties (MSEK)	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
Rental income	52	54	160	161	216
Property expenses					
<i>Operations</i>	-3	-3	-12	-11	-15
<i>Maintenance</i>	0	-2	-3	-7	-9
<i>Property tax</i>	-1	-1	-4	-3	-4
Property administration	-1	-1	-4	-5	-7
<b>Net operating income</b>	<b>46</b>	<b>47</b>	<b>136</b>	<b>135</b>	<b>181</b>
Number of properties at the end of the period			23	16	23
Leasable area, 000s of sqm*			406	389	407
Economic leasing rate, %			94.8	93.7	94.1

\*excluding garage space

## TRANSACTION PROPERTIES

At September 30, 2014, the Transaction properties segment primarily included commercial, industrial and office properties in the South and West geographic areas. The leasing rate was 79.8 percent and the leasable area 239,000 square meters. During the quarter, a property was moved from the Public properties segment to the Transactions properties segment due to the Police Authority leaving all parts of the property. Since the vacated spaces have not yet been taken over by another tenant, the leasing rate for the quarter declined.

Leasing work during the quarter resulted in the signing of new leases and the implementation of tenant-specific modifications.

Four transaction properties were divested during the period and one was acquired. The yield for Transaction properties was 5.6 percent.

Transaction properties (MSEK)	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
Rental income	35	35	108	114	148
Property expenses					
<i>Operations</i>	-9	-8	-33	-36	-41
<i>Maintenance</i>	-4	-4	-11	-8	-13
<i>Property tax</i>	-2	-1	-5	-5	-8
Property administration	-2	-2	-7	-4	-6
<b>Net operating income</b>	<b>18</b>	<b>20</b>	<b>53</b>	<b>61</b>	<b>80</b>
Number of properties at the end of the period			40	49	42
Leasable area, 000s of sqm*			239	256	243
Economic leasing rate, %			79.8	84.2	84.6

\*excluding garage space

## Current earnings capacity

The table below shows the company's current earnings capacity on a 12-month basis at September 30, 2014. The earnings capacity is not a forecast, but should be considered more as a theoretical overview presented only for illustrative purposes. The current earnings capacity does not include an assessment of the future trends in respect of rents, vacancy rates, operating costs, interest rates or other factors.

### Group's earnings capacity

MSEK	September 30, 2014
Rental income	1,616
Property expenses	-466
Property administration	-55
<b>Net operating income</b>	<b>1,095</b>
Central administration	-75
Share in profit of joint ventures	118
Financial income and expenses	-323
Other financial costs	-23
<b>Profit from property management</b>	<b>792</b>

The following information was used as the basis for the assessed earnings capacity.

- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income on September 30, 2014 based on current leases.
- Operating and maintenance costs consist of an assessment of a standard year's operating costs and maintenance measures.
- Property tax has been calculated based on the taxable value of the properties for 2014 and costs for site leaseholds have been assessed based on the level for 2014.
- Costs for central administration and marketing have also been assessed based on the existing organization and the size of the property portfolio.
- The share in joint ventures includes 50 percent of the earnings capacity of Söderport and Kronfastigheter. The remaining joint ventures do not contribute any share of the earnings capacity.
- Financial income and costs have been calculated based on the company's actual average interest rates as of October 1, 2014.
- Unconditional acquisition and sales agreements at the end of the interim report period.



## Property portfolio

As of September 30, 2014, the total property portfolio comprised 195 properties (196) with a geographic concentration in southern and central Sweden. The metropolitan regions of Stockholm and Gothenburg account for about 47 percent of the total property value.

The properties had a total market value of SEK 17.6 billion (16.3). The total leasable area was 1,750,000 square meters (1,704,000) with a rental value of MSEK 1,816 (1,723). In the property portfolio, a large property became vacant in the West region when the tenant decided to move due to operational downsizing. This resulted in a reduction in the leasing rate for the period. However, compared with December 31, 2013, the leasing rate has increased.

The Public properties segment was supplemented during the period through the acquisition of three properties. Two of the properties are located centrally in Sundsvall, comprise approximately 33,000 square meters of leasable area and are fully leased to Mid Sweden University, the International English School and SCA Research. The third property is a public service property located in the area of Östra Kasern in Kristianstad.

Hemfosa also acquired two properties in the Office properties in growth municipalities segment during the quarter. One of the properties is situated in central Sundsvall with Nordea Bank as the largest tenant. The total leasable area slightly exceeds 5,000 square meters. The second property is a centrally located office property in Kristianstad. In addition to these five properties, a property in the Transaction properties segment was also acquired.

During the period, Hemfosa divested six properties, of which four were included in the Transaction properties segment, one in the Office properties in growth municipalities segment and one in the Public properties segment. The properties are situated in the Gothenburg and Stockholm areas and have a total leasable area of approximately 15,000 square meters.

Investments totaling MSEK 387 were made in the existing property portfolio, of which MSEK 188 pertained to tenant-specific modifications, MSEK 87 to renovations and MSEK 112 to new build projects.

### Property information, September 30, 2014

Per segment	Leasable area, 000s of sqm*	Rental value, MSEK	Economic leasing rate	Maturity period for leases, years	Carrying amount, MSEK	No. of properties
Public properties	667	885	95.6%	4.8	8,650	86
Office properties	438	527	82.4%	3.5	4,854	46
Logistics properties	406	231	94.8%	6.8	2,754	23
Transaction properties	239	173	79.8%	2.9	1,247	40
<b>Total</b>	<b>1,750</b>	<b>1,816</b>	<b>90.1%</b>	<b>4.6</b>	<b>17,505</b>	<b>195</b>

\*excluding garage space

By region	Leasable area, 000s of sqm*	Rental value, MSEK	Economic leasing rate	Maturity period for leases, years	Carrying amount, MSEK	No. of properties
North	263	287	91.0%	4.6	2,605	38
Central	409	405	91.8%	3.8	4,517	55
Stockholm	453	603	90.7%	4.4	5,507	35
South	353	258	92.9%	5.7	2,568	40
West	271	263	82.5%	5.1	2,308	27
<b>Total</b>	<b>1,750</b>	<b>1,816</b>	<b>90.1%</b>	<b>4.6</b>	<b>17,505</b>	<b>195</b>

\*excluding garage space

The table below presents information about investments made in existing properties, concluded acquisitions and the value of properties divested during the period.

#### January-September 2014

	Investments in existing properties MSEK	Acquired properties MSEK	Divestment of properties MSEK
<b>By segment</b>			
Public properties	241	653	17
Office properties	118	112	40
Logistics properties	3	3	-
Transaction properties	24	19	92
<b>Total</b>	<b>387</b>	<b>787</b>	<b>149</b>

	Investments in existing properties MSEK	Acquired properties MSEK	Divestment of properties MSEK
<b>By region</b>			
North	28	645	-
Central	55	-	-
Stockholm	205	22	40
South	64	120	17
West	34	-	92
<b>Total</b>	<b>387</b>	<b>787</b>	<b>149</b>

#### MARKET VALUE OF PROPERTY PORTFOLIO

The market value of Hemfosa's investment properties has been assessed by external, independent property appraisers, with relevant, professional qualifications and with experience in the field, as well as in the category of the properties appraised. The independent appraiser provides the market value of the Group's portfolio of investment properties each quarter, starting from June 30, 2013.

#### 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. Significant factors when selecting required returns include an assessment of the object's future rent trend, changes in value and any development potential, as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow is prepared that extends at least five years into the future. With respect to income, current leases are used. For vacant spaces, an estimate is performed by individually assessing each property. The inflation assumption is 0 percent for 2015 and thereafter 2 percent annually. Property expenses are estimated based on annual historical trends. The valuation is based on a present-value computation of cash flow, as well as the present market value at the end of the calculation period.

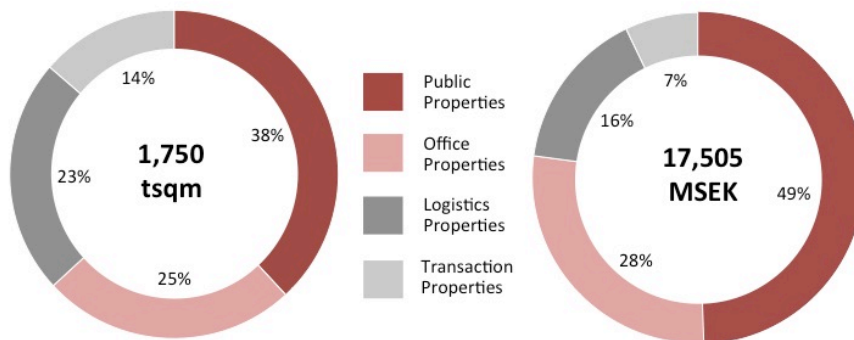
The weighted yield requirement was 7.1 percent, compared with an average yield requirement of 7.1 percent at June 30, 2014. The weighted cost of capital for the present value calculation of cash flows and residual values was 8.4 percent and 9.2 percent, respectively.

Hemfosa's property portfolio was valued at SEK 17.6 billion. The total change in value during the period was MSEK 220, of which MSEK 27 pertained to realized changes in value and MSEK 193 to unrealized changes in value. In connection with acquisitions, the discount for deferred tax of MSEK 107, which was taken into account in accordance with IFRS, had a negative impact on the recognized property value in the statement of financial position. The total recognized property value is SEK 17.5 billion.

#### Recognized property value

	September 30, 2014
Opening value for the period	16,394
Acquired properties	787
Investments in existing properties	387
Value of divested properties	-176
Realized changes in value in profit or loss	27
Unrealized changes in value in profit or loss	193
Closing value for the period	<b>17,612</b>
Acquired deferred tax	-107
<b>Recognized property value</b>	<b>17,505</b>

#### Leasable property space and recognized property value per segment



## Shares in joint ventures

Hemfosa is a partner in four joint ventures. In all companies, Hemfosa's ownership is 50 percent, with only one other owner. Ownership is governed by a shareholders' agreement giving both owners equal power of decision, meaning that neither partner has a controlling influence. Hemfosa recognizes the holdings as shares and participation in joint ventures in the statement of financial position. Shares in profit/loss in joint ventures are recognized in the Group's profit from property management.

	Söderport Holding AB		Hemfosa Kron-fastigheter Holding AB		Gästgivaregatan Holding AB		Culmen Strängnäs II AB		Total	
MSEK	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Share in equity, Sept 30	601	364	54	-	23	23	12	13	690	398
Shareholding %, Sept 30	50	50	50	-	50	50	50	50		
Share in profit/loss, Jan-Sept	201	99	22	-	2	2	0	-2	225	99
<i>Of which</i>										
Profit from property management	72	37	20	-	2	2	0	-3	94	36
Changes in value, properties	273	16	8	-	-	-	-	-	281	16
Changes in value, financial instruments	-79	62	-	-	-	-	-	-	-79	62
Deferred tax	-50	-20	-7	-	-	-	-	-	-57	-20
Other	-15	4	-	-	-	0	-	0	-15	4

### SÖDERPORT HOLDING AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB, which owned properties valued at approximately SEK 5.2 billion at September 30, 2014, with a focus in the Stockholm and Gothenburg areas.

During the period, Hemfosa's share in the profit of Söderport was MSEK 201 (99), of which MSEK 72 (37) pertained to profit from property management, MSEK 273 (16) to changes in the value of the property portfolio, MSEK -79 (62) to changes in the value of financial instruments and MSEK -65 (-16) to other items, including deferred tax.

The plan of divesting the remaining properties in the Bilprovning acquisition, meaning those located outside Greater Stockholm, was completed during the first quarter of the year. The transaction involved an underlying property value of MSEK 56. In January 2014, five industrial properties were also acquired in northern Greater Stockholm with a total area of 7,000 sqm.

In the second quarter of 2014, Söderport took over properties for a total purchase consideration of SEK 1.8 billion from companies within the Volvo Group. The acquisition pertained to 12 properties totaling 300,000 square meters of leasable area and 900,000 square meters of land. Most of the properties are located in Torslanda, close to central Gothenburg and the Port of Gothenburg. The properties comprise premises for storage, light industrial operations and offices. The acquisition also included properties located in southern and central Sweden that comprise service workshops for trucks and buses.

Söderport Fastigheter divested a housing project in Stockholm for MSEK 355 during the third quarter. The properties are currently developed as 40,000 square meters of industrial and office premises. Work to prepare a new development plan for conversion into residential units is in progress.

### Key figures for Söderport Holding AB

Property portfolio	Sep 30, 2014	Sep 30, 2013
No. of properties	45	90
Leasable area, 000s of sqm	613	404
<b>Hemfosa's share of selected financial information</b>		
Participating interest, %	50	50
Rental income, January-September, MSEK	162	118
Market value of properties, MSEK	2,451	1,547
Equity, MSEK	594	348
Interest-bearing liabilities, MSEK	1,594	1,062
Derivatives, MSEK	199	123
Deferred tax assets or tax liabilities (-), MSEK	47	-2

### HEMFOSA KRONFASTIGHETER HOLDING AB

Since December 2013, Hemfosa and Crown Nordic Management AB have each owned 50 per cent of Kronfastigheter Holding AB. Hemfosa and Crown Nordic Management collaborate jointly on management and project development of the property portfolio. According to the shareholders' agreement between the parties, Hemfosa has an option to acquire Crown Nordic Management's holdings in Hemfosa Kronfastigheter in January 2015.

The acquisition of the property portfolio, which encompasses public, office, commercial and logistics properties, took place in December 2013. Initially, work focused on taking over the technical and financial management of the portfolio.

Work to renegotiate leases and to rectify neglected maintenance continued according to the plans established in connection with the acquisition. During the period, Kronfastigheter divested two properties with a total value of MSEK 44. The divested properties were project properties, entirely or partly vacant, situated in Uppsala and Växjö.

At September 30, 2014, Kronfastigheter owned properties totaling approximately SEK 1.2 billion, primarily located in growth districts in southern and central Sweden.

### Key figures for Hemfosa Kronfastigheter Holding AB

Property portfolio	Sep 30, 2014
No. of properties	26
Leasable area, 000s of sqm	138
<b>Hemfosa's share of selected financial information</b>	
Participating interest, %	50
Rental income, January-September, MSEK	47
Market value of properties, MSEK	625
Equity, MSEK	54
Interest-bearing liabilities, MSEK	583
Derivatives, MSEK	-
Deferred tax assets or tax liabilities (-), MSEK	1



## GÄSTGIVAREGATAN HOLDING AB

Hemfosa and Smebab Kommersiellt Holding AB each own 50 percent of a company in the Skanska Group, Gästgivaregatan Holding AB.

Gästgivaregatan is a project development company formed to develop and add value to the Tellus 4 commercial property in Södertälje. The commercial premises on the property, which comprise a total of approximately 10,000 square meters, will undergo comprehensive renovation and upgrading. The project is scheduled for completion mid-2016.

## CULMEN STRÄNGNÄS II AB

Hemfosa and Culmen AB each own 50 percent of Culmen Strängnäs II AB.

Culmen Strängnäs II AB is a project development company formed to develop and add value to the properties. The company is currently developing and adding value to tenant-owner apartments in Strängnäs. In a first stage, 45 tenant-owner apartments will be completed and sold. In the next stage, which will be completed in 2014, a total of 30 tenant-owner apartment are scheduled for completion, all of which have been sold. The company also owns the development rights for residential units totaling about 3,000 square meters.

# Financing

## EQUITY

Hemfosa's equity totaled MSEK 6,724 at September 30, 2014. The Parent Company's equity amounted to MSEK 6,481.

## INTEREST-BEARING LIABILITIES

Hemfosa's interest-bearing liabilities on September 30, 2014 totaled MSEK 10,957, of which MSEK 9,719 pertained to loans from credit institutions, MSEK 1,188 to bond loans, MSEK 46 to vendors' mortgages and MSEK 3 to other liabilities. Hemfosa has a revolving credit of MSEK 800, which was unutilized at September 30, 2014. The Group also has two overdraft facilities totaling MSEK 150, which were unutilized at September 30, 2014. All loans were in SEK.

The Group's interest-bearing liabilities to external credit institutions correspond to 62.6 percent of the carrying amount of the property portfolio in the statement of financial position. The average remaining fixed-rate and loan maturity periods were 2.1 and 2.8 years, respectively, at the end of the period. The average interest rate at September 30, 2014 was 2.94 percent.

### Fixed-rate period, September 30, 2014

	Overdraft facilities, MSEK	Derivatives, MSEK	Amount, MSEK	Proportion, %
<1 year	10,272	-6,579	3,693	34%
1–2 years	0	1,112	1,112	10%
2–3 years	664	1,882	2,546	23%
3–4 years	0	0	0	0%
4–5 years	0	3,585	3,585	33%
>5 years	21	0	21	0%
<b>Total</b>	<b>10,957</b>		<b>10,957</b>	<b>100%</b>

*Agreements entered into for interest-rate swaps with a total volume of MSEK 6,579 have been taken into account in calculating the level of contractual interest rates and terms. The underlying loans carry interest at a variable rate that is mainly based on STIBOR 3m.*

During the third quarter of 2014, new loans totaling MSEK 368 were raised, of which MSEK 253 pertained to refinancing and MSEK 111 to expansion of earlier project financing. During the quarter, loans totaling MSEK 459 were repaid, of which MSEK 304 pertained to the repayment of a credit facility. Cash flow from financing activities amounted to MSEK -348 during the quarter.

The table below presents the maturity structure of Hemfosa's financial liabilities. The table also shows the net interest rate linked to interest-rate swaps. All interest-rate swaps had a negative fair value at September 30, 2014.

#### Maturity structure, financial liabilities at September 30, 2014

	Nominal amounts, MSEK	Proportion, %	Loan interest, MSEK	Net interest, interest-rate swaps, MSEK*	Total, MSEK
2014	99	1%	72	10	82
2015	15	0%	282	41	324
2016	3,766	34%	248	38	286
2017	3,425	31%	136	31	167
2018	3,611	33%	66	27	93
2019–	40	0%	10	5	15
<b>Total</b>	<b>10,957</b>	<b>100%</b>			

\* At September 30, 2014 all interest-rate swaps had a negative value. Accordingly, the net interest in the table is attributable to swaps with a negative value.

Fixed-income derivatives are used to limit the interest-rate risk and increase the predictability of Hemfosa's profit from property management. At September 30, 2014, the interest-rate swaps entered into totaled MSEK 6,579, meaning that, together with the fixed-interest-rate loans, 66.3 percent of the loan portfolio is interest-rate hedged. The unrealized changes in value of financial instruments amounted to a negative MSEK 85, due to floating market interest rates being lower than contractual fixed interest rates.

#### Fixed-rate period, interest-rate swaps at September 30, 2014

	Nominal amount, MSEK	Average interest-rate swaps, %	Market value, MSEK
<1 year	-	-	-
1–2 years	1,112	0.77%	-5
2–3 years	1,882	0.91%	-14
3–4 years	-	-	-
4–5 years	3,585	1.34%	-66
>5 years	-	-	-
<b>Total</b>	<b>6,579</b>	<b>1.12%</b>	<b>-85</b>

## Other disclosures

### **SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD**

On October 13, 2014, Hemfosa's Board of Directors decided to convene an Extraordinary General Meeting on November 12, 2014 to pass resolutions about amendments to the Articles of Association that will facilitate the issuance of preferential shares. Among other motions, the Board proposes that the Extraordinary Meeting authorize the Board to make decisions about the new issue of preferential shares. More information about the Extraordinary General Meeting and documents ahead of this meeting can be found on the company's website.

Hemfosa has acquired slightly more than 89,000 square meters of public and logistics properties in Falun, Uppsala, Västerås and Eskilstuna from the property company Kilenkrysset. The tenants include Västmanland county council and a large number of major companies. The takeover occurred on October 30, 2014.

In addition, Hemfosa has acquired two public properties in Örebro Municipality. The properties have total leasable area of slightly more than 5,000 square meters and tenants include two independent schools engaged in compulsory school operations.

### **EMPLOYEES**

At September 30, 2014, the number of employees was 36, of whom 18 are women. Hemfosa has offices in Nacka (head office), Kristianstad, Västerås, Karlstad, Sundsvall and Gothenburg.

### **PARENT COMPANY**

For the January-September 2014 period, the Parent Company recognized profit of MSEK 173 (3) after tax. The Parent Company's fees for central and property administrative services from Group companies and joint ventures for the period amounted to MSEK 44 (8).

At September 30, 2014, the Parent Company had equity totaling MSEK 6,481 (2,536), of which restricted equity accounted for MSEK 65 (25).

At September 30, 2014, the Parent Company had interest-bearing bond loans totaling MSEK 1,200 (-). Group-wide liabilities amounted to MSEK 75 (-) and Group-wide receivables to MSEK 5,104 (3,537).

### **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.

Financial instruments recognized in the statement of financial position include such assets as cash and cash equivalents, rents and accounts receivables and derivatives. Liabilities include accounts payable, loans and notes payable, as well as derivatives. The carrying amount is a reasonable estimate of the fair value. On the balance sheet date, the level of interest rates, including margins, for the loans correspond to the terms of the loan contracts. Accounts receivable and accounts payable have the same short durations.

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

## RELATED-PARTY TRANSACTIONS

The Group owns participations in joint ventures; see pages 12-13 of the interim report. At September 30, 2014, the Group had no receivables from joint ventures.

## NOMINATING COMMITTEE

Hemfosa Fastigheter's Annual General Meeting held on March 4, 2014 resolved that the Nomination Committee is to comprise four representatives of the largest shareholders in terms of number of votes, plus the Chairman of the Board. Accordingly, the following individuals were appointed members of the Nomination Committee:

Mats Andersson, The Fourth Swedish National Pension Fund,  
Christer Wachmeister, Kåpan Pensioner  
Ramsay Brufer, Alecta Pensionsförsäkring  
Eva Gottfridsdotter-Nilsson, Länsförsäkringar Fondförvaltning AB, and  
Bengt Kjell, Chairman of the Board

## 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.

### *Operations and organization*

The company has decided to have a relatively small organization in order to work effectively and rapidly, which could result in a certain dependence on individual employees. To reduce this dependency, the organization has been strengthened in the past years in terms of training and additional recruitment. Hemfosa's future development is largely based on the knowledge, experience and commitment of Group management and other key personnel. To minimize the dependence on individuals, the company has prepared documented job descriptions and clear process maps.

Within the framework of the continuing operations, Hemfosa may incur losses due to faulty procedures, inadequate control or irregularities. In 2013, an independent and comprehensive documentation of the Group's key processes and the internal control elements in the processes was performed. This review led to a reduction of the operational risk. The results of the review and the proposed improvement areas have all been incorporated into the daily operations.

Hemfosa has also implemented a whistleblower process that encourages employees to report any irregularities, unethical or illegal operations, thus further strengthening a sound ownership structure in the organization.

### *Financing*

The property sector is a capital-intensive operation and, like many other property companies, Hemfosa is dependent on both equity and external borrowings to be able to maintain and develop its property ownership and optimize its property operations.

Fixed-income derivatives are used to limit the interest-rate risk and increase the predictability of Hemfosa's profit from property management. At September 30, 2014, the fixed-income derivatives entered into totaled MSEK 6,579. The fair value of the financial instruments was MSEK -85, due to floating market interest rates being lower than the contractual fixed interest rates. At September 30, 2014, MSEK -63 was charged against earnings for revaluation of the financial statements.

The sensitivity analysis below shows how Hemfosa's full-year earnings would be affected, positively or negatively, if selected income and cost items were to change. The effect of changed property expenses and net operating income is calculated based on earnings capacity; refer to page 8.

### Sensitivity analysis, September 30, 2014

	Change, %	Earnings effect, MSEK
Contractual rental income	+/- 1	+/- 17
Economic leasing rate, %		90
Economic leasing rate	+/- 1	+/- 18
Property expenses	+/- 1	+/- 5
Net operating income	+/- 5	+/- 55
Interest expenses for current fixed-rate periods and changed interest rates <sup>1</sup>	+/- 1	+/-36
Interest expenses for change in average interest rate level <sup>2</sup>	+/- 1	+/-110
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/- 1	+/-213

<sup>1</sup> Taking into account derivative agreements

<sup>2</sup> Not taking into account derivative agreements

### OWNERSHIP SPREAD AND STOCK-EXCHANGE LISTING

In March, 2014, it was announced that the Board of Directors and owners of Hemfosa Fastigheter had decided to implement an ownership spread through a combined new share issue and the sale of existing shares, as well as the listing of the company's share on Nasdaq Stockholm.

The offering was directed at the general public in Sweden and to institutional investors in Sweden and internationally. The price of the offering was established at SEK 93 per share. The offering comprised a total of 34,508,879 shares, of which 5,434,782 were newly issued shares and 29,074,097 existing shares. On April 1, 2014, an additional 4,347,826 shares were issued to cover over-allotment since interest in the offering was significant and it was oversubscribed. The total value of the offering, including the over-allotment option, was approximately MSEK 3,614 and Hemfosa received about MSEK 809 in equity after issue costs.

### THE SHARE AND SHAREHOLDERS

The company's common share has been listed on Nasdaq Stockholm, Mid-Cap, since March 21, 2014 under the ticker symbol "HEMF." The closing price paid on September 30, 2014 was SEK 112.25 and market capitalization amounted to MSEK 7,377. At September 30, 2014, Hemfosa had 10,301 shareholders, of whom Swedish investors, institutions and private individuals owned 78 percent of the shares. International institutional investors owned 22 percent of the shares.

### Owner distribution, September 30, 2014

Owners	Number of shares	Percentage of share capital, %	Percentage of votes, %
The Fourth Swedish National Pension Fund	6,051,737	9.2%	9.2%
Kåpan Pensioner	4,181,781	6.4%	6.4%
Länsförsäkringar Fondförvaltning AB	3,894,033	5.9%	5.9%
Lannebo Fonder	3,621,932	5.5%	5.5%
Ikano Invest AB	3,334,571	5.1%	5.1%
Swedbank Robur Funds	3,315,610	5.0%	5.0%
AMF Försäkring och fonder	3,200,584	4.9%	4.9%
Folksam	2,069,605	3.1%	3.1%
Alecta Pensionsförsäkring	2,034,571	3.1%	3.1%
BP2S Lux/Henderson HHF SICAV	1,505,000	2.3%	2.3%
Board of Directors and management	4,682,252	7.1%	7.1%
Other	27,828,428	42.3%	42.3%
<b>Total</b>	<b>65,720,104</b>	<b>100.0%</b>	<b>100.0%</b>



## BOARD ASSURANCE

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

Nacka, November 5, 2014  
Hemfosa Fastigheter AB (publ)  
(Corp. Reg. No. 556917-4377)

Bengt Kjell  
Chairman of the Board

Jens Engwall  
Chief Executive Officer

Magnus Eriksson  
Board member

Anneli Lindblom  
Board member

Daniel Skoghäll  
Board member

Caroline Sundewall  
Board member

Ulrika Valassi  
Board member

This interim report has been audited by the company's auditors; see the Auditors' review on page 20.

In accordance with the Securities Market Act, Hemfosa is publishing the information in this interim report on Wednesday November 5, 2014, at 8:30 a.m.

## REPORTING DATES

Year-end report January – December 2014  
Interim report January – March 2015  
Annual General Meeting for 2015

February 18, 2015  
May 5, 2015  
May 7, 2015

## CONTACT INFORMATION

### Hemfosa Properties AB

Tel: +46 8 448 04 80  
Street address: Hästholmsvägen 28  
Postal address: Box 2020, 131 02 Nacka  
[www.hemfosa.se](http://www.hemfosa.se)

Jens Engwall, CEO  
Tel: +46 8 448 04 82, e-mail: [jens.engwall@hemfosa.se](mailto:jens.engwall@hemfosa.se)

Karin Osslind, CFO  
Tel: +46 8 448 04 84, e-mail: [karin.ossind@hemfosa.se](mailto:karin.ossind@hemfosa.se)

## **REVIEW REPORT**

To the Board of Directors of Hemfosa Fastigheter AB (publ)  
*Corporate Reg No 556917-4377*

### **Introduction**

We have reviewed the condensed interim financial information (interim report) for Hemfosa Fastigheter AB (publ) for the period ending on September 30, 2014 and for the nine-month period ending on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

### **Focus and scope of the review**

We have conducted our review in accordance with the Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### **Conclusions**

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the accompanying interim report has not been prepared in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, November 5, 2014

KPMG AB

Mattias Johansson  
Authorized Public Accountant

## Summary of financial reports

### Consolidated statement of profit and other comprehensive income

	July-September		January-September		Full-year
MSEK	2014	2013	2014	2013	2013
Rental income	409	388	1,190	1,177	1,584
Property expenses and property administration	-121	-118	-388	-402	-537
<b>Net operating income</b>	<b>288</b>	<b>270</b>	<b>802</b>	<b>775</b>	<b>1,047</b>
Central administration	-17	-29	-50	-70	-79
Other operating income and expenses	30	7	50	6	0
Share in profit of joint ventures	29	16	224	99	125
Financial income and expenses	-87	-204	-384	-580	-770
<b>Profit from property management</b>	<b>243</b>	<b>60</b>	<b>642</b>	<b>230</b>	<b>323</b>
Changes in value of properties, realized	-3	-6	27	-32	-21
Changes in value of properties, unrealized	65	26	193	-160	-193
Changes in value of financial instruments, realized	-	-	-55	-	-
Changes in value of financial instruments, unrealized	-63	2	-154	75	23
<b>Profit before tax for the period/year</b>	<b>241</b>	<b>82</b>	<b>653</b>	<b>112</b>	<b>132</b>
Current tax	0	0	-1	0	-
Deferred tax	-14	-17	-80	24	99
<b>Profit for the period/year</b>	<b>227</b>	<b>65</b>	<b>572</b>	<b>136</b>	<b>231</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income for the period/year</b>	<b>227</b>	<b>65</b>	<b>572</b>	<b>136</b>	<b>231</b>
<i>Profit for the period/year attributable to:</i>					
Parent Company shareholders	227	65	571	136	231
Non-controlling interests	0	0	1	0	0
<b>Profit for the period/year</b>	<b>227</b>	<b>65</b>	<b>572</b>	<b>136</b>	<b>231</b>
<b>Earnings per share for the period/year, before and after dilution, SEK</b>	<b>3.5</b>	<b>2.6</b>	<b>10.4</b>	<b>5.4</b>	<b>7.4</b>

## Consolidated statement of financial position

MSEK	September 30		December 31
	2014	2013	2013
<i>Assets</i>			
Investment properties	17,505	16,194	16,284
Shares in joint ventures	690	398	455
Other fixed assets	27	1	32
<b>Total fixed assets</b>	<b>18,222</b>	<b>16,593</b>	<b>16,772</b>
Current receivables	95	119	65
Cash and cash equivalents	498	314	284
<b>Total current assets</b>	<b>593</b>	<b>433</b>	<b>349</b>
<b>Total assets</b>	<b>18,815</b>	<b>17,026</b>	<b>17,121</b>
<i>Equity and liabilities</i>			
Shareholders' equity attributable to Parent Company shareholders	6,718	2,274	2,368
Non-controlling interests	2	1	1
<b>Equity</b>	<b>6,720</b>	<b>2,275</b>	<b>2,369</b>
Non-current interest-bearing liabilities	10,670	12,326	11,829
Other long-term liabilities	85	60	114
Deferred tax liabilities	513	505	430
<b>Total non-current liabilities</b>	<b>11,268</b>	<b>12,891</b>	<b>12,373</b>
Current interest-bearing liabilities	287	1,382	1,831
Other current liabilities	541	478	548
<b>Total current liabilities</b>	<b>828</b>	<b>1,860</b>	<b>2,379</b>
<b>Total liabilities</b>	<b>12,096</b>	<b>14,751</b>	<b>14,752</b>
<b>Total equity and liabilities</b>	<b>18,815</b>	<b>17,026</b>	<b>17,121</b>

## Consolidated statement of changes in equity

MSEK	Equity attributable to Parent Company shareholders				Non-controlling interests	Total Shareholders' equity
	Share-capital	Other contrib-uted capital	Retained earnings incl profit for the year	Total		
Opening shareholders' equity, Jan 1, 2013	10	240	1,926	2,176	-	2,176
<b>Comprehensive income for the period</b>			<b>136</b>	<b>136</b>	<b>0</b>	<b>136</b>
<b>Transactions with the Group's shareholders</b>						
New share issue	15	-15	-	0	-	0
Capital contribution from non-controlling interests	-	-	-47	-47	-	-47
Dividend to preferential shareholders	-	-	8	8	1	9
<b>Total transactions with the Group's shareholders</b>	<b>-</b>	<b>-</b>	<b>-39</b>	<b>-39</b>	<b>1</b>	<b>-38</b>
Comprehensive income, October-December 2013	-	-	94	94	0	94
<b>Closing equity, Dec 31, 2013</b>	<b>25</b>	<b>225</b>	<b>2,118</b>	<b>2,368</b>	<b>1</b>	<b>2,369</b>
Opening equity, Jan 1, 2014	25	225	2,118	2,368	1	2,369
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>571</b>	<b>571</b>	<b>1</b>	<b>572</b>
	<b>-</b>	<b>-</b>	<b>571</b>	<b>571</b>	<b>1</b>	<b>572</b>
<b>Transactions with the Group's shareholders</b>						
Offset issue	31	2,939	-	2,970	-	2,970
New share issue	10	7993	-	809	-	809
Reduction of share capital	0	-	0	0	-	0
Capital contribution from non-controlling interests	-	-	0	0	0	0
<b>Total transactions with the Group's shareholders</b>	<b>41</b>	<b>3,738</b>	<b>0</b>	<b>3,779</b>	<b>0</b>	<b>3,779</b>
<b>Closing equity, Sep 30, 2014</b>	<b>66</b>	<b>3,963</b>	<b>2,689</b>	<b>6,718</b>	<b>2</b>	<b>6,720</b>

<sup>3</sup> This amount includes issue costs totaling MSEK 100



## Statement of cash flow for the Group

	July-September		January-September	Full-year	
MSEK	2014	2013	2014	2013	2013
<i>Operating activities</i>					
Profit from property management	243	61	642	230	323
Adjustments for items not included in cash flow	-29	-16	-224	-95	-130
Income tax paid	0	0	-4	0	3
<b>Cash flow from operating activities before changes in working capital</b>	<b>214</b>	<b>45</b>	<b>414</b>	<b>135</b>	<b>196</b>
<i>Cash flow from changes in working capital</i>					
Changes in operating receivables	18	31	-26	55	60
Changes in operating liabilities	13	-24	-8	-61	5
<b>Cash flow from operating activities</b>	<b>245</b>	<b>52</b>	<b>380</b>	<b>129</b>	<b>261</b>
<b>Cash flow from investing activities<sup>4)</sup></b>	<b>302</b>	<b>-134</b>	<b>-1,006</b>	<b>-343</b>	<b>-503</b>
<b>Cash flow from financing activities</b>	<b>-348</b>	<b>300</b>	<b>840</b>	<b>285</b>	<b>284</b>
<b>Cash flow for the period/year</b>	<b>199</b>	<b>218</b>	<b>214</b>	<b>71</b>	<b>42</b>
Cash and cash equivalents at the beginning of the period/year	299	96	284	242	242
<b>Cash and cash equivalents at the end of the period/year</b>	<b>498</b>	<b>314</b>	<b>498</b>	<b>314</b>	<b>284</b>

<sup>4</sup> The positive cash flow from investing activities during the third quarter of 2014 was attributable to a repayment of MSEK 425 from Söderport Holding AB pertaining to a short-term loan.

## Segment information

MSEK	January-September									
	Public properties		Office properties		Logistics properties		Transaction properties		Total consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rental income	590	577	332	324	160	161	108	114	1,190	1,177
Property expenses										
<i>Operations</i>	-114	-121	-64	-70	-12	-11	-33	-36	-223	-237
<i>Maintenance</i>	-34	-36	-21	-23	-3	-7	-11	-8	-69	-74
<i>Property tax</i>	-20	-20	-22	-20	-4	-3	-5	-5	-50	-48
Property administration	-21	-19	-15	-15	-4	-5	-7	-4	-46	-43
<b>Net operating income</b>	<b>401</b>	<b>381</b>	<b>211</b>	<b>196</b>	<b>136</b>	<b>135</b>	<b>53</b>	<b>61</b>	<b>802</b>	<b>775</b>
Central administration									-50	-70
Other operating income									50	6
Share in profit of joint ventures									224	100
Financial income and expenses									-384	-579
<b>Profit from property management</b>									<b>642</b>	<b>232</b>
Realized changes in value of property									27	-32
Unrealized changes in value of properties									193	-161
Changes in value of financial instruments									-208	74
<b>Profit before tax for the period</b>									<b>653</b>	<b>113</b>
Investments in existing portfolio during the period	241	239	118	185	3	12	24	13	387	449
Carrying amount of investment properties at September 30	8,650	7,524	4,854	4,737	2,754	2,677	1,247	1,254	17,505	16,192

## Key figures

	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
<b>Financial</b>					
Return on equity, %	13.7	11.6	9.4	8.1	10.2
Equity/assets ratio, %	35.7	13.4	35.7	13.4	13.8
Loan-to-value ratio properties, % <sup>5</sup>	62.6	84.6	62.6	84.6	83.9
Debt/equity ratio, multiple <sup>5</sup>	1.6	6.0	1.6	6.0	5.8
Interest coverage ratio, multiple <sup>6,7</sup>	3.5	1.2	2.1	1.2	1.3
<b>Share-related</b>					
Profit from property management, SEK per share	3.7	2.4	11.7	9.2	12.9
Profit after tax, SEK per share	3.5	2.6	10.4	5.4	7.4
Equity, SEK per share	102.3	91.0	102.3	91.0	94.8
Net asset value (EPRA NAV), SEK per share	115.1	118.4	115.1	118.4	116.4
Cash flow from operating activities, SEK per share	3.7	2.1	6.9	5.2	10.4
Dividend, SEK per share	-	-	-	-	-
Weighted average number of shares, 000s	65,720	25,000	54,977	25,000	25,000
Number of shares outstanding per balance-sheet date, 000s	65,720	25,000	65,720	25,000	25,000
<b>Property-related</b>					
Number of properties at the end of the period	195	196	195	196	195
Rental value at the end of the period, MSEK	1,816	1,722	1,816	1,722	1,754
Leasable area at the end of the period, 000s of sqm	1,750	1,704	1,750	1,704	1,713
Carrying amount of properties in the balance sheet, MSEK	17,505	16,194	17,505	16,194	16,284
Property value, SEK per sqm	10,004	9,504	10,004	9,504	9,506
Economic leasing rate, %	90.1	90.7	90.1	90.7	90.0
Surplus ratio, %	70.4	69.6	67.4	65.8	66.1
Yield, %	6.6	6.7	6.3	6.4	6.4

<sup>5</sup> A shareholders' loan of MSEK 3,470 is included in total interest-bearing liabilities at September 30, 2013 and December 31, 2013.

<sup>6</sup> Interest expenses for the January-September 2014 period includes interest of MSEK 60 (234) on shareholders' loans and of MSEK 312 for full-year 2013.

<sup>7</sup> Shares in the profit of joint ventures are not included in profit from property management in the calculation of the interest coverage ratio. Hemfosa's previous definition showed an interest coverage ratio of a multiple of 1.4 for full-year 2013.

## Income statement for the Parent Company

MSEK	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
Net sales	15	8	44	8	14
Other external costs	-11	-2	-29	-2	-8
Personnel expenses	-6	-4	-18	-4	-12
Depreciation/amortization	0	0	0	0	0
<b>Profit/Loss before financial income and expenses</b>	<b>-2</b>	<b>2</b>	<b>-3</b>	<b>2</b>	<b>-6</b>
Interest income and similar income items	90	79	264	79	160
Interest expenses and similar expense items	-13	-78	-88	-78	-157
<b>Profit/loss before tax for the period/year</b>	<b>75</b>	<b>3</b>	<b>173</b>	<b>3</b>	<b>-3</b>
Current tax	-	-	-	0	-
<b>Profit/loss for the period/year</b>	<b>75</b>	<b>3</b>	<b>173</b>	<b>3</b>	<b>-3</b>

## Statement of profit and other comprehensive income for Parent Company

MSEK	July-September		January-September		Full-year
	2014	2013	2014	2013	2013
<b>Profit/loss for the period/year</b>	<b>75</b>	<b>3</b>	<b>173</b>	<b>3</b>	<b>-3</b>
<b>Other comprehensive income for the period/year</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income/loss for the period/year</b>	<b>75</b>	<b>3</b>	<b>173</b>	<b>3</b>	<b>-3</b>

## Balance sheet for the Parent Company

MSEK	September 30		December 31
	2014	2013	2013
<i>Assets</i>			
Tangible assets	0	0	0
Shares in joint ventures	31	-	31
Participations in Group companies	2,533	2,533	2,533
Non-current receivables from Group companies	4,758	3,470	3,489
Other fixed assets	26	-	26
<b>Total fixed assets</b>	<b>7,348</b>	<b>6,003</b>	<b>6,079</b>
Current receivables from Group companies	346	67	146
Other current receivables	14	1	2
Cash and bank balances	76	0	15
<b>Total current assets</b>	<b>436</b>	<b>68</b>	<b>163</b>
<b>Total assets</b>	<b>7,784</b>	<b>6,071</b>	<b>6,242</b>
<i>Equity and liabilities</i>			
Restricted equity	66	25	25
Unrestricted equity	6,416	2,511	2,505
<b>Equity</b>	<b>6,481</b>	<b>2,536</b>	<b>2,530</b>
Non-current interest-bearing liabilities	1,200	3,470	3,470
Non-current liabilities to Group companies	75	-	-
<b>Total non-current liabilities</b>	<b>1,275</b>	<b>3,470</b>	<b>3,470</b>
Current interest-bearing liabilities	-	0	-
Current liabilities to Group companies	-	-	235
Other current liabilities	28	65	7
<b>Total current liabilities</b>	<b>28</b>	<b>65</b>	<b>242</b>
<b>Total equity and liabilities</b>	<b>7,784</b>	<b>6,071</b>	<b>6,242</b>
<i>Pledged assets and contingent liabilities - Parent Company</i>			
<b>Pledged assets</b>	-	-	-
<b>Contingent liabilities</b>			
Sureties for liabilities in Group companies	6,690	5,311	5,311



# Glossary

## Return on equity

Profit/loss for the period, recalculated to 12 months, as a percentage of average equity during the period.

## Loan-to-value ratio

Interest-bearing liabilities at the end of the period as a percentage of the carrying amount of the properties in the statement of financial position.

## Yield

Net operating income for the period as a percentage of the carrying amounts of the properties, adjusted for the holding period of the properties.

## Equity per share

Equity as a percentage of the number of shares at the end of the period.

## Economic leasing rate

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

## Property value

Carrying amount of the property.

## Property

Properties held under title or site leasehold.

## Property tax

A government tax that is paid annually for properties that do not contain residential units and units classified in property taxation as single-family housing units, agricultural units with undeveloped land, owner-occupied apartment units, rental housing units, industrial units or electricity production units.

## Financial derivatives

Agreements pertaining to interest rates on loans that can include the following factors: time, inflation and/or interest-rate ceilings, and that are entered into to hedge interest-rate levels for interest-bearing loans.

## Profit from property management per share

Profit from property management for the

period as a percentage of the weighted average number of shares.

## Rental income

Rents charged including supplements for heating and property tax.

## 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 share

Cash flow from operating activities as a percentage of the weighted average number of shares.

## Market value of properties

The market value of properties as measured by an external valuation.

## Project development

The development of undeveloped properties or properties where the original building structure is not used as a basis for the development.

## Earnings per share

Earnings for the period as a percentage of the weighted average number of shares.

## Interest-rate swap

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-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.

## Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

## Equity/assets ratio

Equity as a percentage of total assets.

## Net asset value

Recognized equity plus derivatives and deferred tax according to the statement of financial position (EPRA NAV).

## 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 per share

Proposed dividend as a percentage of the number of shares outstanding on the balance-sheet date.

## Fair value of properties

Hemfosa performs an internal property valuation, based on the market value of properties, in which new production projects are in progress and where tenants have not moved in, are recognized at the lower of costs incurred and the market value.

## Surplus ratio

Net operating income for the period as a percentage of the rental income.

## Konsten att kombinera rätt

