

Q3 INTERIM REPORT JANUARY-SEPTEMBER 2017

KEY FIGURES

	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income, MSEK	762	666	2,342	1,958	2,642
Net operating income, MSEK	576	485	1,684	1,346	1,817
Surplus ratio, %	75.6	72.9	71.9	68.7	68.8
Profit from property management, MSEK	515	582	1,661	1,275	1,812
- per ordinary share, SEK	3.09	3.52	10.01	8.23	11.49
Profit after tax, MSEK	775	1,389	2,635	2,746	3,583
- per ordinary share before dilution, SEK	4.73	8.59	16.06	18.30	23.25
- per ordinary share after dilution, SEK	4.69	8.59	15.93	18.30	23.25
Cash flow from operating activities, before changes in working capital, MSEK	433	357	1,238	939	1,260
- per ordinary share, SEK	2.57	2.09	7.33	5.91	7.76
Property value, SEK billion			39.7	33.0	34.7
- of which, community service properties, %			64	64	65
Net asset value EPRA/NAV, SEK			107.55	88.40	93.87
Equity/assets ratio, %			40.6	41.5	41.2

- Rental income amounted to MSEK 762 (666) in the quarter and MSEK 2,342 (1,958) in the period
- Profit from property management totaled MSEK 515 (582) in the quarter, corresponding to SEK 3.09 per ordinary share (3.52), and to MSEK 1,661 (1,275) in the period, corresponding to SEK 10.01 per ordinary share (8.23). Profit from property management excluding share in profit from joint ventures amounted to MSEK 431 (358) in the quarter and MSEK 1,244 (951) in the period
- Profit after tax amounted to MSEK 775 (1,389) in the quarter, corresponding to SEK 4.73 per ordinary share before dilution (8.59), and to MSEK 2,635 (2,746) in the period, corresponding to SEK 16.06 per ordinary share before dilution (18.30)

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- Community service properties were acquired in Norway at a total property value of MSEK 595, and possession was taken. The properties are located in four different municipalities and include a total leasable area of 39,000 sqm
- In Sweden, two community service properties and one commercial office property were acquired for a total of MSEK 384, and possession was taken
- After the quarter, possession was taken of ten centrally located community service properties in Halmstad for an underlying property value of MSEK 1,066
- After the quarter, on November 7, the Board of Directors of Hemfosa Fastigheter decided to evaluate the conditions for splitting the Group into two listed companies



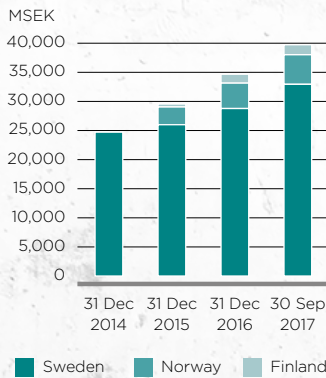
This is Hemfosa

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

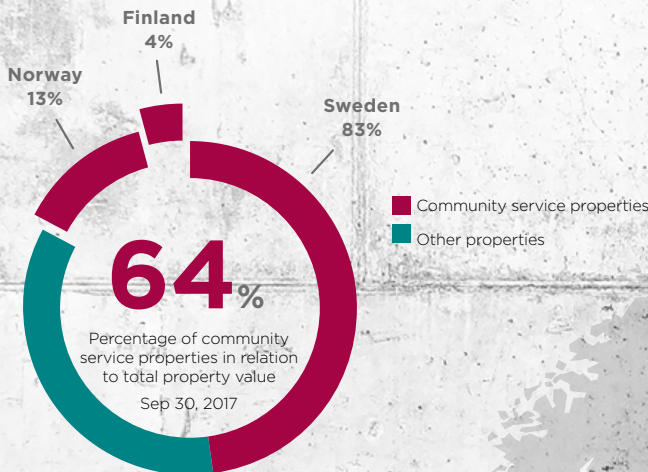
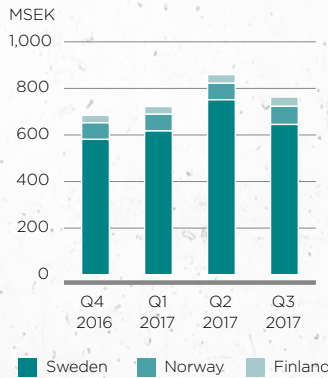
Business concept

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

Fair value



Rental income



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

SWEDEN

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

NORWAY

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

FINLAND

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

● Local offices



Comments from the CEO

Additional acquisitions and higher earnings

We can report yet another stable quarter for Hemfosa with higher earnings, further acquisitions and a high level of activity in all regions, with a particular focus on Norway. At the same time, the Board has made a decision on the future direction of Hemfosa – it will evaluate the conditions for splitting Hemfosa into two listed companies.

We followed up the transaction-intensive first half of the year with agreements for acquisitions of several community service properties, primarily in our Norwegian market. Viewed as a whole, we completed business transactions at a value of MSEK 595 in Norway, including our first acquisition in Bergen on the Norwegian west coast, where we look forward to increasing our presence. With these latest acquisitions, we now have a property portfolio in Norway worth approximately SEK 5 billion and we can definitely do more in this country.

We invested slightly more than MSEK 190 in our existing portfolio during the quarter. We could welcome more than 550 pupils between the ages of 13 and 16 to start their school year at wonderful new premises at a property in Härnösand that we had acquired in a vacant state and subsequently extensively refurbished and customized. We are continuing to work on this property, and other properties in the portfolio, to enhance the efficiency of the technology and energy consumption. Our investments are to be financially sustainable at the same time as they should reduce the environmental footprint.

THE MOST IMPORTANT PEOPLE DESERVE THE BEST PROPERTIES

We carried out a branding campaign in the spring and summer to further increase awareness of Hemfosa. The primary target group was our most important customers – the people who are property

“The shaky housing market does not directly affect Hemfosa but we are always curious about what a fluctuating property market could give rise to.”

managers in the public sector and the people that use and operate in our properties. We feel that – together with these individuals – we can add the greatest value through our way of working. Our message is encapsulated in the heading above “the most important people deserve the best properties”. What we want to say with this slogan is that we always focus on the users of our properties – our tenants – who usually are people in different types of community service operations.

EVALUATING THE CONDITIONS FOR SPLITTING HEMFOSA

It has now been eight years since we founded Hemfosa and acquired our first properties. It is five years since we listed the company and we now manage properties worth nearly SEK 40 billion. We have met the targets of our listing and have reached a substantial size and structure, which means that we are now at a point where we must decide on a strategic path regarding the form of the company in order to create the highest possible value for our shareholders going forward.

In light of this, the Board has decided to evaluate the conditions for splitting Hemfosa into two listed companies – one company concentrating on community service properties and one transaction-based, opportunistic company. The Board’s decision was published in a separate press release yesterday, November 7.

The basis for this decision is that we have generated a significant property portfolio with a growing share of community service properties with stable cash flows and see continued opportunities for high growth. At the same time, we have an extensive portfolio of commercial properties with the potential for expansion. Two specialized companies will increase opportunities for leveraging the potential of all parts of the operations and creating even greater efficiency and drive in the organizations.

We are now carrying out an in-depth analysis of the conditions for this scenario and our aim is to provide more information in the first quarter of next year. I feel a great sense of personal responsibility for helping find the best way toward future value creation and I look forward to yet another exciting chapter in Hemfosa’s history.

Jens Engwall, CEO

The MOST IMPORTANT PEOPLE
DESERVE *the best* PROPERTIES

Operational development

THE PERIOD, JANUARY-SEPTEMBER 2017

Earnings

MSEK	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	762	666	2,342	1,958	2,642
Net operating income	576	485	1,684	1,346	1,817
Surplus ratio, %	75.6	72.9	71.9	68.7	68.8
Profit from property management excluding profit/loss from shares in joint ventures	431	358	1,244	951	1,270
Profit from property management including profit/loss from shares in joint ventures	515	582	1,661	1,275	1,812
Changes in value of properties	389	362	1,450	1,291	1,594
Changes in value of financial instruments	11	21	31	-5	18
Tax	-141	424	-508	185	160
Profit	775	1,389	2,635	2,746	3,583

Net operating income

Rental income for the period amounted to MSEK 2,342 (1,958). The increase of 20 percent was attributable to a large property portfolio and lease renegotiations, signing of new leases and indexation according to lease agreements. Rental income also includes other property income of a nonrecurring nature, which amounted to MSEK 175 (23) for the period. On September 30, 2017, the leasable area of Hemfosa's property portfolio totaled 2,866,000 square meters (2,544,000). The leasing rate was 92.0 percent (91.5).

Property expenses amounted to MSEK 592 (549) and costs for property administration to MSEK 66 (63). The change in the surplus ratio for the period was primarily due to higher other property income of a nonrecurring nature. The surplus ratio for the quarter was primarily impacted by acquisitions, which increased the share of triple-net agreements in the portfolio, which impacted total profit from property management.

The yield for the entire portfolio was 5.9 percent (5.6).

Profit from property management

Central administration costs amounted to MSEK 92 (89).

Financial expenses totaled MSEK 355 (324). On September 30, the average interest rate in the loan portfolio was 1.94 percent (2.05).

Profit from property management excluding share in profit from joint ventures amounted to MSEK 1,244 (951), an increase with 31 percent for the period.

The share in profit from joint ventures was MSEK 417 (325) and primarily consists of profit from property management of MSEK 93 (92), and changes in the value of properties of MSEK 392 (356). The lower share in profit from joint ventures for the quarter year-on-year was due to a major revaluation of a part-owned property in the preceding year, which results in a lower profit from property management in total.

Tax

The tax expense totaled MSEK 508 (+185), of which MSEK 422 (188) was due to changes in deferred tax liabilities attributable to investment properties. The effective tax rate for Hemfosa was 16 percent (+7). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to the share in profit from joint ventures comprising profit after tax.

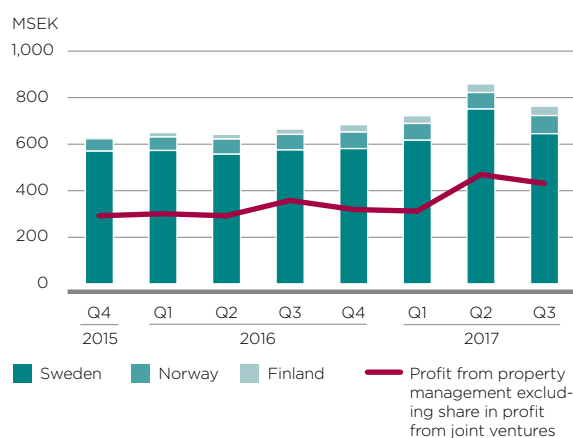
Profit for the period

MSEK
2,635
(2,746)

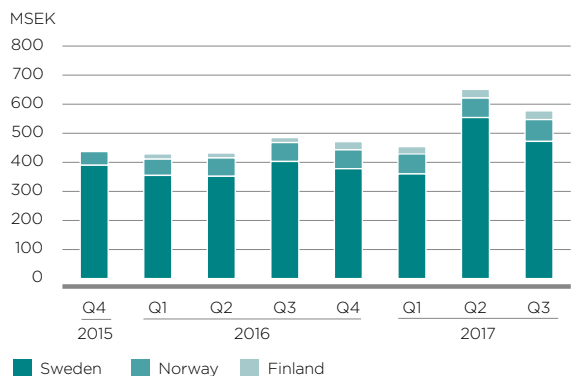
Earnings per share per ordinary share

SEK
16.06
(18.30)

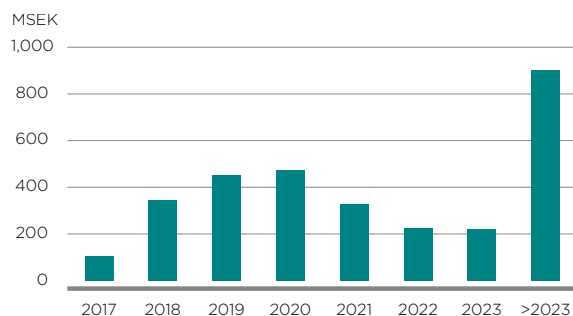
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Lease expiry, September 30, 2017



Property portfolio

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

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

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.

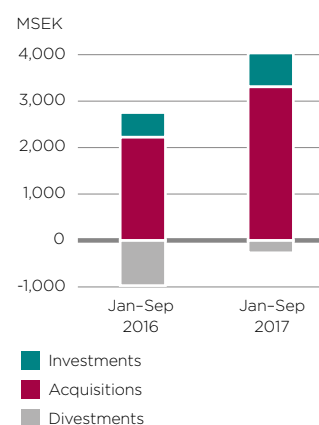
Hemfosa's definition of Community service properties is properties with, directly or indirectly, publicly financed tenants that account for at least 70 percent of the rental income.

CHANGES IN PROPERTY PORTFOLIO

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

MSEK	Sweden		Norway		Finland		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening value for the year	28,778	25,999	4,359	3,042	1,531	512	34,668	29,553
Acquired properties	2,538	1,060	595	642	174	521	3,308	2,223
Investments in existing properties	722	522	0	8	6	-	728	531
Divested properties	-266	-971	-	-	-	-	-265	-971
Realized changes in value in profit or loss for the period	31	35	-	-	-	-	31	35
Unrealized changes in value in profit or loss for the period	1,137	968	278	221	6	67	1,420	1,256
Translation differences	-	-	-153	363	0	30	-153	393
Closing fair value	32,940	27,612	5,079	4,277	1,717	1,131	39,736	33,020

Acquisitions, investments and divestments



Acquisitions and divestments of properties

A total of four community service properties were acquired in Norway in the third quarter, some in new municipalities for Hemfosa, such as Bergen and Sarpsborg. In Sweden, two community service properties and one commercial office property were acquired for a total of MSEK 384 and possession was taken. In total, the acquisitions during the quarter contribute a rental value of MSEK 77 with an average remaining lease term of 7.2 years.

Earlier in the year, a total of 30 community service properties were acquired, located in some ten different towns in Sweden. The operations conducted on these premises are primarily health and care services. A community service property located in the Municipality of Turku was acquired in Finland. In addition, two large-scale portfolios were acquired in Örnsköldsvik and Karlskrona in Sweden, primarily comprising commercial office properties.

During the year, the portfolio was streamlined by divesting 13 commercial properties in Sweden.

Acquisitions, January-September 2017

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Arboga	Bälgen 9	Community services	18	12
Södertälje	Noshörningen 14	Community services	6	10
Stockholm	Oväder 2	Community services	1	3
Turku, Finland	Linnankatu 23	Community services	7	13
<i>Quarter 2</i>				
Aneby	Karlsborg 4:1	Community services	1	1
Borås	Vulkanus 15	Community services	10	12
Gotland	Garde Nygårds 1:68 o Garde Kulde 1:37	Community services	1	1
Grums	Lilla Häggvik 1:1	Community services	0	0
Gävle	Brynäs 34:14, Holmsund 8:5, Hille 2:144, Storhagen 57:8	Community services	1	4
Götene	Guttorp 1:34, 1:44	Community services	1	1
Hässleholm	Torsjö 1:33	Community services	1	1
Karlshamn	Plommonet 3	Community services	2	2
Karlskrona	Stumholmen 2:1, 2:21	Community services	4	6
Karlskrona	Rügen 50	Community services	11	17
Karlskrona	Sparre 3	Community services	12	14
Karlskrona	Adlersten 59	Community services	3	4

Acquisitions, January-September 2017, cont.

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
Karlskrona	Dahlberg 31-33, 52, 60-61	Other	0	0
Karlskrona	Tyska Bryggaregården 6	Other	7	7
Karlskrona	Frimuraren 8	Other	2	2
Karlskrona	Möllebacken 15	Other	7	8
Karlskrona	Humble 2	Other	3	5
Karlskrona	Wattrang 21	Other	9	9
Osby	Visseltofta 2:4, 3:54, 4:7, 21:1	Community services	1	1
Ronneby	Johannishus 1:19	Community services	0	0
Sandviken	Förmannen 7	Community services	0	1
Skövde	Kila 3:7	Community services	0	0
Uppsala	Boländerna 5:2	Community services	9	17
Västerås	Harkie 1:99	Community services	1	1
Örnköldsvik	Bromsen 7	Other	4	2
Örnköldsvik	Gjutaren 3	Other	5	3
Örnköldsvik	Kraften 4	Other	12	13
Örnköldsvik	Handformaren 2	Other	17	20
Örnköldsvik	Strandkajen 7	Other	29	43
<i>Quarter 3</i>				
Malmö	Bryggeriet 2	Other	28	16
Eidsvoll	Årnesvegen 23	Community services	15	12
Sarpsborg	Sandesundsveien 3, 5-7, Korsgatan 5	Community services	7	11
Tønsberg	Olav Trygvasons gate 4	Community services	8	10
Bergen	Myrdalsvegen 22	Community services	7	10
Lund	Tre Högar 3	Community services	1	3
Jönköping	Stensholm 1:754	Other	12	17

Divestments, January-September 2017

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

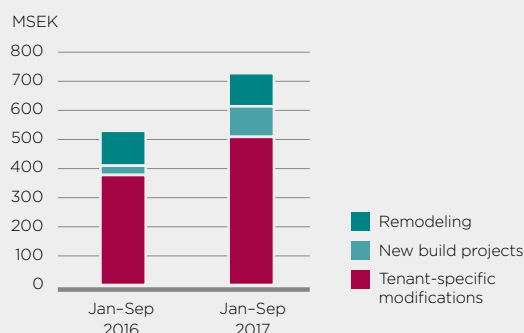
Investments in existing properties

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 2018. In Sundsvall on behalf of Internationella Engelska Skolan, conversion of an existing and construction of a new building are under way to satisfy the school's growing needs. For the same tenant, conversion of 9,000 square meters of premises is in progress in Borås. In Uppsala, 8,000 square meters of office premises are being customized for the Swedish Migration Agency.

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

INVESTMENTS IN EXISTING PROPERTIES



First acquisition on Norwegian west coast

Hemfosa Fastigheter carried out its first transaction on the Norwegian west coast during the quarter with the acquisition of a property in Bergen. The property has a large proportion of tenants in community services from the municipal, county council, and care sectors, and has a property value of approximately MNOK 145. The acquisition in Bergen marks the start of an increased presence and focus on Western Norway, alongside the Oslo region.



Ongoing projects in wholly owned properties, September 30, 2017

Municipality	Property	Type of property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Other	Hotell Winn and others	52	340	Q4, 2018
Sundsvall	Västhagen 1	Community services	Int. Engelska Skolan	12	146	Q4, 2017
Härnösand	Inspektorn 11	Community services	Municipality of Härnösand	20	105	Q1, 2018
Norrköping	Presidenten 1	Community services	Swedish Prison and Probation Service	12	74	Q2, 2018
Uppsala	Boländerna 5:2	Community services	Swedish Migration Agency	8	55	Q1, 2018
Borås	Hagtornen 10	Community services	Int. Engelska Skolan	9	65	Q4, 2019

Properties and changes in value

The unrealized change in the value of the property portfolio during the period was MSEK 1,419 (1,256), mainly resulting from a change in the required yield but also from implemented projects.

The weighted yield requirement was 6.1 percent (6.3), unchanged compared with the most recent valuation date. The weighted cost of capital for calculating the present value of the cash flow and the residual value was 7.4 percent (7.5) and 8.3 percent (8.5), 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 2016 Annual Report, Note 11.

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

PROPERTY PORTFOLIO, SEPTEMBER 30

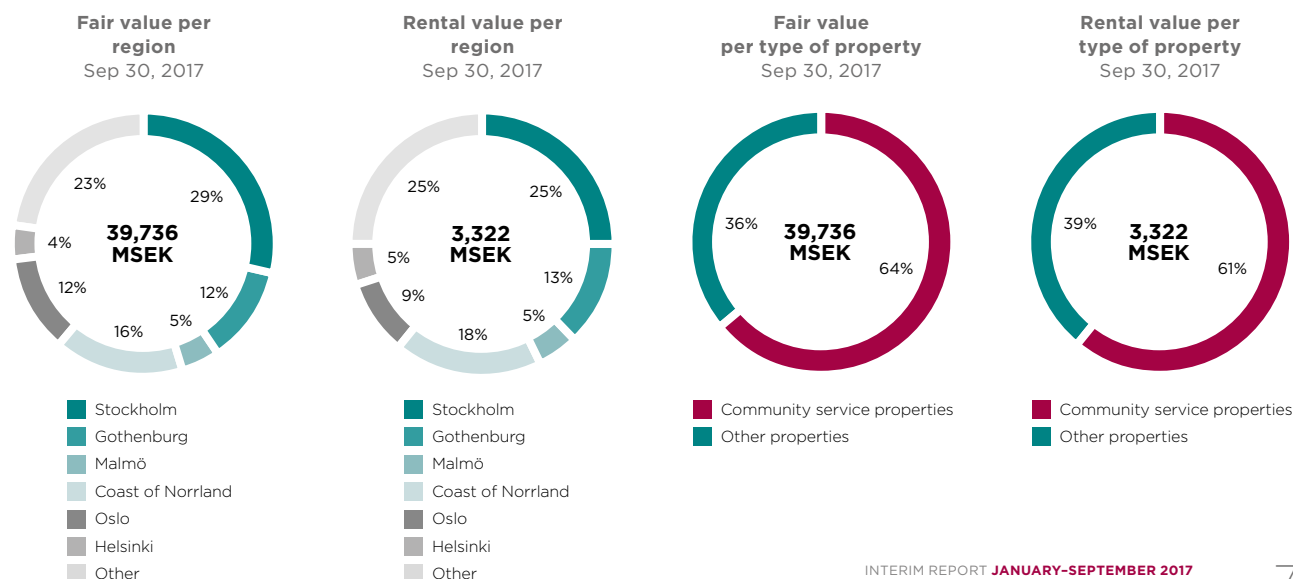
Community service properties

	Schools		Offices		Judicial system		Care services		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	572	529	696	552	402	344	330	296	28	9	2,029	1,728
Leasable area ¹ , 000s sqm	432	397	540	429	278	243	275	251	33	10	1,558	1,329
Fair value of properties, MSEK	7,825	6,766	8,331	6,252	4,767	4,104	4,378	3,729	297	126	25,598	20,977
No. of properties	77	70	68	51	41	40	120	105	9	7	315	273
Economic leasing rate, %											94.2	94.7
Remaining lease term, years											6.5	6.9

Other properties

	Offices		Logistics /Storage		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	869	671	262	260	162	198	1,293	1,129
Leasable area ¹ , 000s sqm	697	563	424	423	187	229	1,308	1,216
Fair value of properties, MSEK	9,192	6,955	3,339	3,248	1,607	1,839	14,138	12,042
No. of properties	75	64	30	29	43	52	148	145
Economic leasing rate, %							88.4	86.5
Remaining lease term, years							4.3	4.3

¹ Excluding garage space



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 5.4 percent (5.9) for community service properties and 5.3 percent 5.7 for other properties.

Group's earnings capacity

MSEK	Sep 30, 2017
Rental income	3,061
Property expenses	-771
Property administration	-79
Net operating income	2,210
Central administration	-124
Share in profit of joint ventures	131
Financial expenses	-471
Profit from property management	1,741

Sensitivity analysis, September 30, 2017

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 31
Economic leasing rate according to earnings capacity	+/- 1	+/- 31
Property expenses according to earnings capacity	+/- 1	+/- 9
Net operating income according to earnings capacity	+/- 5	+/- 111

CALCULATION BASIS

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

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



Shares in joint ventures

At September 30, 2017, Hemfosa was a partner in four joint ventures, including two minor holdings, which are presented in Hemfosa's 2016 Annual Report.

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

Equity share of joint ventures

MSEK	Sep 30		Dec 31
	2017	2016	2016
Capital share	1,979	1,464	1,676

Share in profit from joint ventures

MSEK	Jul-Sep		Jan-Sep		Jan-Dec
	2017	2016	2017	2016	2016
Profit for the period	84	224	417	325	542
<i>Of which</i>					
<i>Profit from property management</i>	28	32	93	92	124
<i>Changes in value, properties</i>	66	254	392	356	579
<i>Changes in value, derivatives</i>	9	5	35	-34	-6
<i>Other</i>	-19	-68	-103	-90	-155

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

MSEK	Söderport		Gardermoen Campus Utvikling	
	2017	2016	2017	2016
Non-current assets	6,492	5,785	2,479	1,146
<i>of which, investment properties</i>	6,295	5,715	2,479	1,146
Current assets	122	105	104	40
Equity	2,358	1,796	1,200	824
<i>of which, Hemfosa's share</i>	1,179	898	780	535
Long-term liabilities	4,086	3,883	1,192	323
<i>of which, deferred tax liabilities</i>	442	324	222	102
<i>of which, derivatives</i>	349	479	-	-
Current liabilities	170	212	191	40
Rental income	413	403	-	-
Net operating income	316	313	0	-
Net interest income	-122	-117	0	-
Changes in value, properties	361	313	328	327
Changes in value, derivatives	71	-67	-	-
Tax	-85	-97	-79	-82
Profit	540	331	249	245
<i>of which, Hemfosa's share</i>	270	166	162	159
No. of properties	69	48	2	2
Leasable area, 000s of sqm	657	667	-	-

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. During the period, Söderport acquired 15 warehouse and production properties with a total leasable area of 82,000 square meters. The leasing rate was 91 percent and the average remaining term of the leases was 4.6 years. The purchase consideration was MSEK 352. One of the properties was immediately sold on with no impact on profit or loss.

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

Gardermoen Campus Utvikling

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

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

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

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

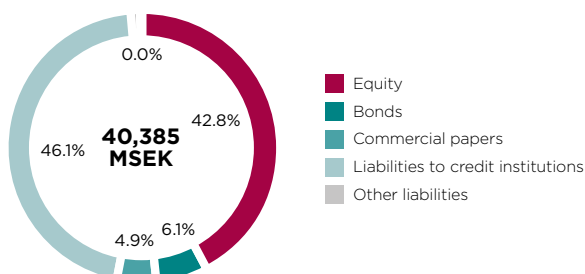
In March 2017, Hemfosa entered into a conditional agreement to become the sole owner of the hospital and the local medical center when the buildings have been completed at the beginning of 2018. Further development of the area will continue in cooperation with Aspelin Ramm as part of an unchanged joint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

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

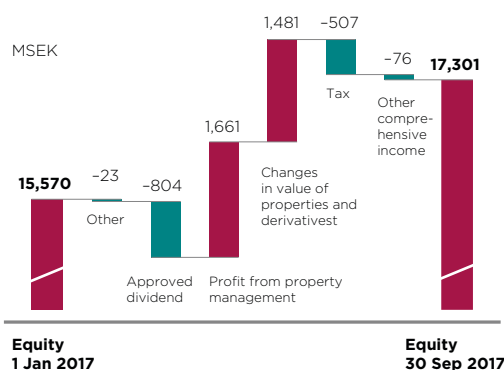
Municipality	Property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Ullensaker, Norway	Gardermoen	LHL	28	1,365	Q1, 2018
Ullensaker, Norway	Gardermoen	Helsans Hus	9	227	Q1, 2018

Financing

Breakdown of sources of financing, September 30, 2017



Changes in equity during the period



Key performance data, financial objectives

	Jan-Sep		Full-year
	2017	2016	2016
Return on equity, %	21.5	23.2	27.1 ²
Equity/assets ratio, %	40.6	41.5	41.2
Interest-coverage ratio, multiple	4.5 ¹	3.9	3.9

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

2 The higher yield from the full-year 2016 was due to a new position being taken regarding the opportunity to utilize loss carryforwards, which resulted in a deferred tax asset of slightly more than MSEK 500.

INTEREST-BEARING LIABILITIES

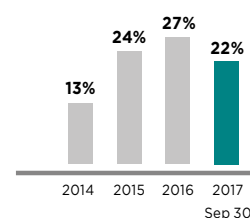
Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial paper.

New bank loans were raised in the third quarter of 2017, both to finance acquisitions and to refinance existing credits. Non-covered bonds of MSEK 250 were issued, with a margin of 2.35 percent without a STIBOR floor. Commercial paper of MSEK 1,520 was extended.

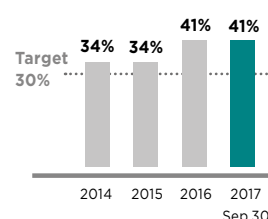
At the end of the period, the company had non-covered bonds of MSEK 2,000 and outstanding commercial paper of MSEK 1,995. The commercial papers have backup facilities, which are largely covered.

Financial objectives

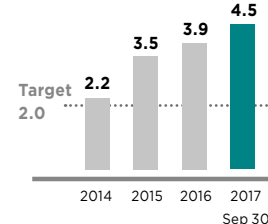
Hemfosa is to deliver the **highest return** among listed Swedish property companies over a five-year period. This applies to the return on equity.



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



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



Change in loan portfolio

MSEK	Jan-Sept		Full-year
	2017	2016	2016
Interest-bearing liabilities at the beginning of the period	20,666	18,960	18,960
Repayment of bank loans	-2,096	-3,386	-3,602
New bank loans	2,512	3,090	3,604
Issue of commercial paper	1,100	-	895
Issue of bonds	1,973	-	750
Redemption of bonds	-998	-	-202
Exchange-rate difference	-82	292	261
Interest-bearing liabilities at the end of the period¹	23,076	18,957	20,666

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

Key performance data concerning the loan portfolio

	Sep 30		Dec 31
	2017	2016	2016
Net loan-to-value ratio, %	56.8	55.0	55.9
Average interest rate, %	1.94	2.05	1.98
Average remaining fixed-rate period, years	1.0	1.3	1.26
Average remaining loan maturity period, years	2.1	2.4	2.1
Interest-rate hedged portion of liabilities, %	57.5	54.6	56.0
Fair value of derivatives, MSEK	-53	-107	-84

Available liquidity

MSEK	Sep 30		Dec 31
	2017	2016	2016
Cash and cash equivalents	463	744	1,221
Unutilized overdraft facilities	379	390	450
Total	842	1,134	1,671

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

In some cases, the Group has entered into loan agreements with an interest-rate floor provision, meaning that STIBOR 3 months cannot be negative. Due to these loan agreements, Hemfosa is not able to fully capitalize on the lower interest rates. At September 30, 2017, Hemfosa's outstanding interest-rate swaps had a nominal volume of MSEK 5,117 (4,803) and interest-rate caps had a nominal volume of MSEK 7,000 (3,933). All interest-rate swaps had a negative fair value at September 30, 2017.

Fixed-rate period distributed by instruments at September 30, 2017

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	23,010	-4,045	-6,616	12,349	54%
1-2 years	0	2,782	3,225	6,007	26%
2-3 years	26	1,063	1,600	2,689	12%
3-4 years	0	200	1,724	1,924	8%
4-5 years	0	0	67	67	0%
>5 years	39	0	0	39	0%
Total	23,076	0	0	23,076	100%

Maturity structure, interest-bearing liabilities at September 30, 2017

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest rate, derivatives, MSEK ¹⁾	Total interest, MSEK
2017	1,101	14%	96	14	110
2018	7,672	31%	340	45	385
2019	4,870	21%	208	7	214
2020	6,427	27%	98	3	101
2021	2,646	6%	33	0	33
2022-	360	1%	43	0	43
Total	23,076	100%	817	68	886

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

Sensitivity analysis, September 30, 2017

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹⁾	+/- 1	+ 97 / -25
Interest expenses assuming change in average interest rate ²⁾	+/- 1	+/- 237
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/- 1	+/- 69

1 Taking into account derivative agreements

2 Not taking into account derivative agreements

CURRENCY EXPOSURE

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

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

Currency exposure

MSEK	Sep 30		Dec 31
	2017	2016	2016
Exposure in EUR	82	46	90
Exposure in NOK	2,810	1,993	2,202

Sensitivity analysis, September 30, 2017

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/- 10	+/- 78
Changes in SEK/NOK exchange rates	+/- 10	+/- 287

CASH FLOW

Cash flow from operating activities, before changes in working capital, amounted to MSEK 1,238 (939). Cash flow from operating activities totaled SEK 1,093 (812).

Investing activities impacted cash flow in the amount of MSEK -3,734 (-1,861), mainly comprising investments in existing properties of MSEK -728 (-530), direct and indirect acquisitions and divestments of properties of MSEK -3,035 (-1,243) and dividends from joint ventures of MSEK 90 (100).

Financing activities had an impact of MSEK 1,886 (1,055) on cash flow for the period. Issued and redeemed bonds had a net positive impact on cash flow of MSEK 975 (-). New commercial paper had a positive impact on cash flow of MSEK 1,100 (-). The net change in bank loans amounted to MSEK 416 (-296). During the period, MSEK 598 (485) was paid in dividends to Hemfosa's shareholders.

Cash and cash equivalents changed by a total of MSEK -756 (6) during the year.

Cash flow

MSEK	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Cash flow from operating activities	301	398	1,093	812	1,108
Cash flow from investing activities	-1,134	-473	-3,734	-1,861	-3,247
Cash flow from financing activities	146	73	1,886	1,055	2,621
Total cash flow	-687	-3	-756	6	482

Other

THE SHARE AND SHAREHOLDERS

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

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

The last price paid on September 30, 2017 was SEK 103.50 for the ordinary share and SEK 186.80 for the preference share. Total market capitalization was MSEK 18,380. At September 30, 2017, Hemfosa had 23,572 shareholders, of whom Swedish investors, institutions and private individuals owned 58.8 percent of the shares and 57.0 percent of the votes. International institutional investors owned 41.2 percent of the shares and 43.0 percent of the votes.

Owner distribution, September 30, 2017

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	12,262,331	-	7.3	7.7
Länsförsäkringar Fondförvaltning AB	10,999,838	-	6.5	6.9
Kåpan Pensioner	8,236,274	-	4.9	5.2
Swedbank Robur Funds	8,070,502	-	4.8	5.1
Handelsbanken Funds	5,540,620	-	3.3	3.5
JPM Chase NA	4,707,868	320,995	3.0	3.0
SEB Investment Management	3,738,837	-	2.2	2.4
CBNY-Norges Bank	3,553,831	-	2.1	2.2
Other	100,618,148	10,679,004	65.9	64.0
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.

Warrants program for employees

A warrants program for employees of the Hemfosa Group has been established in accordance with the resolution of the AGM held in April 2017. A maximum of 1,450,000 warrants could be issued with a total dilution of not more than about 0.85 percent of the total number of shares and 0.90 percent of the total number of votes in the company, assuming that all warrants are exercised to subscribe for shares. A total of 52 employees have acquired a combined total of 1,294,000 warrants, corresponding to 89 percent of the maximum number of warrants, entailing rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022.

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



ASSURANCE BY THE BOARD OF DIRECTORS AND 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, November 8, 2017
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Jens Engwall
Chief Executive Officer

This interim report was 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 by the agency of the CEO on November 8, 2017 at 7:30 a.m. CET.



Financial calendar

Year-end report 2017	February 16, 2018
Annual Report for 2017	Week of March 18, 2018
Interim report, January–March 2018	April 18, 2018

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Condensed financial statements

Consolidated statement of profit/loss and comprehensive income

MSEK	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	762	666	2,342	1,958	2,642
Property expenses					
Operating expenses	-83	-84	-365	-330	-433
Maintenance costs	-52	-47	-149	-146	-212
Property tax	-28	-28	-79	-73	-98
Property administration	-22	-22	-66	-63	-82
Net operating income	576	485	1,684	1,346	1,817
Central administration	-28	-24	-92	-89	-128
Other operating income and expenses	3	2	8	18	21
Share in profit of joint ventures ¹	84	224	417	325	542
Financial income and expenses	-121	-105	-355	-324	-440
Profit from property management	515	582	1,661	1,275	1,812
Changes in value of properties, realized	-1	2	31	35	46
Change in value of properties, unrealized	390	360	1,419	1,256	1,548
Changes in value of financial instruments, realized	-	-	-	-	-
Changes in value of financial instruments, unrealized	11	21	31	-5	18
Profit before tax for the year	915	965	3,142	2,561	3,424
Current tax	-3	0	-30	-3	-18
Deferred tax	-138	424	-478	188	177
Profit for the year	775	1,389	2,635	2,746	3,583
Other comprehensive income					
<i>Items that have or could be transferred to profit for the period</i>					
Translation differences for the period when translating foreign operations	7	97	-75	161	156
Comprehensive income for the year	781	1,486	2,560	2,908	3,739
<i>Profit for the year attributable to:</i>					
Parent Company shareholders	773	1,382	2,615	2,735	3,556
Non-controlling interests	2	7	20	11	27
Profit for the year	775	1,389	2,635	2,746	3,583
<i>Profit for the year attributable to:</i>					
Parent Company shareholders	779	1,477	2,542	2,894	3,709
Non-controlling interests	2	9	18	14	30
Comprehensive income for the year	781	1,486	2,560	2,908	3,739
Profit for the year per ordinary share, before dilution, SEK	4.73	8.59	16.06	18.30	23.25
Profit for the year per ordinary share, after dilution, SEK	4.69	8.59	15.93	18.30	23.25

¹ See table on page 9

Consolidated statement of financial position

MSEK	Sep 30		Dec 31
	2017	2016	2016
ASSETS			
Investment properties	39,736	33,020	34,668
Shares in joint ventures	1,979	1,464	1,676
Shares in associated companies	89	59	56
Other fixed assets	14	13	13
Total fixed assets	41,819	34,556	36,413
Current receivables	385	173	141
Cash and cash equivalents	463	744	1,221
Total current assets	848	917	1,361
TOTAL ASSETS	42,667	35,474	37,774
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders	17,220	14,695	15,506
Non-controlling interests	83	36	64
Equity	17,303	14,731	15,570
Non-current interest-bearing liabilities	16,290	15,679	14,639
Other non-current liabilities	63	111	91
Deferred tax liabilities	976	530	506
Total non-current liabilities	17,329	16,321	15,236
Current interest-bearing liabilities	6,727	3,219	5,966
Other current liabilities	1,308	1,203	1,002
Total current liabilities	8,035	4,422	6,968
Total liabilities	25,364	20,743	22,204
TOTAL EQUITY AND LIABILITIES	42,667	35,474	37,774

Consolidated statement of changes in equity

MSEK	Equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
Opening equity, Jan 1, 2016	10,737	12	10,749
New issue, ordinary shares	1,808	10	1,818
Dividend, ordinary shares	-635	-	-635
Dividend, preference shares	-110	-	-110
Comprehensive income, Jan-Sep 2016	2,894	14	2,908
Closing equity, Sep 30, 2016	14,694	36	14,731
Opening equity, Jan 1, 2017	15,506	64	15,570
New issue, ordinary shares	-26	-	-26 ²
Issue of warrants	5	-	5
Dividend, ordinary shares	-697	-	-697
Dividend, preference shares	-110	-	-110
Acquisitions of non-controlling interests	-	1	1
Comprehensive income, Jan-Sep 2017	2,542	18	2,560
Closing equity, Sep 30, 2017	17,220¹	83	17,303

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.

Consolidated statement of cash flows

MSEK	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Operating activities					
Profit from property management	514	582	1,660	1,275	1,812
Adjustments for items not included in cash flow	-82	-224	-414	-324	-541
Income tax paid	0	-1	-8	-13	-11
Subtotal	433	357	1,238	939	1,260
Change in operating receivables	-56	67	-224	-93	-56
Change in operating liabilities	-76	-27	79	-34	-96
Cash flow from operating activities	301	398	1,093	812	1,108
Investing activities					
Acquisition of investment properties	-8	-2	-42	-23	-46
Divestment of investment properties	-	1	7	8	16
Investments in existing properties	-192	-217	-728	-530	-893
Acquisition of subsidiaries	-967	-372	-3,253	-2,150	-3,498
Divestment of subsidiaries	-1	119	253	922	1,264
Acquisition of joint ventures and associated companies	4	-4	-44	-189	-56
Other	31	1	73	101	-33
Cash flow from investing activities	-1,134	-473	-3,734	-1,861	-3,247
Financing activities					
New share issue	5	-1	-21	1,808	1,808
Loans raised	1,898	591	5,597	3,107	5,277
Repayment of loans	-1,555	-334	-3,093	-3,386	-3,804
Dividend paid to shareholders	-204	-193	-598	-485	-678
Other	2	9	1	10	18
Cash flow from financing activities	146	73	1,886	1,055	2,621
Cash flow for the period	-687	-3	-756	6	482
Cash and cash equivalents at the beginning of the period	1,151	745	1,221	732	732
Exchange-rate difference in cash and cash equivalents	-1	2	-2	6	7
Cash and cash equivalents at the end of the period	463	744	463	744	1,221

Key performance data

KEY FINANCIAL DATA

	Sep 30		Dec 31
	2017	2016	2016
Return on equity, %	21.5	23.2	27.1
Equity/assets ratio, %	40.6	41.5	41.2
Net loan-to-value ratio, properties, %	56.8	55.0	55.9
Debt/equity ratio, multiple	1.3	1.3	1.3
Interest-coverage ratio, multiple	4.5	3.9	3.9

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Profit from property management per ordinary share ²	3.09	3.52	10.01	8.23	11.49
Profit after tax per ordinary share before dilution, SEK ²	4.73	8.59	16.06	18.30	23.25
Profit after tax per ordinary share after dilution, SEK ²	4.69	8.59	15.93	18.30	23.25
Equity per ordinary share, SEK ¹	97.82	81.81	97.82	81.81	86.95
Net asset value (EPRA NAV), SEK per ordinary share ^{1,2}	107.55	88.40	107.55	88.40	93.87
Cash flow from operating activities, before changes in working capital, SEK per ordinary share	2.57	2.09	7.33	5.91	7.76
Dividend per ordinary share, SEK	1.10	1.05	3.25	3.00	4.20
Weighted average number of ordinary shares, 000s	157,728	157,728	157,728	144,921	148,149
Number of ordinary shares outstanding, 000s ¹	157,728	157,728	157,728	157,728	157,728

PROPERTY-RELATED KEY FIGURES

	Sep 30		Dec 31
	2017	2016	2016
No. of properties	463	418	432
Rental value, MSEK ²	3,322	2,858	2,999
Leasable area, 000s of sqm	2,866	2,544	2,627
Fair value of properties, MSEK	39,736	33,020	34,668
Property value, SEK per sqm of leasable area	13,862	12,980	13,195
Economic leasing rate, %	92.0	91.5	91.1
Surplus ratio, Jan-Sep, %	71.9	68.7	68.8
Yield, Jan-Sep, %	5.7	5.6	5.5

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Dividend per preference share, SEK	2.50	2.50	7.50	7.50	10.00
Equity per preference share, SEK ¹	162.85	162.85	162.85	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000	11,000	11,000	11,000

¹ At the end of the period

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

COMPONENTS OF KEY PERFORMANCE DATA

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

RETURN ON EQUITY

MSEK	Sep 30		Dec 31
	2017	2016	2016
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	3,436	3,416	3,556
Average equity attributable to Parent Company shareholders	15,957	14,713	13,122
Return on equity, percent	21.5	23.2	27.1

INTEREST-COVERAGE RATIO

MSEK	Sep 30		Dec 31
	2017	2016	2016
Profit from property management	1,661	1,275	1,812
Share in profit from joint ventures	417	325	542
Depreciation/amortization	-1	-1	-1
Financial income and expenses	-355	-324	-440
Interest-coverage ratio, multiple	4.5	3.9	3.9

(EPRA NAV)

MSEK	Sep 30		Dec 31
	2017	2016	2016
Equity attributable to Parent Company shareholders	17,220	14,695	15,506
Preference share capital	1,791	1,791	1,791
Deferred tax	976	530	506
Derivatives	53	107	84
Deferred tax in joint ventures, Hemfosa's share	332	162	290
Derivatives in joint ventures, Hemfosa's share	175	240	212
Number of ordinary shares, millions	158	158	158
EPRA NAV, SEK	107.55	88.40	93.87

EQUITY/ASSETS RATIO

MSEK	Sep 30		Dec 31
	2017	2016	2016
Equity	17,303	14,731	15,570
Total assets	42,667	35,474	37,774
Equity/assets ratio, percent	40.6	41.5	41.2

NET LOAN-TO-VALUE RATIO

MSEK	Sep 30		Dec 31
	2017	2016	2016
Cash and cash equivalents	463	744	1,221
Interest-bearing liabilities	23,017	18,898	20,606
Investment properties	39,736	33,020	34,668
Net loan-to-value ratio, %	56.8	55.0	55.9

Quarterly review

	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016	Quarter 4 2015
Rental income, MSEK	762	858	722	684	666	642	650	624
Property expenses								
Operating expenses, MSEK	-83	-124	-158	-103	-84	-113	-133	-96
Maintenance costs, MSEK	-52	-34	-63	-67	-47	-53	-46	-48
Property tax, MSEK	-28	-25	-25	-24	-28	-23	-23	-24
Property administration, MSEK	-22	-21	-22	-18	-22	-21	-21	-20
Net operating income, MSEK	576	654	455	472	485	432	428	437
Surplus ratio, %	75.6	76.2	62.9	69.0	72.8	67.3	65.8	70.0
Economic leasing rate, %	92.0	92.2	91.7	91.1	91.5	91.2	90.8	90.4
Yield, %	5.9	5.4	5.4	5.5	5.6	5.7	5.9	5.8
Profit from property management, MSEK	515	699	447	537	582	352	340	406
Profit from property management per ordinary share, SEK	3.09	4.25	2.66	3.23	2.23	2.23	2.30	2.78
Profit for the year, MSEK	775	874	986	837	1,389	703	654	697
Profit for the year per ordinary share, before dilution, SEK	4.73	5.31	6.02	5.02	8.59	4.62	4.59	4.89
Profit for the year per ordinary share, after dilution, SEK	4.69	5.31	6.02	5.02	8.59	4.62	4.59	4.89
Fair value of properties, MSEK	39,736	38,153	35,751	34,668	33,020	31,928	31,340	29,553
Equity, MSEK	17,303	16,517	16,496	15,570	14,731	13,236	11,429	10,750
Equity per ordinary share, SEK	97.82	92.86	92.77	86.95	81.81	72.44	70.69	65.71
EPRA NAV per ordinary share, SEK	107.55	101.93	100.89	93.87	88.40	81.58	80.61	73.98
Return on equity, % ¹	21.5	27.3	28.0	27.1	27.4	21.9	23.9	23.7
Equity/assets ratio, %	40.6	39.7	42.7	41.2	41.5	38.7	34.2	34.2
Net loan-to-value ratio, properties, %	56.8	56.4	55.5	55.9	55.0	55.6	61.8	61.5
Debt/equity ratio, multiple	1.3	1.4	1.3	1.3	1.3	1.4	1.7	1.8
Interest-coverage ratio, multiple	4.5	4.5	3.7	3.9	3.9	3.7	3.7	3.5
Cash flow from operating activities before changes in working capital, MSEK	433	500	312	321	357	280	301	290
Cash flow per ordinary share, SEK	2.57	3.00	1.81	1.86	2.09	1.82	2.01	1.93

¹ Pertains to rolling 12-month periods.

Notes

NOTE 1 ACCOUNTING POLICIES

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

All amounts in this interim report are stated in millions of kronor (MSEK), unless otherwise stated. The amounts in parenthesis pertain to the year-earlier period. Rounding-off differences may occur.

New IFRS that have not yet been applied

The International Accounting Standard Board (IASB) has issued new standards that are to be applied from January 1, 2018. IFRS 9 Financial instruments replaces IAS 39 Financial instruments. The initial assessment is that the effects of application on the consolidated financial statements have not changed compared with what is stated in the 2016 Annual Report. Hemfosa does not

NOTE 3 OPERATING SEGMENTS

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

Net operating income, Sweden (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	645	575	2,011	1,706	2,287

Net operating income, Norway (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	78	67	221	190	261

Net operating income, Finland (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	40	23	110	62	94

Net operating income, Total (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	762	666	2,342	1,958	2,642

Key performance data, September 30	Sweden		Norway		Finland		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	2,835	2,487	326	281	162	89	3,322	2,858
Leasable area ¹ , 000s sqm	2,558	2,320	197	160	112	64	2,866	2,544
Fair value of properties, MSEK	32,940	27,612	5,079	4,277	1,717	1,131	39,736	33,020
No. of properties	417	381	38	32	8	5	463	418
Yield ² , %	5.2	5.5	5.9	5.8	6.9	6.5	5.4	5.6
Economic leasing rate, %	91.4	90.3	96.4	99.3	93.6	100.0	92.0	91.5
Remaining lease term, years	5.4	5.5	7.4	9.1	6.5	8.7	5.7	6.0
Surplus ratio for the period, %	68.9	65.2	95.5	96.3	78.0	83.9	71.9	68.7

1 Excluding garage space

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

apply hedge accounting to interest-rate risk and the company's receivables primarily comprise rent receivables in respect of advance payment subject to a very low credit risk. IFRS 15 Revenue from Contracts with Customers replaces existing IFRSs governing revenue recognition. 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 assessment is that this will not have a material effect on the consolidated financial statements.

NOTE 2 ESTIMATES AND JUDGMENTS

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

Net operating income, Finland (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	40	23	110	62	94
Property expenses					
Operations	-4	-1	-13	-3	-6
Maintenance	-1	-3	-3	-3	-2
Property tax	-4	-2	-6	-4	-5
Property administration	-1	0	-1	0	0
Net operating income	30	17	86	52	81

Net operating income, Total (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Rental income	762	666	2,342	1,958	2,642
Property expenses					
Operations	-83	-84	-365	-330	-433
Maintenance	-52	-47	-149	-146	-212
Property tax	-28	-28	-79	-73	-98
Property administration	-22	-22	-66	-63	-82
Net operating income	576	485	1,684	1,346	1,817

Profit from property management	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Changes in value	400	383	1,481	1,286	1,612
Profit before tax for the period	915	965	3,142	2,561	3,424
Tax	-141	424	-508	185	159
Profit for the period	775	1,389	2,635	2,746	3,583

NOTE 4 TAX

The Group's effective tax rate for the period was 16.0 percent (2016 fiscal year: +4.7 percent and corresponding year-earlier period: +7.0 percent). The nominal corporate tax rate is 22 percent in Sweden. The main reason for the deviation is that shares in profit from joint ventures included in profit from property management constitute profit after tax.

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 18,148, which means that temporary differences of MSEK 10,566 are not recognized in the Statement of financial position.

MSEK	Sep 30, 2017
Loss carryforwards	4,541
Residual value for tax purposes, properties	18,148
Temporary difference not recognized in the consolidated financial statements	10,566

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

Hemfosa measures its financial instruments at fair value or amortized cost in the Statement of financial position, depending on the classification of the instrument. Financial instruments include rent receivables, derivative instruments and cash and cash equivalents among assets and interest-bearing liabilities, derivative instruments and accounts payable among liabilities. Derivative instruments are 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	
	Sep 30, 2017	Sep 30, 2016	Sep 30, 2017	Sep 30, 2016
Derivatives with a positive value	2	1	2	1
Derivatives with a negative value	55	108	55	108

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 2016 Annual Report on pages 44-47 and 92-94.

NOTE 8 RELATED PARTIES

The Group owns shares in joint ventures; refer to page 9 of this interim report. Gardermoen Campus Utvikling AS is managed by AspelinRamm AS. Söderport Holding AB is managed by AB Sagax, apart from property management in Gothenburg and in seven smaller towns, which is provided by Hemfosa. At September 30, 2017, the Group had sureties of MSEK 133 (50) for the liabilities of joint ventures. At September 30, 2017, the Group had no receivables from joint ventures.

NOTE 9 SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

After the quarter, possession was taken of ten centrally located community service properties in Halmstad for an underlying property value of MSEK 1,066. The leasable area amounts to approximately 58,000 sqm, most of which comprises office premises with community services tenants. The average remaining lease is 2.0 years and the leasing rate is approximately 90 percent.

On November 7, the Board of Directors of Hemfosa Fastigheter decided to evaluate the conditions for splitting the Group into two listed companies.

NOTE 10 EARNINGS PER SHARE

In accordance with the AGM's resolution in April 2017, an incentive program for employees was introduced under which a maximum of 1,450,000 warrants were issued. If all the warrants in the program are exercised, the dilution effect will be about 0.85 percent of the number of shares and 0.90 percent of the total number of votes in the company. A total of 1,294,000 warrants were issued under the program, entailing rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022.

(MSEK)	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Profit for the period attributable to Parent Company shareholders	771	1,382	2,613	2,735	3,556
Dividend on preference shares	-28	-28	-82	-82	-110
Profit attributable to Parent Company ordinary shareholders before dilution	744	1,354	2,531	2,652	3,446
Average weighted number of ordinary shares, millions	158	158	158	145	148
Profit per ordinary share, before dilution, SEK	4.73	8.59	16.06	18.30	23.25
Profit per ordinary share, before dilution, SEK	4.69	8.59	15.93	18.30	23.25

Number of ordinary shares, millions	158	158	158	145	148
Number of warrants issued, millions	1	-	1	-	-
Estimated dilution, %	0.82	-	0.82	-	-

Income statement for the Parent Company

MSEK	Jul-Sep		Jan-Sep		Full-year
	2017	2016	2017	2016	2016
Net sales	9	9	25	24	34
Other external costs	-9	-8	-36	-28	-34
Personnel costs	-10	-7	-21	-20	-39
Depreciation/amortization	0	0	0	0	0
Operating loss	-10	-7	-32	-24	-39
Profit from shares in Group companies	0	-	-3	-	979
Interest income and similar income items	8	5	18	10	32
Interest expenses and similar expense items	-15	-7	-51	-11	-41
Loss after financial items	-18	-9	-68	-25	931
Appropriations					
Group contributions received and paid	0	-	-2	110	162
Profit/loss after appropriations	-18	-9	-70	85	1,093
Tax	0	-	0	-24	-24
Profit/loss for the year	-18	-9	-70	61	1,069

For the January–September 2017 period, the Parent Company recognized a loss after tax of MSEK -51 (profit: 61). The Parent Company's fee during the period for central and property administrative services on behalf of Group companies was MSEK 25 (24). Profit for the year total corresponds to comprehensive income for the year.

Balance sheet for the Parent Company

MSEK	Sep 30		Dec 31
	2017	2016	2016
ASSETS			
Tangible assets	1	1	1
Participations in Group companies	5,397	4,844	5,258
Non-current receivables from Group companies	681	477	477
Deferred tax assets	-	-	-
Total fixed assets	6,079	5,322	5,736
Current receivables from Group companies	10,482	7,418	8,898
Other current receivables	108	65	47
Cash and bank balances	11	22	671
Total current assets	10,601	7,505	9,616
TOTAL ASSETS	16,681	12,827	15,352
EQUITY AND LIABILITIES			
Restricted equity	84	84	84
Unrestricted equity	10,137	10,024	11,033
Equity	10,221	10,108	11,117
Bonds, long-term	2,000	-	750
Other non-current liabilities	5	-	-
Total non-current liabilities	2,005	-	750
Bonds, short-term	-	1,200	998
Commercial paper, short-term	1,995	-	895
Current liabilities to Group companies	1,962	1,074	1,330
Other current liabilities	498	446	261
Total current liabilities	4,455	2,720	3,485
Total liabilities	6,460	2,720	4,235
TOTAL EQUITY AND LIABILITIES	16,681	12,827	15,352
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Participations in Group companies	2,660	2,551	2,660
<i>Contingent liabilities</i>			
Sureties for liabilities in Group companies	15,336	13,875	14,273
Sureties for liabilities in joint ventures	183	138	187

At September 30, 2017, the Parent Company had equity totaling MSEK 10,221 (10,108), of which restricted equity accounted for MSEK 84 (84).

Equity for the period has been reduced by MSEK 804 for the adopted dividend payment. Intra-Group liabilities totaled MSEK 1,962 (1,074) and intra-Group receivables MSEK 11,163 (7,895).

Review report

To the Board of Directors of Hemfosa Fastigheter AB (publ)
Corp. 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, 2017 and for the nine-month period ending on that date. The Board of Directors and the CEO 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 an opinion 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 8, 2017

KPMG AB

Björn Flink
Authorized Public Accountant

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 income in joint ventures as a percentage of financial income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities.

Community service properties

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

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Net asset value (EPRA NAV) per ordinary share

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax 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 realized, such as the fair value of derivative instruments and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

Ground rent

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

Site leasehold

The right to use and transfer, without any limitations, a property without owning the property. The 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).



Hemfosa
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