

Interim report January – March 2014



JANUARY – MARCH 2014 QUARTER

- Rental income amounted to MSEK 395 (391)
- Profit from property management amounted to MSEK 67 (56), corresponding to SEK 2.1 per share (2.2)
- Profit after tax amounted to MSEK 12 (-81), corresponding to SEK 0.4 per share (-3.2)
- Recognized property value totaling SEK 16.4 billion (16.0) includes 194 (202) directly owned properties
- The net asset value per share (EPRA NAV) amounted to SEK 106.2 (108.7)
- Cash flow from operating activities totaled MSEK 69 (52), corresponding to SEK 2.1 per share (2.1)

SIGNIFICANT EVENTS DURING THE PERIOD

- In March, an ownership distribution was carried out through a combined new share issue and sale of existing shares. The total value of the offering amounted to approximately MSEK 3,614 and Hemfosa received about MSEK 414 after issue costs
- The company's share was listed on NASDAQ OMX Stockholm on March 21, 2014. The number of shareholders increased by approximately 11,500
- The jointly owned company, Söderport Holding, signed an agreement to acquire properties for a total purchase consideration of MSEK 1,800 from companies within the Volvo Group. Most of the properties were taken over in April 2014

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- The over-allotment option described in the listing prospectus was exercised, which further increased equity by a total of MSEK 395. Hemfosa has, in the ownership distribution, received totally MSEK 810 after issue costs
- On April 30, 2014, Hemfosa issued bond loans totaling MSEK 1,200

KEY FIGURES

	First quarter		Full-year
	2014	2013	2013
Rental income, MSEK	395	391	1,584
Profit from property management, MSEK	67	56	323
Profit/loss after tax, MSEK	12	-81	231
Profit/loss after tax per share, SEK	0.4	-3.2	7.4
Equity per share, SEK	93.9	84.2	94.8
Net asset value (EPRA NAV) per share, SEK	106.2	108.7	116.4
Carrying amount of investment properties, SEK billion	16.4	16.0	16.3

Comments from the CEO

An eventful quarter

The start of 2014 was primarily characterized by the listing of Hemfosa Fastigheter on the stock exchange. In the middle of this extensive process, we also implemented a number of transactions in line with our communicated strategy, while the property management operations progressed according to plan. As we now summarize the first quarter, we look back at a period with stable profit from property management, a higher earnings capacity and, perhaps most notably, the introduction of a number of exciting transactions.

Strategically important transactions

Hemfosa's strategy rests on two pillars: stable earnings and opportunistic transactions. In line with this, we recently implemented one exciting transaction: the acquisition of 12 factory, office and logistics properties from the Volvo Group, carried out together with Sagax through the jointly owned company Söderport, at an underlying property value of SEK 1.8 billion. The Volvo transaction is an important step in our expansion, which will increase our annual earnings capacity by MSEK 50.

Moreover, we completed the takeover of a commercial property portfolio acquired from Provnfastigheter together with Crown Nordic Management during the quarter. The transaction was carried out during the listing process in December at an underlying property value of SEK 1.3 billion.

Developing business opportunities

We continue to make extensive investments in our existing properties. We believe that the ability to offer existing and potential tenants new, modern solutions by refurbishing, extending and building new properties will become even more important in generating new business opportunities.

After the end of the quarter, Hemfosa has successfully issued a bond loan of MSEK 1,200, which will be admitted to trading on NASDAQ OMX Stockholm, for the purpose of settling our newly raised bridge loan of MSEK 500 among other things. The bond generated strong investor interest and the issue was oversubscribed despite an increase of the initial volume.

Continued favorable conditions

It is with pride that I reflect on the successful stock-exchange listing in March and the strength demonstrated by our organization. With this work behind us, we can feel satisfied with our well-diversified ownership structure, characterized by sound distribution and a high proportion of international institutional investors, with a total of approximately 11,500 new shareholders. Work will now continue on achieving our targets and meeting the expectations of the market. To date, everything is progressing according to plan. Access to better and less expensive financing remains favorable, which is also creating strong prospects for exciting future transactions.

Jens Engwall, CEO

**SEK 1.8
billion**
in acquisitions
from the Volvo
Group

11,500
new
shareholders

Operations

Summary of earnings

MSEK	First quarter		Full-year
	2014	2013	2013
Rental income	395	391	1,584
Property expenses including property management	-151	-164	-537
Net operating income	244	227	1,047
Central administration	-16	-14	-79
Other operating income and expenses	20	0	0
Share in profit/loss of joint ventures	-5	30	125
Financial income and expenses	-176	-187	-770
Profit from property management	67	56	323
Change in value of properties, realized and unrealized	23	-189	-214
Change in value of financial instruments, unrealized	-68	41	23
Profit/loss before tax	22	-92	132
Current tax	-1	0	-
Deferred tax	-9	11	99
Profit/loss for the year	12	-81	231

7%
improvement
in net
operating
income

JANUARY – MARCH 2014 PERIOD

Hemfosa's focused efforts on new leasing generated higher occupancy rates in all segments compared with the year-earlier period. In the coastal cities of Sweden's Norrland region, demand for centrally located offices increased among external stakeholders and existing tenants. In central Gothenburg, the rental market remained favorable, which had a positive impact on demand in nearby areas. While increased marketing efforts yielded certain results and a higher number of new leases, supply still exceeds demand in parts of the Stockholm region. Work continued on the strategic development of a number of properties in order to change and expand the use of planning and achieve new development rights. A large number of renegotiations were conducted in the existing rental portfolio, primarily in the public properties segment, resulting in higher rental income and longer contract periods.

Earnings

Profit from property management increased 20 percent to MSEK 67 (56), mainly thanks to lower costs for energy consumption, operations and property upkeep resulting from the mild winter. Compensation totaling MSEK 20, recognized as other operating income, was received from a seller for a defect that was present in a property when Hemfosa took over. The company's share in the profits of joint ventures amounts to MSEK -5 (30), of which income of MSEK 19 (8) pertained to profit from property management and MSEK -24 (24) pertained to the revaluation of investment properties and financial instruments, as well as deferred tax expenses. Financial costs included interest expenses on shareholders' loans totaling MSEK 60 (78), loans that were settled in full after the listing. The company recognized a current tax expense of MSEK 1 (0) and a deferred tax expense of MSEK 9 (11).

Cash flow

Cash flow from operating activities amounted to MSEK 69 (52), corresponding to SEK 2.1 per share (2.1). Investing activities had an impact of MSEK -82 (-171) on cash flow, mainly due to investments in existing properties totaling MSEK 112 (179), and purchase considerations from the divestment of properties totaling MSEK 30 (8). Four major projects are in progress: one new construction, two renovations and one tenant-specific modification. Financing activities had an impact of MSEK -76 (-12) on cash flow. In connection with the listing of the company's share on NASDAQ OMX Stockholm, a new share issue was implemented, which contributed MSEK 414 to Hemfosa after issue costs. During the period, a bridge loan of MSEK 500 was raised for the purpose of settling shareholders' loans. Hemfosa also paid off MSEK 500 of a credit facility. Cash and cash equivalents changed with a total of MSEK -89 (-131) during the period.

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 pertain to centrally located office properties in expanding districts. Logistics properties pertain primarily to 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

Net operating income improved compared with the year-earlier period thanks to successful leasing, renegotiations and lower net operating expenses attributable to mild weather conditions. The maintenance work executed was of a value-increasing nature, including a refurbishment for the Swedish Tax Agency. The yield for public properties amounted to 6.3 percent (6.2) for the period.

50%
of the
Group's net
operating
income

Public properties (MSEK)	First quarter		Full-year
	2014	2013	2013
Rental income	198	189	785
Property expenses			
Operations	-48	-51	-156
Maintenance	-13	-14	-54
Property tax	-7	-7	-27
Property administration	-7	-6	-28
Net operating income	122	112	520
No. of properties	85	86	85
Leasable area, 000s of sqm*	631	621	632
Economic leasing rate, %	95.1	93.9	93.3

*excluding garage

OFFICE PROPERTIES IN GROWTH MUNICIPALITIES

Net operating income increased compared with the year-earlier period, mainly due to completed maintenance projects. Rental income declined somewhat due to fewer properties in the segment and vacant spaces in connection with major renovations, as well as the fact that the year-earlier period included remuneration from a tenant that vacated the premises early. A focus on new leasing raised the leasing rate, but resulted in higher rent discounts. The yield for public properties amounted to 5.0 percent (4.8) for the period.

25%
of the
Group's net
operating
income

Office properties (MSEK)	First quarter		Full-year
	2014	2013	2013
Rental income	106	108	436
Property expenses			
Operations	-27	-33	-86
Maintenance	-8	-9	-35
Property tax	-7	-7	-29
Property administration	-4	-4	-19
Net operating income	60	55	267
No. of properties	45	48	45
Leasable area, 000s of sqm*	433	436	431
Economic leasing rate, %	84.5	81.8	83.8

*excluding garage

LOGISTICS PROPERTIES

Net operating income strengthened compared with the year-earlier period and the yield on logistics properties totaled 6.9 percent (7.2). Most of the leases in the segment were formulated as so-called triple-net agreements, meaning that the tenant assumes responsibility for operating expenses connected to the leased spaces.

19%
of the
Group's net
operating
income

Logistics properties (MSEK)	First quarter		Full-year
	2014	2013	2013
Rental income	56	54	216
Property expenses			
<i>Operations</i>	-5	-5	-15
<i>Maintenance</i>	-2	-2	-9
<i>Property tax</i>	-1	-1	-4
Property administration	-1	-2	-7
Net operating income	47	45	181
No. of properties	23	22	23
Leasable area, 000s of sqm*	407	389	407
Economic leasing rate, %	94.1	92.1	94.1

*excluding garage

TRANSACTION PROPERTIES

Net operating income increased due to new leases that raised the financial leasing rate. Rental income was unchanged while property expenses were lower due to the reduced property portfolio. The yield for transaction properties amounted to 5.0 percent (4.5) for the period.

6%
of the
Group's net
operating
income

Transaction properties (MSEK)	First quarter		Full-year
	2014	2013	2013
Rental income	34	40	148
Property expenses			
<i>Operations</i>	-13	-18	-41
<i>Maintenance</i>	-3	-4	-13
<i>Property tax</i>	-1	-2	-8
Property administration	-2	-2	-6
Net operating income	15	14	80
No. of properties	41	46	42
Leasable area, 000s of sqm*	240	257	243
Economic leasing rate, %	85.5	81.9	84.6

*excluding garage

Current earnings capacity

The table below shows the company's current earnings capacity on a 12-month basis as of March 31, 2014. The earnings capacity is not a forecast, but rather should be considered a theoretical overview presented only for illustration purposes. The current earnings capacity does not include an assessment of the future trends for rents, vacancy rates, operating costs, interest rates or other factors.

Group's earnings capacity

MSEK	Mar 31, 2014
Rental income	1,561
Property expenses	-460
Property administration	-55
Net operating income	1,046
Central administration	-70
Share in profit/loss of joint ventures	110
Financial income and expenses	-450
Profit from property management	636

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

- Annual contracted rental income (including supplements and rent discounts taken into account), as well as other property-related income on March 31, 2014 based on valid leases.
- Operating and maintenance costs consist of an assessment of a standard year's operating costs and maintenance measures.
- Property tax was calculated based on the taxable value of the properties for 2014 and costs for site leaseholds were assessed based on the level for 2014.
- Costs for central administration and marketing were assessed based on the existing organization and the size of the property portfolio.
- The Group's share in the profit/loss of joint ventures includes 50 percent of the earnings capacity of Söderport and Kronfastigheter. The remaining joint venture companies do not contribute any share of the earnings capacity.
- Interest income was calculated as a 1.0 percent return on cash and cash equivalents.
- Financial costs were calculated based on the company's actual average interest rates as of March 31, 2014, with an adjustment of the margin on some debts in connection with the introduction on the stock exchange.

Property portfolio

As of March 31, 2014, the total property portfolio comprised 194 properties (202) with a geographic concentration in southern and central Sweden. About 47 percent of the total property value is in the metropolitan regions of Stockholm and Gothenburg.

The properties had a total market value of SEK 16.4 billion (16.1). The total leasable area was 1,711,000 square meters (1,704,000) with a rental value of MSEK 1,745 (1,751). A focus on leasing increased the economic leasing rate to 91.0 percent (88.9).

During the period, one property was divested from the transaction properties segment. No acquisitions were carried out. However, a major acquisition was conducted through Söderport Holding, jointly owned by AB Sagax, involving an industrial property comprising 433,000 square meters from the Volvo Group; see page 9. Investments of MSEK 112 were made in the existing property portfolio for tenant-specific modifications in connection with new contracts or the extension of leases, of which MSEK 62 pertained to two major renovations and one new construction project.

Property information, March 31, 2014

Property portfolio by segment	Leasable area, 000s of sqm*	Rental value, MSEK	Economic leasing rate, %	Maturity period for leases, years
Public properties	631	822	95.2	5.1
Office properties	433	506	84.7	3.5
Logistics properties	407	232	94.1	7.3
Transaction properties	240	185	85.6	3.0
Total	1,711	1,745	91.0	4.7

**excl. garage*

Property portfolio by geographic area	Leasable area, 000s sqm*	Rental value, MSEK	Economic leasing rate, %	Maturity period for leases, years
North	211	211	90.1	3.9
Central	469	463	93.3	4.2
Stockholm	411	568	90.6	5.0
South	332	230	89.4	5.8
West	288	272	90.0	5.1
Total	1,711	1,745	91.0	4.7

**excl. garage*

Investments, March 31, 2014

Investments by segment	Carrying amount, MSEK	No. of properties	Existing properties	Acquisitions, MSEK	Divestments, MSEK
Public properties	7,763	85	70	-	-
Office properties	4,744	45	38	-	-
Logistics properties	2,698	23	1	-	-
Transaction properties	1,185	41	4	-	31
Total	16,390	194	112	-	31

Investments by geographic area	Carrying amount, MSEK	No. of properties	Existing properties	Acquisitions, MSEK	Divestments, MSEK
North	1,894	35	9	-	-
Central	4,413	55	17	-	-
Stockholm	5,293	36	49	-	-
South	2,418	39	26	-	-
West	2,371	29	11	-	31
Total	16,390	194	112	-	31

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 experience in the field, as well as in the category of properties appraised. The independent appraiser provided the market value of the Group's portfolio of investment properties each quarter from June 30, 2013.

Valuation techniques

The value of the properties was assessed based on a market-adapted cash-flow estimate in which an analysis was made of the market's expectations with respect to the valuation object, by simulating the calculated future income and expenses.

The yield requirement used in the estimate was derived 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 in the future. With respect to income, valid leases are used. For vacant spaces, an estimate is performed by individually assessing each property. The inflation assumption is 2 percent annually. Property expenses are estimated based on annual history. The valuation is based on a present-value computation of the cash flow, as well as the present market value at the end of the calculation period.

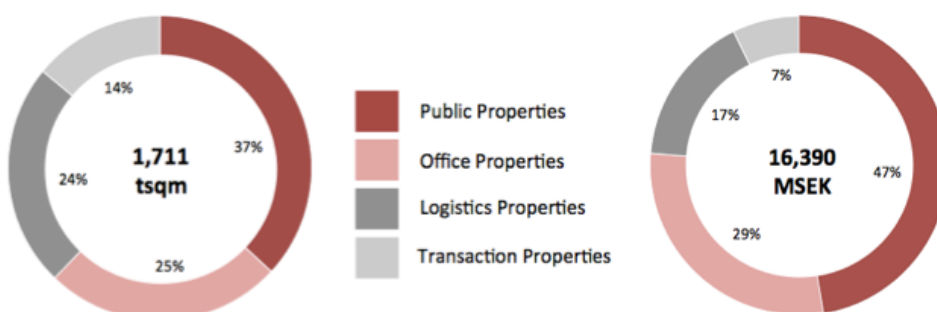
The weighted yield requirement amounted to 7.2 percent, compared with an average yield requirement of 7.2 percent at December 31, 2013. The weighted cost of capital for the present value calculation of cash flows and residual values amounted to 9.0 percent and 9.3 percent, respectively.

The value of Hemfosa's property portfolio amounted to MSEK 16,499. The total change in value during the period amounted to MSEK 23, of which an expense of MSEK 2 pertained to realized changes in value and MSEK 25 pertained to unrealized changes in value mainly attributable to new leases and renegotiations of existing leases. Acquired deferred tax of MSEK 109, which was taken into account in accordance with IFRS, reduced the value in the statement of financial position.

Recognized property value

	Mar 31, 2014
Opening value for the period	16,393
Investments in existing properties	112
Value of divested properties	-30
Realized changes in value in profit or loss	-2
Unrealized changes in value in profit or loss	25
Closing value for the period	16,499
Acquired deferred tax	-109
Recognized property value	16,390

Leasable property space and recognized property value by segment



Shares in joint ventures

Hemfosa is joint-owner 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 that gives both owners equal power of decision, meaning that neither partner has a controlling influence. Hemfosa recognizes the holdings as shares and participations in joint ventures in the statement of financial position.

Shares	Share of Equity Mar 31 2014	Share of profit/loss Jan-Mar 2014	Of which				
			Profit from property manage- ment	Changes in value, properties	Changes in value, financial instru- ments	Deferred tax	Other
Söderport Holding AB	376	-14	10	-2	-25	6	-3
Hemfosa Kronfastigheter Holding AB	39	8	8	2	-	-3	1
Gästgivaregatan Holding AB	21	0	0	-	-	-	-
Culmen Strängnäs II AB	13	0	0	-	-	-	-
Total	450	-5	19	0	-25	3	-2
Share of equity Mar 31, 2013	313						
Share of profit/loss Jan-Mar 2013		30	9	9	24	-9	-3

SÖDERPORT HOLDING AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB, which owns properties valued at approximately SEK 3.0 billion at March 31, 2014, with a focus in the Stockholm area.

During the first quarter of 2014, Söderport divested 11 properties in its portfolio, which comprises 142 properties. The divested properties were acquired from Bilprovning in 2012 at an underlying property value of MSEK 56. As a result of this divestment, the Group has completed its plan to divest all of the properties from the Bilprovning acquisition located outside Greater Stockholm. In January, five industrial properties were also acquired in northern Stockholm, with a total area of 7,000 square meters.

On March 28, 2014, Söderport Fastigheter AB signed an agreement to acquire properties for a total purchase consideration of SEK 1.8 billion from companies in 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, about 15 minutes from central Gothenburg and close to the Port of Gothenburg. The properties comprise premises for storage, light industrial operations and offices. The remaining properties are located in southern and central Sweden and comprise service workshops for trucks and buses. Most of the properties were taken over in April 2014. The remaining properties will be taken over at a later date.

Key figures for Söderport Holding AB

Property portfolio	Mar 31, 2014	Mar 31, 2013
No. of properties	19	165
Leasable area, 000s of sqm	363	442
Hemfosa's share of selected financial information		
Participating interest, %	50	50
Rental income, MSEK	77	83
Market value of properties, MSEK	1,488	1,656
Equity, MSEK	360	285
Interest-bearing liabilities, MSEK	981	1,183
Derivatives, MSEK	146	161
Deferred tax assets, MSEK	12	15

HEMFOSA KRONFASTIGHETER HOLDING AB

Together with Crown Nordic Management, Hemfosa acquired a property portfolio of 28 commercial properties in December 2013. The underlying property value was SEK 1.3 billion and the total leasable area, which primarily comprises office premises, amounted to 142,000 square meters. The property portfolio is mainly located in growth districts in southern and central Sweden and comprises public, office, commercial and logistics properties. Crown Nordic Management and Hemfosa will collaborate on the management and project development of the portfolio. According to the shareholders' agreement, Hemfosa has an option to acquire Crown Nordic Management's holdings in Hemfosa Kronfastigheter in January 2015.

Key figures for Hemfosa Kronfastigheter Holding AB

Property portfolio	Mar 31, 2014
No. of properties	28
Leasable area, 000s of sqm	142
Hemfosa's share of selected financial information	
Participating interest, %	50
Rental income, MSEK	32
Market value of properties, MSEK	648
Equity, MSEK	40
Interest-bearing liabilities, MSEK	589
Derivatives, MSEK	-
Deferred tax assets, MSEK	1

GÄSTGIVAREGATAN HOLDING AB

Gästgivaregatan Holding AB is owned by Hemfosa and Smebab Kommersiellt Holding AB, which is a subsidiary of Skanska. Gästgivaregatan Holding AB is a project development company with the aim to develop and add value to the Tellus 4 commercial property in Södertälje. The property will undergo overall renovations and restoration of the commercial premises, which comprises a total of approximately 10,000 square meters. The project is scheduled for completion in early 2015.

CULMEN STRÄNGNÄS II AB

Culmen Strängnäs II AB is owned by Hemfosa and Culmen AB and is a project development company with the aim to develop and add value to the properties. Culmen Strängnäs II AB 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, a total of 30 tenant-owner apartments are scheduled for completion in autumn 2014. In total, 80 percent of the apartments have been leased in advance at a sales value of approximately MSEK 90. The company also owns the development rights for residential units totaling about 3,000 square meters.

Financing

EQUITY

Hemfosa's equity amounted to MSEK 5,765 at March 31, 2014. The Parent Company's equity amounted to MSEK 5,943.

INTEREST-BEARING LIABILITIES

Hemfosa had loans totaling MSEK 3,470 from its institutional owners, with an interest rate of 9 percent. On March 6, 2014, MSEK 2,970 was converted to equity through an offset issue and the remaining MSEK 500 was refinanced on March 26, 2014, through the raising of a bridge loan. Earnings for the period were charged with MSEK 60 in interest expenses attributable to shareholders' loans.

Hemfosa's interest-bearing liabilities on March 31, 2014, amounted to MSEK 10,198, of which MSEK 10,039 pertained to loans from credit institutions, MSEK 156 to vendor's mortgages and MSEK 3 to other interest-bearing liabilities. As of March 31, 2014, Hemfosa had two overdraft facilities totaling MSEK 150, of which MSEK 45 was utilized. Other unutilized overdraft facilities totaled MSEK 602. All loans were in SEK.

The Group's interest-bearing liabilities to credit institutions comprise 62.2 percent of the carrying amount of the property portfolio in the statement of financial position. The average remaining fixed-rate and loan maturity periods amounted to 2.4 and 2.7 years, respectively, at the end of the period. The average interest rate at March 31, 2014 was 4.28 percent.

Fixed-rate period

Mar 31, 2014	Overdraft facilities, MSEK	Interest-rate swaps, MSEK	Amount, MSEK	Proportion, %
<1 year	10,025	-7,979	2,046	20
1–2 years	136	1,300	1,436	14
2–3 years	0	3,995	3,995	39
3–4 years	12	700	712	7
4–5 years	0	1,985	1,985	19
>5 years	25	-	25	0
Total	10,198	0	10,198	100

The average interest rate for Hemfosa's loan portfolio was 4.28 percent at March 31, 2014. Agreements entered into for interest-rate swaps with a total volume of MSEK 7,979 were taken into account in agreed interest rate and terms. The underlying loans has a floating interest rate mainly based on STIBOR 3M.

Interest-rate swaps are used to limit the interest-rate risk and increase the predictability of Hemfosa's profit from property management. As of March 31, 2014, the interest-rate swaps entered into totaled MSEK 7,979. The fair value of Hemfosa's financial instruments amounted to a negative MSEK 179 at March 31, 2014, due to lower floating market interest rates compared with the contracted fixed interest rates. A negative MSEK 68 in revaluation was charged against earnings.

Fixed-interest period, interest-rate swaps

Mar 31, 2014	Nominal amount, MSEK	Average interest rate, interest-rate swaps, %	Market value, MSEK
<1 year	0	0	0
1–2 years	1,300	2.5	-34
2–3 years	3,995	2.0	-84
3–4 years	700	1.5	-3
4–5 years	1,985	2.3	-58
>5 years	0	0	0
Total	7,979	2.1	-179

During the first quarter of 2014, new loans were raised totaling MSEK 521, of which MSEK 500 pertained to a bridge loan and MSEK 21 to increased building credit for two project properties. A revolving overdraft facility corresponding to MSEK 500 was also amortized during the quarter.

On April 30, 2014, Hemfosa issued unsecured bonds with a tenor of three years. The issue amounts to 1,200 SEK million of which 1,100 SEK million carries a floating rate of STIBOR 3M plus 2.25 per cent and 100 SEK million carries a fixed rate of 3.40 percent. The proceeds from the bond issue will be used partly for refinancing of bridge loans and vendor's mortgage. Hemfosa intends to admit the bond loans to trading on NASDAQ OMX Stockholm within 60 days from issue date.

Loans totaling approximately MSEK 1,400 remain to be refinanced in 2014. This refinancing work has commenced and existing banks have declared their willingness to continue with their financing.

Maturity structure, financial liabilities

March 31, 2014	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, interest-rate swaps, negative value, MSEK	Subtotal, MSEK	Net interest, interest-rate swaps, positive value, MSEK	Total, MSEK
2014	1,722	17	229	72	300	0	300
2015	631	6	264	93	357	0	357
2016	4,065	40	208	62	270	0	270
2017	61	1	127	31	158	0	158
2018	3,675	36	83	22	105	0	105
2019-	45	0	11	0	11	0	11
Total	10,198	100					

Other disclosures

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

The over-allotment option described in the listing prospectus was exercised by SEB and Swedbank. Accordingly, the company implemented a new share issue that increased the share capital by MSEK 4 and the equity by a total of MSEK 394 after issue costs. On April 30, 2014, Hemfosa issued bond loans of MSEK 1,200. For more information, see heading Financing on page 12.

OWNERSHIP DISTRIBUTION AND STOCK-EXCHANGE LISTING

In March, it was announced that the Board of Directors and owners of Hemfosa Fastigheter had decided to implement an ownership distribution through a combined new share issue and sale of existing shares, as well as the listing of the company's share on NASDAQ OMX 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 were existing shares. On April 1, 2014, an additional 4,347,826 shares were issued to cover the over-allotment since interest was significant and the offering was oversubscribed. The total value of the offering, including the over-allotment option, amounted to approximately MSEK 3,614 and Hemfosa received about MSEK 810 in equity after issue costs.

THE SHARE AND SHAREHOLDERS

The company's common share was listed on NASDAQ OMX Stockholm, Mid-Cap, on March 21, 2014 under the ticker symbol "HEMF." The price on the listing date was SEK 93 per share. The final price paid on March 31, 2014 was SEK 100 and the market capitalization amounted to MSEK 6,137. At March 31, 2014, Hemfosa had 11,591 shareholders, with Swedish investors, institutions and private individuals accounting for 69 percent of the shares. International investors owned 31 percent of the shares.

Owner distribution, March 31, 2014

Owners	Number of shares	Percentage of share capital, %	Percentage of votes, %
Fourth AP Fund	5,201,595	8.5	8.5
Kåpan Pensioner	3,615,021	5.9	5.9
Länsförsäkringar Fondförvaltning AB	3,117,030	5.1	5.1
Alecta Pensionsförsäkring	2,484,429	4.0	4.0
Ikano Invest AB	2,484,429	4.0	4.0
Morgan Stanley & Co Intl plc. W-8BEN	2,454,597	4.0	4.0
CBLDN-IF Skadeförsäkring AB	2,273,407	3.7	3.7
Swedbank Robur funds	1,752,617	2.9	2.9
Folksam	1,656,289	2.7	2.7
AMF Försäkring och fonder	1,471,234	2.4	2.4
Board of Directors, management, personnel	4,713,592	7.7	7.7
Other	30,148,038	49.1	49.1
Total	61,372,278	100.0	100.0

EMPLOYEES

On March 31, 2014, the number of employees was 33, of whom 18 are women. Hemfosa has offices in Nacka (head office), Kristianstad, Västerås, Karlstad, Sundsvall and Gothenburg.

PARENT COMPANY

For the January – March 2014 period, the Parent Company recognized profit after tax of MSEK 23. The Parent Company's fee for central and property administration services from Group companies and joint ventures for the period amounted to MSEK 10. No other sales or purchases took place between the Parent Company and its Group companies.

Following the implementation of an offset issue totaling MSEK 2,970 and a new share issue totaling MSEK 414, the Parent Company's equity amounted to MSEK 5,943 on March 31, 2014, after deductions for issue costs.

In March 2014, the company raised a bridge loan of MSEK 500 to settle the shareholders' loans that were not included in the offset issue. On March 31, 2014, the Parent Company had external interest-bearing liabilities totaling MSEK 495. Intra-Group liabilities amounted to MSEK 75 and intra-Group receivables to MSEK 3,989.

ACCOUNTING POLICIES

This condensed interim report for the Group has been prepared in accordance with IAS 34 Interim Reporting, as well as applicable regulations in 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 parentheses pertain to the year-earlier period. Rounding-off differences may occur.

RELATED-PARTY TRANSACTIONS

In March 2014, the total loan from institutional shareholders of MSEK 3,470 was settled. Earnings for the period were charged with approximately MSEK 60, corresponding to 9 percent of the interest on the loan amount.

The Group owns participations in joint ventures; see pages 10-11 of the interim report. As of March 2014, the Group had no receivables or liabilities with joint ventures.

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.

The company has decided to have a relatively small and efficient organization, which could result in a certain dependence on individual employees. To reduce this dependency, the organization has been strengthened in recent years, with respect to training and additional recruitment. This growth has also resulted in an increase in the average qualification level. Hemfosa's future development will largely be based on the knowledge, experience and commitment of Group management and other key personnel. To minimize its dependence on individuals, the company has prepared documented job descriptions and clear process maps. The efficient organization also enables short decision-making paths, meaning that one key individual within an organizational division is always well informed about the issues being managed by other key individuals.

Within the framework of its operating activities, Hemfosa may incur losses due to faulty procedures, inadequate control or irregularities. In 2013, an independent and comprehensive review of the Group's key processes and internal control was performed. This review resulted in a reduction

in the operational risk. The results of the review and the proposed improvement areas have all been incorporated into the daily operations.

Hemfosa has implemented a so-called whistle blower process that encourages employees to report any irregularities, unethical behavior or illegal operations, to further strengthen a sound ownership structure in the organization.

The property sector is capital-intensive 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.

Interest-rate swaps derivatives are used to limit the interest-rate risk and increase the predictability of Hemfosa's profit from property management. As of March 31, 2014, the fixed-income derivatives entered into totaled MSEK 7,979. The fair value of the financial instruments amounted to a negative MSEK 179 due to lower floating market interest rates compared with the contracted fixed interest rates. At March 31, 2014, a negative MSEK 68 in revaluation was charged against earnings.

Sensitivity analysis, March 31, 2014

	Change, %	Earnings effect, MSEK
Contracted rental income	+/-1	+/-4
Economic leasing rate, %		91.0
Economic leasing rate	+/-1	+/-4
Property expenses	+/-1	+/-1
Net operating income	+/-5	+/-12
Interest expenses for current fixed-interest periods and changed interest rates ¹	+/-1	+/-18
Interest expenses for change in average interest rate level ²	+/-1	+/-102
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/-1	+/-232

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

For further information about risks and uncertainties, see Hemfosa's 2013 annual report.

Nacka, May 6, 2014
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Bengt Kjell
Chairman of the Board

Jens Engwall
CEO

Magnus Eriksson
Board member

Anneli Lindblom
Board member

Daniel Skoghäll
Board member

Caroline Sundewall
Board member

Ulrika Valassi
Board member

This interim report was not audited.

REPORTING DATES

Interim report January – June 2014
Interim Report January – September 2014
Year-end report January – December 2014

August 20, 2014
September 5, 2014
February 18, 2015

CONTACT INFORMATION

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Summary of financial reports

Consolidated statement of profit/loss and other comprehensive income

MSEK	First quarter		Full-year
	2014	2013	2013
Rental income	395	391	1,584
Property expenses and property administration	-151	-164	-537
Net operating income	244	227	1,047
Central administration	-16	-14	-79
Other operating income and expenses	20	0	0
Share in profit/loss of joint ventures	-5	30	125
Financial income and expenses	-176	-187	-770
Profit from property management	67	56	323
Changes in value of properties, realized	-2	-1	-21
Changes in value of properties, unrealized	25	-188	-193
Changes in value of financial instruments, unrealized	-68	41	23
Profit/loss before tax	22	-92	132
Current tax	-1	0	-
Deferred tax	-9	11	99
Profit/loss for the year	12	-81	231
Other comprehensive income	-	-	-
Comprehensive income for the year	12	-81	231
<i>Profit/loss for the year attributable to:</i>			
Parent Company shareholders	12	-81	231
Non-controlling interests	0	0	0
Profit/loss for the year	12	-81	231
Earnings per share for the year, before and after dilution, SEK	0.4	-3.2	7.4

Consolidated statement of financial position

MSEK	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
<i>Assets</i>			
Fixed assets	16,390	16,002	16,284
Participations in joint ventures	450	313	455
Other fixed assets	27	47	32
Total fixed assets	16,867	16,362	16,772
Current receivables	151	73	65
Cash and cash equivalents	195	111	284
Total current assets	346	184	349
Total assets	17,213	16,546	17,121
<i>Equity and liabilities</i>			
Equity	5,765	2,104	2,369
Long-term interest-bearing liabilities	8,553	7,870	11,829
Other long-term liabilities	179	72	114
Deferred tax liabilities	438	518	430
Total long-term liabilities	9,170	8,460	12,373
Current interest-bearing liabilities	1,645	5,447	1,831
Other current liabilities	633	535	548
Total current liabilities	2,278	5,982	2,379
Total equity and liabilities	17,213	16,546	17,121

Consolidated statement of changes in equity

Reconciliation of equity, MSEK	Equity attributable to Parent Company shareholders				Non-controlling interests	Total equity
	Share-capital	Other contributed capital	Retained earnings incl. profit/loss for the year	Total		
Opening equity, Jan 1, 2013	10	240	1,926	2,176	-	2,176
Comprehensive income for the period	-	-	-81	-81	0	-81
Transactions with the Group's shareholders						
Capital contribution from non-controlling interests	-	-	8	8	1	9
Total transactions with the Group's shareholders	-	-	8	8	1	9
Closing equity, Mar 31, 2013	10	240	1,853	2,103	1	2,104
Transactions with the Group's shareholders						
New share issue	15	-15	-	0	-	0
Dividend to preferential shareholders	-	-	-47	-47	-	-47
Total transactions with the Group's shareholders	15	-15	-47	-47	-	-47
Comprehensive income, April-December 2013	-	-	312	312	0	312
Closing equity, Dec 31, 2013	25	225	2,118	2,368	1	2,369
Opening equity, Jan 1, 2014	25	225	2,118	2,368	1	2,369
Comprehensive income for the period	-	-	12	12	0	12
Transactions with the Group's shareholders						
Offset issue	31	2,939	-	2,970	-	2,970
New share issue	5	409 ³	-	414	-	414
Reduction of share capital	0	-	0	0	-	0
Capital contribution from non-controlling interests	-	-	0	0	0	0
Total transactions with the Group's shareholders	36	3,348	0	3,384	0	3,384
Closing equity, Mar 31, 2014	61	3,573	2,130	5,764	1	5,765

³ This amount includes issue costs totaling MSEK 90

Consolidated statement of cash flow

MSEK	First quarter		Full-year
	2014	2013	2013
<i>Operating activities</i>			
Profit from property management	67	56	323
Adjustments for items not included in cash flow	5	-29	-130
Income tax paid	-4	0	3
Cash flow from operating activities before changes in working capital	68	28	196
<i>Cash flow from changes in working capital</i>			
Cash flow from changes in operating receivables	-87	52	60
Cash flow from changes in operating liabilities	88	-28	5
Cash flow from operating activities	69	52	261
<i>Investing activities</i>			
Acquisition of investment properties	-	-	-65
Divestment of investment properties	30	8	303
Investments in existing properties	-112	-179	-667
Acquisition of financial assets	-	-	-26
Shareholders' contribution paid	-	-	-48
Cash flow from investing activities	-82	-171	-503
<i>Financing activities</i>			
New share issue	414	-	-
Shareholders' contribution received	-	9	9
Loans raised	565	-21	412
Amortization of loans	-1,056	0	-90
Dividend paid	-	-	-47
Cash flow from financing activities	-76	-12	284
Cash flow for the period	-89	-131	42
Cash and cash equivalents at the beginning of the period	284	242	242
Cash and cash equivalents at the end of the period	195	111	284
Adjustments for items not included in cash flow for operating activities			
Share in profit/loss of joint ventures	5	-30	-125
Depreciation of equipment	0	2	0
Other items	-	-	-5
Adjustments for items not included in cash flow for operating activities	5	-29	-130

Segment information

MSEK	First quarter									
	Public properties		Office properties		Logistics properties		Transaction properties		Total consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Rental income	198	189	106	108	56	54	34	40	395	391
Property expenses										
<i>Operations</i>	-48	-51	-27	-33	-5	-5	-13	-18	-93	-106
<i>Maintenance</i>	-13	-14	-8	-9	-2	-2	-3	-4	-27	-29
<i>Property tax</i>	-7	-7	-7	-7	-1	-1	-1	-2	-16	-16
Property administration	-7	-6	-4	-4	-1	-2	-2	-2	-14	-13
Net operating income	122	112	60	55	47	45	15	14	244	227
Central administration									-16	-14
Other operating income									20	0
Share in profit/loss of joint ventures									-5	30
Financial income and expenses									-176	-187
Profit from property management									67	56
Realized change in value of property									-2	-1
Unrealized change in value of property									25	-188
Unrealized change in value of financial instruments									-68	41
Profit/loss before tax									22	-92
Investments in existing portfolio during the period	70	108	38	65	1	3	4	4	112	179
Carrying amount of investment properties at March 31	7,763	7,309	4,744	4,663	2,698	2,600	1,185	1,429	16,390	16,002

Key figures

	First quarter		Full-year
	2014	2013	2013
Financial			
Return on equity, %	0.3	-3.7	10.2
Equity/assets ratio, %	33.5	13.7	13.8
Loan-to-value ratio properties, % ⁴	62.2	83.2	83.9
Debt/equity ratio, multiple ⁴	1.8	6.1	5.8
Interest-coverage ratio, multiple ⁵	1.4	1.3	1.4
Share-related			
Profit from property management, SEK per share	2.1	2.2	12.9
Profit/loss after tax, SEK per share	0.4	-3.2	7.4
Equity, SEK per share	94	84.2	94.7
Net asset value (EPRA NAV), SEK per share	106.2	108.7	116.4
Cash flow from operating activities, SEK per share	2.1	2.1	10.4
Dividend, SEK per share	0	0	0
Weighted average number of shares, 000s	32,237	25,000	25,000
Number of shares outstanding on the balance-sheet date, 000s	61,372	25,000	25,000
Property-related			
Number of properties at the end of the period	194	202	195
Leasable area at the end of the period, 000s of sqm	1,711	1,720	1,713
Carrying amount of properties in the balance sheet, MSEK	16,390	16,111	16,284
Property value, SEK per sqm	9,579	9,427	9,504
Economic leasing rate, %	91	89	90
Surplus ratio, %	62	58	66
Yield, %	5.9	5.8	6.4

⁴Interest expenses for the January – March 2014 period include interest on shareholders' loans of MSEK 60 (78).

⁵A shareholders' loan of MSEK 3,470 is included in the total interest-bearing liabilities for 2013.

Income statement for the Parent Company

MSEK	First quarter		Full-year
	2014	2013	2013
Net sales	10	-	14
Other external costs	-4	-	-8
Personnel expenses	-6	-	-12
Depreciation/amortization	0	-	0
Profit/loss before financial income and expenses	0	-	-6
Interest income and similar income items	83	-	160
Interest expenses and similar expense items	-61	-	-157
Profit/loss before tax	23	-	-3
Current tax	-	-	-
Deferred tax	-	-	-
Profit/loss for the period	23	-	-3

Statement of profit/loss and other comprehensive income for the Parent Company

MSEK	First quarter		Full-year
	2014	2013	2013
Profit for the period	23	-	-3
Other comprehensive income for the period	-	-	-
Comprehensive income for the period	23	-	-3

Balance sheet for the Parent Company

MSEK	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
<i>Assets</i>			
Participations in joint ventures	31	-	31
Participations in Group companies	2,533	-	2,533
Non-current receivables from Group companies	3,489	-	3,489
Other fixed assets	26	-	26
Total fixed assets	6,079	-	6,079
Current receivables from Group companies	510	0	146
Other current receivables	1	-	2
Cash and bank balances	0	-	15
Total current assets	511	0	163
Total assets	6,590	0	6,242
<i>Equity and liabilities</i>			
Equity	5,943	0	2,530
Non-current interest-bearing liabilities	495	-	3,470
Non-current liabilities to Group companies	75	-	-
Total non-current liabilities	570	-	3,470
Current liabilities to Group companies	-	-	235
Other current liabilities	78	-	7
Total current liabilities	78	-	242
Total equity and liabilities	6,590	0	6,242

Glossary

Cash flow from operating activities per share

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

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Dividend per share

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

Earnings per share

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

Economic leasing rate

Rental income as a percentage of the rental value during the period.

Equity per share

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

Equity/assets ratio

Equity as a percentage of total assets.

Fair value of properties

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

Financial derivatives

Agreements pertaining to interest rates on loans that may include the following factors: time, inflation and/or maximum interest-rate levels. Usually signed to hedge interest-rate levels for interest-bearing loans.

Ground rent

Annual remuneration to the owner of a property held through a site leasehold.

IAS

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

IFRS

International Financial Reporting Standards. The International Financial Reporting Standards for consolidated financial statements to be applied by listed companies within the EU from 2005.

Interest-coverage ratio

Profit from property management plus financial costs as a percentage of financial costs.

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 variable interest rate for a fixed rate, while the other party receives a fixed rate in exchange for a variable rate. The aim of an interest-rate swap is to reduce interest-rate risk.

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.

Market value of properties

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

Net asset value

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

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.

Project development

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

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.

Return on equity

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

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.

Surplus ratio

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

Yield

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

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 its 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 the profit from property management excluding participations from joint ventures and after deductions for tax paid.
- *To achieve a long-term equity ratio of at least 30 percent.