



Q4 YEAR-END REPORT JANUARY – DECEMBER 2017

KEY FIGURES

	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Rental income, MSEK	792	684	3,134	2,642
Net operating income, MSEK	548	472	2,232	1,817
Surplus ratio, %	69.3	68.9	71.2	68.8
Profit from property management, MSEK	525	537	2,186	1,812
– per ordinary share, SEK	3.15	3.23	13.16	11.49
Profit after tax, MSEK	528	837	3,163	3,583
– per ordinary share before dilution, SEK	3.17	5.02	19.22	23.25
– per ordinary share after dilution, SEK	3.16	5.02	19.22	23.25
Cash flow from operating activities, before changes in working capital, MSEK	373	321	1,612	1,260
– per ordinary share, SEK	2.19	1.86	9.52	7.76
Property value, SEK billion	41.1	34.7	41.1	34.7
– of which, community service properties, %	64	65	64	65
Net asset value EPRA NAV, SEK	112.20	93.87	112.20	93.87
Equity/assets ratio, %	40.4	41.2	40.4	41.2

- Rental income amounted to MSEK 792 (684) in the quarter and MSEK 3,134 (2,642) for the full year
- Profit from property management excluding the share in profit from jointly owned companies amounted to MSEK 375 (319) in the quarter and MSEK 1,619 (1,270) for the full year. Profit from property management including the share in profit from jointly owned companies amounted to MSEK 525 (537) in the quarter, corresponding to SEK 3.15 per ordinary share (3.23). The lower profit from property management was due to the change in value of jointly owned properties being higher in 2016. Full-year profit from property management amounted to MSEK 2,186 (1,812), corresponding to SEK 13.16 per ordinary share (11.49)
- Profit after tax in the quarter totaled MSEK 528 (837), corresponding to SEK 3.17 per ordinary share before dilution (5.02). The lower profit in 2017 was due to the change in value of jointly owned properties being higher in 2016 combined with the preceding year's changed assessment of loss carryforwards. Full-year profit after tax amounted to MSEK 3,163 (3,583), corresponding to SEK 19.22 per ordinary share before dilution (23.25).

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- In October, possession was taken of ten centrally located community service properties acquired in Halmstad for an underlying property value of MSEK 1,066
- In November, the Board of Directors of Hemfosa Fastigheter decided to evaluate the conditions for demerging the Group into two listed companies
- At the end of the year, Hemfosa signed an eight-year lease for about 20,000 square meters of previously vacant floor space in the Arendal 1:17 logistics property in Gothenburg. Occupancy will occur on March 1, 2018
- Following the close of the quarter, the specialist hospital and local medical center in Gardermoen, Norway, were completed and the tenants have moved in
- The Board proposes a dividend of SEK 4.80 per ordinary share with quarterly payment of SEK 1.20 per share, as well as a dividend of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per share

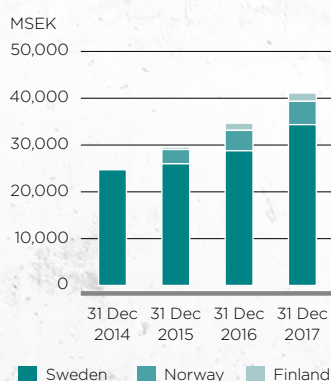
This is Hemfosa

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



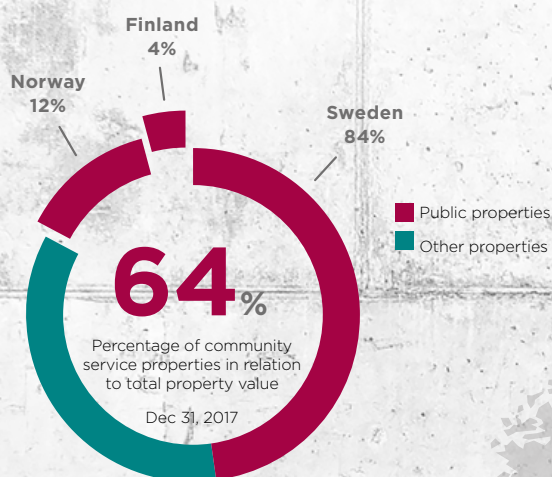
Strategy

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

Stronger position and new initiatives

There is always something going on at Hemfosa. During 2017, we continued to grow sharply through acquisitions of just over SEK 4 billion and with exciting investments and new build project in primarily community service properties. The fourth quarter was stable with increased earnings capacity and a high rate of maintenance. Although we did not complete any major transactions during the quarter, work to evaluate acquisitions of various sizes is continuously under way. In November, we took an important step towards safeguarding the best possible value for Hemfosa's shareholder, in the future too, by deciding to evaluate the possibility of a demerger of the Group into two listed companies.

Following another active year of acquisitions, we now have a property portfolio worth a total of SEK 41 billion. Community service properties valued at just over SEK 26 billion, which account for 64 percent of the portfolio, generate stable cash flows in Sweden, Norway and Finland. We also have an attractive holding of commercial properties primarily in high-growth regions, valued at some SEK 15 billion. Hemfosa continues to grow with a low financial risk – at year-end, the equity/assets ratio was 40.4 percent. In the fourth quarter, we took possession of properties acquired at a value of about SEK 1.1 billion and increased profit from property management excluding the share in profit from jointly owned companies with MSEK 56 compared to previous year. We also report a continuing stable increase in earnings capacity during each quarter of the year.

CLOSER COOPERATION WITH TENANTS OF COMMUNITY SERVICE PROPERTIES

Hemfosa's main focus is to be best at offering community service properties to the most important services in society – from schools and preschools, healthcare facilities and nursing homes, police stations and courts of law to public authorities. During the year, we made further investments in remodeling and new builds, which we regard as strategically important for additionally strengthening Hemfosa's position in community service properties. There is a limited supply of available acquisition objects at what we consider reasonable prices, at the same time as there is considerable demand in many parts of the country for new properties for use, for example, as schools and nursing homes. In this context, we have utilized our experience, size and financial capacity to take a more distinct grip of the market by such means as collaborations with municipalities, building contractors and service operators. A typical example is a collaboration with Emrahus, which assembles modern, innovative passive buildings for LSS (support and service for the disabled) homes in Sweden and with which we reached agreements in 2017 to acquire properties when they are ready for occupancy and leased. This entailed the acquisition of two newly produced LSS homes from Emrahus during the year and a further two to date in 2018.

Our first really major investment in a new build project is the specialist hospital and local medical center at Gardermoen in Norway, which we implemented with the property developer Aspelin Ramm in a joint venture. Equipment is now being installed to enable the start of advanced cardiovascular treatment in the newly completed property, which is planned for sustainability in every detail – from construction and materials selection to function and maintenance. We are delighted over and proud of this project which, together with the project team, we completed according to the established timetable, within budget and with a clean bill of health at final inspection. This gives us the confidence, experience and credibility to implement more advanced, large-scale projects involving community service properties moving forward. During the first quarter of 2018, we are acquiring the remainder of the project and will thus become the sole owner of the properties.

EVALUATING THE CONDITIONS FOR A DEMERGER OF HEMFOSA

In November, we initiated a process aimed at evaluating what we believe is a wise next step in Hemfosa's development; a demerger of the Group into two listed companies. With a streamlined community service property company, we will be able to establish an even stronger position, in part by focusing more distinctly on project development and specialist know-how in the various operations conducted in our community service properties. Meanwhile, we have an excellent portfolio of other properties and transaction competencies that will have better prospects to develop their full potential on a standalone basis. We are now analyzing the opportunities and formats for such a potential demerger and this work is proceeding as planned. The Board intends to return with more information to shareholders in connection with the Annual General Meeting and the interim report for the first quarter 2018. Should any decision be made to propose a distribution of the new company, the Board will convene an extraordinary shareholders' meeting.

I look forward to the next step in the evaluation of a demerger into two new companies with roots in Hemfosa's excellent corporate culture and entrepreneurship. Until then, we will continue to develop our partnerships with tenants and evaluate growth opportunities in an environment where we see good access to debt, reasonably stable property prices and demand for the development of community service properties. We never sit still at Hemfosa.

Jens Engwall, CEO

The MOST IMPORTANT
PEOPLE DESERVE
the best PROPERTIES

Operational development

INTERIM REPORT JANUARY-DECEMBER 2017

Earnings

MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Rental income	792	684	3,134	2,642
Net operating income	548	472	2,232	1,817
Surplus ratio, %	69.3	68.9	71.2	68.8
Profit from property management excl. shares in profit of joint ventures and associated companies	375	319	1,619	1,270
Profit from property management incl. shares in profit of joint ventures and associated companies	525	537	2,186	1,812
Changes in value of properties	201	303	1,651	1,594
Changes in value of financial instruments	18	23	50	18
Tax	-216	-25	-723	160
Profit	528	837	3,163	3,583

Net operating income

Rental income for the year totaled MSEK 3,134 (2,642). The increase of 19 percent was attributable to a larger property portfolio and lease renegotiations, signing of new leases and indexation according to leases. Rental income also includes other property income of a nonrecurring nature, which amounted to MSEK 186 (9) for the year. At December 31, 2017, Hemfosa's property portfolio totaled 2,918,000 square meters of leasable area (2,627,000). The economic leasing rate was 92.5 percent (91.1).

Property expenses amounted to MSEK 817 (743) and costs for property administration to MSEK 85 (82). The change in the full-year surplus ratio was due primarily to other property income of a nonrecurring nature.

The yield for the entire portfolio was 5.4 percent (5.5).

Profit from property management

Central administration costs totaled MSEK 137 (128).

Financial expenses totaled MSEK 487 (440). At December 31, the average interest rate in the loan portfolio was 1.94 percent (1.98).

Profit from property management excluding shares in profit from joint ventures and associated companies amounted to MSEK 1,619 (1,270), an increase of 27 percent.

The share in profit from joint ventures and associated companies amounted to MSEK 567 (542), which constitutes profit after tax in the part-owned companies. The comparatively lower share in profit from joint ventures for the quarter and the full year was due to a major revaluation of a part-owned property in the preceding year, which affected profit from property management in total.

Tax

The tax expense totaled MSEK -723 (156), of which MSEK -566 (-419) was due to changes in deferred tax liabilities attributable to investment properties. In the fourth quarter of 2016, a new assessment was made of loss carryforwards in the Group. The revaluation in this connection resulted in deferred tax income, which is the reason for the higher profit after tax in the preceding year. Hemfosa's effective tax rate during the year was -19 percent (5). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to the share in profit from joint ventures and associated companies comprising profit after tax.

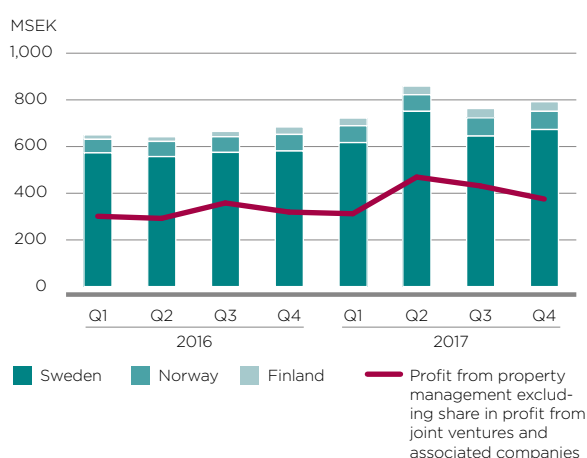
Profit for the period

MSEK
3,163
(3,583)

Earnings per share per ordinary share

SEK
19.22
(23.25)

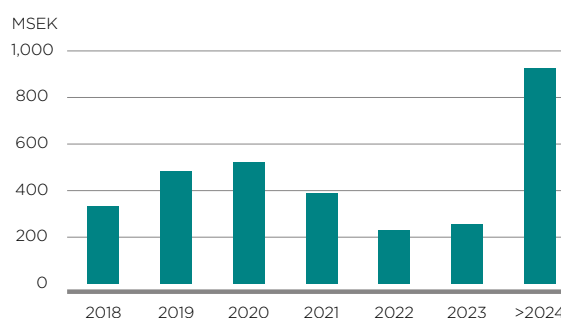
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Maturity structure of leases at December 31, 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, Halmstad, Sundsvall, Umeå and Luleå. Other properties also include a portfolio of logistics and warehouse properties that are located in attractive towns in southern and central Sweden.

Community service properties

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

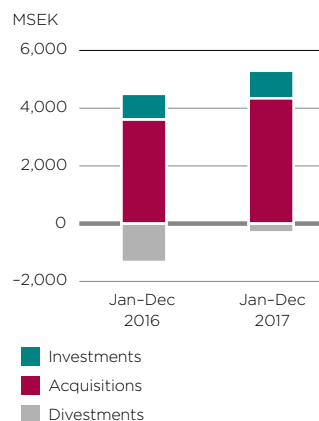
Hemfosa's definition of Community service properties is properties with, directly or indirectly, publicly financed tenants that account for at least 70 percent of the rental income.

CHANGES IN PROPERTY PORTFOLIO

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

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	3,573	2,040	592	635	177	931	4,342	3,606
Investments in existing properties	942	883	2	10	13	-	956	893
Divested properties	-301	-1,329	-	-	-	-	-301	-1,329
Realized changes in value in profit or loss for the period	22	46	-	-	-	-	22	46
Unrealized changes in value in profit or loss for the period	1,346	1,139	281	348	2	62	1,629	1,548
Translation differences	-	-	-246	325	49	25	-196	350
Closing fair value	34,359	28,778	4,988	4,359	1,772	1,531	41,119	34,668

Acquisitions, investments and divestments



Acquisitions and divestments of properties

During the fourth quarter, ten properties were acquired in Halmstad at a value of MSEK 1,066. These are primarily community service properties, with the largest tenants being Halmstad Municipality, the Swedish Tax Agency and the County Administrative Board in Halland.

Earlier in the year, three large property portfolios were acquired in Sweden. Hemfosa acquired a portfolio of 19 properties in Karlskrona for an underlying property value of MSEK 750, with community service tenants accounting for most of the rental income. The three largest tenants are the Police Authority, the National Board of Housing, Building and Planning and the Swedish Coast Guard. A portfolio of five community service properties was acquired in central Örnköldsvik, at an underlying property value of MSEK 858. About 40 percent of the rental value derives from publicly funded tenants, and the largest tenant is the Municipality of Örnköldsvik. The third large portfolio that was acquired comprised 16 properties in ten locations in Sweden, which are fully leased to the care company Humana AB, which operates LSS and HVB homes (for people with special needs and residential facilities at the properties). In addition, nine individual acquisitions were completed in Sweden, primarily of community service properties. Earlier in the year, four community service properties were acquired in Norway, some in new municipalities for Hemfosa, such as Bergen and Sarpsborg, and one community service property was acquired in Finland in the Municipality of Turku.

During the year, the portfolio was streamlined through the divestment of 14 other properties in Sweden, with one of the sales occurring in the fourth quarter.

Acquisitions, January–December 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

Acquisitions, January-December 2017, cont.

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
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
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	Wattring 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
Örnsköldsvik	Bromsen 7	Other	4	2
Örnsköldsvik	Gjutaren 3	Other	5	3
Örnsköldsvik	Kraften 4	Other	12	13
Örnsköldsvik	Handformaren 2	Other	17	20
Örnsköldsvik	Strandkajen 7	Other	29	43
<i>Quarter 3</i>				
Malmö	Bryggeriet 2	Other	28	16
Eidsvoll	Ärnesvegen 23	Community services	15	12
Sarpsborg	Sandesundsveien 3, 5-7, Korsgatan 5	Community services	7	11
Tønsberg	Olav Trygvassons 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
<i>Quarter 4</i>				
Halmstad	Österskans 2, Sankt Nikolaus 19, Svartmunken 1, Halmstad 6:48, Slottet 4, Rudan 5	Community services	37	46
Halmstad	Klingberget 6, Svartmunken 2, Koljan 9, Rudan 6	Other	21	26

Divestments, January-December 2017

Municipality	Property	Type of property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>				
Österåker	Husby 4:23,24,25,27, 4:28,32	Other	7	9
Enköping	Centrum 12:1,16:5,18:1	Other	10	10
Malmö	Skjutstallslyckan 22	Other	8	6
Värnamo	Drabanten 1	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
<i>Quarter 4</i>				
Härryda	Baggatomen 6:1	Other	14	4

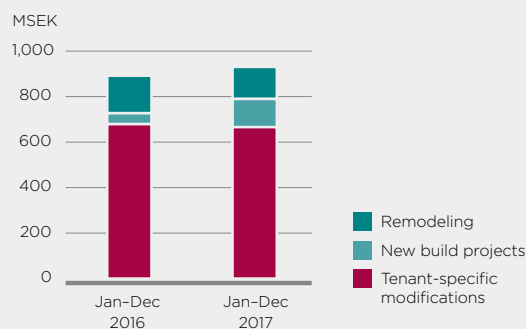
Investments in existing properties

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. In Uppsala, customization of 8,000 square meters of office premises has been completed for the Swedish Migration Agency.

In the jointly owned properties, 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. The projects were completed in early 2018 and the tenants have moved in.

INVESTMENTS IN EXISTING PROPERTIES



Ongoing projects in wholly owned properties, December 31, 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	Q1,2018
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

Properties and changes in value

The unrealized change in the value of the property portfolio during the year was MSEK 1,629 (1,548), mainly resulting from a change in the required yield but also from implemented projects.

The weighted yield requirement was 6.1 percent (6.2), and was 6.1 percent at the previous valuation date of September 30, 2017. The weighted cost of capital for calculating the present value of cash flow and residual value was 7.3 percent (7.4) and 8.2 percent (8.4), 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 AS AT DECEMBER 31

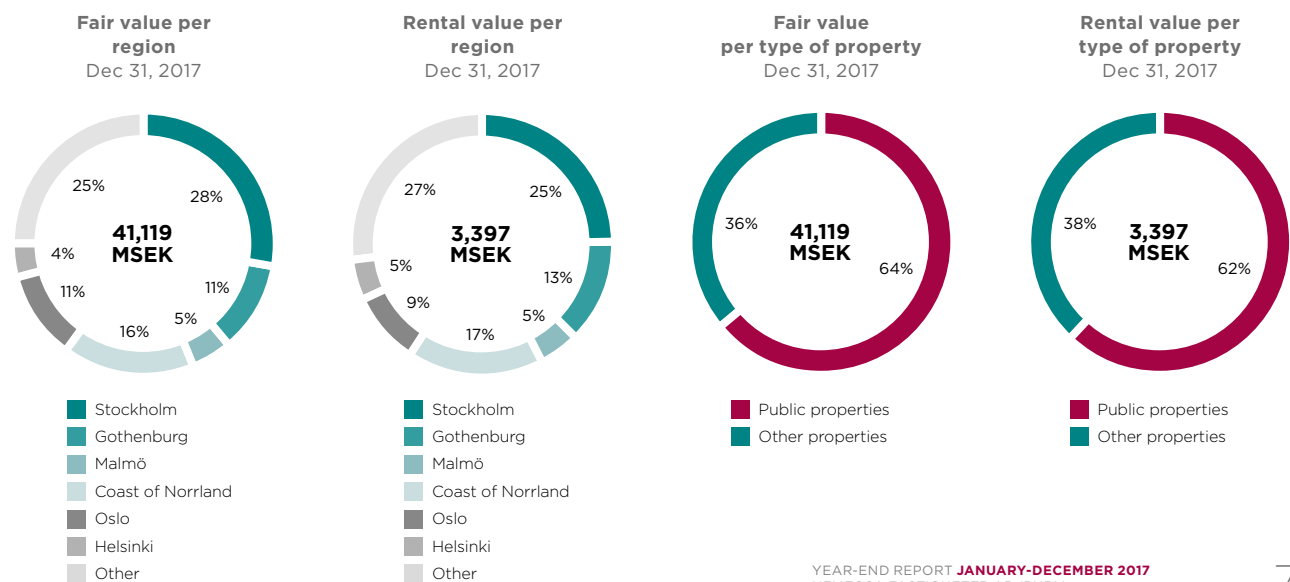
Public service properties

	Schools		Offices		Judicial system		Care services		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	576	560	752	582	403	399	330	296	30	14	2,091	1,850
Leasable area ¹ , 000s sqm	432	421	577	456	278	278	275	251	33	14	1,595	1,420
Fair value of properties, MSEK	7,784	7,230	9,032	6,659	4,803	4,547	4,456	3,814	302	176	26,377	22,427
No. of properties	77	76	74	54	41	41	120	105	9	8	321	284
Economic leasing rate, %											95.1	94.4
Remaining lease term, years											6.3	6.5

Other properties

	Offices		Logistics/ Storage		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental value, MSEK	886	717	263	260	157	171	1,306	1,148
Leasable area ¹ , 000s sqm	717	582	424	422	182	204	1,323	1,207
Fair value of properties, MSEK	9,800	7,330	3,377	3,256	1,566	1,654	14,742	12,241
No. of properties	79	69	30	29	42	50	151	148
Economic leasing rate, %							88.2	85.7
Remaining lease term, years							4.2	4.4

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 5.6 percent (5.9) for community service properties and 5.6 percent (5.7) for other properties.

Group's earnings capacity

MSEK	Dec 31, 2017
Rental income	3,191
Property expenses	-804
Property administration	-81
Net operating income	2,305
Central administration	-124
Share in profit from joint ventures and associated companies	132
Financial expenses	-511
Profit from property management	1,803

Sensitivity analysis, December 31, 2017

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 32
Economic leasing rate according to earnings capacity	+/- 1	+/- 32
Property expenses according to earnings capacity	+/- 1	+/- 9
Net operating income according to earnings capacity	+/- 5	+/- 115

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 December 31, 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	Dec 31	
	2017	2016
Capital share	2,096	1,676

Share in profit from joint ventures

MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Profit for the period	131	217	548	542
Of which				
Profit from property management	34	32	127	124
Changes in value, properties	98	223	490	579
Changes in value, derivatives	10	28	45	-6
Other	-12	-65	-115	-155

Key performance data for material holdings in joint ventures, December 31, 2017

MSEK	Söderport		Gardermoen Campus Utvikling	
	2017	2016	2017	2016
Non-current assets	6,814	6,409	2,518	1,579
of which, investment properties	6,603	6,330	2,518	1,579
Current assets	104	101	70	81
Equity	2,587	2,018	1,201	986
of which, Hemfosa's share	1,294	1,009	781	641
Long-term liabilities	4,144	4,268	1,270	579
of which, deferred tax liabilities	515	385	194	150
of which, derivatives	328	424	-	-
Current liabilities	188	224	117	95
Rental income	548	544	-	-
Net operating income	419	423	-1	-
Net interest income	-162	-159	0	-
Changes in value, properties	560	477	326	546
Changes in value, derivatives	91	-12	-	-
Tax	-144	-159	-53	-130
Profit	769	552	265	415
of which, Hemfosa's share	385	276	177	270
No. of properties	69	54	3	3
Leasable area, 000s of sqm	650	686	-	-

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. In connection with the transaction, Söderport made an investment in the acquiring company, which is administrated by Ness, Risan & Partners, equal 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 in early 2018. The buildings have been completed and the tenants moved in around the end of January 2018. Hemfosa will become the sole owner of the properties during March 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, at December 31, 2017

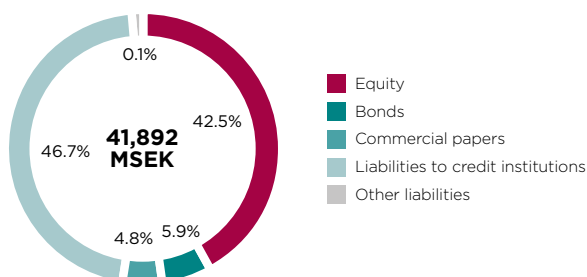
Municipality	Property	Tenant	Area,	Estimated	Scheduled
			000s of sqm	investment, MSEK	completion, quarter, year
Ullensaker, Norway	Gardermoen	LHL	28	1,339	Q1, 2018
Ullensaker, Norway	Gardermoen	Helsans Hus	9	251	Q1, 2018

SHARES IN ASSOCIATED COMPANIES

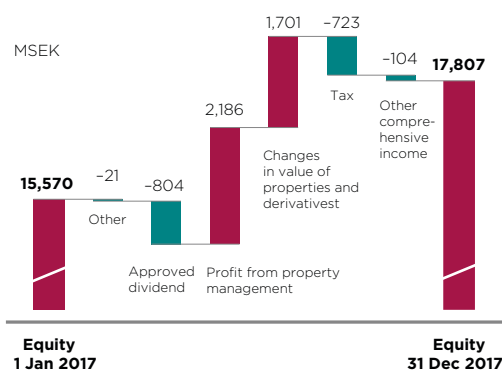
Hemfosa holds 26.6 percent of the shares and voting rights of Offentlig Eiendom Invest AS (Corp. Reg. No. 914,428,467). The company owns and manages nine community service properties in Norway.

Financing

Breakdown of sources of financing, December 31, 2017



Changes in equity during the period



Key performance data, financial objectives

	Jan-Dec	
	2017	2016
Return on equity, %	19.0	27.1 ²
Equity/assets ratio, %	40.4	41.2
Interest-coverage ratio, multiple	4.4 ¹	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 for 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 just over MSEK 500.

INTEREST-BEARING LIABILITIES

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

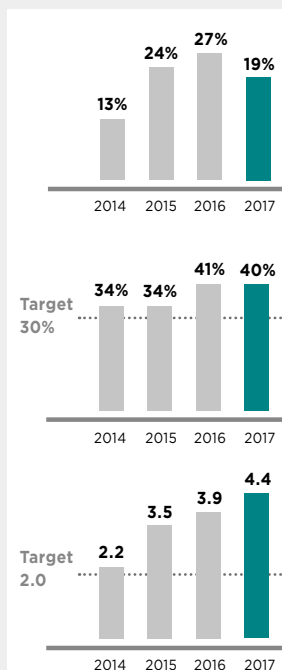
In the fourth quarter of 2017, Hemfosa raised new bank loans for the community service properties it has taken possession of in Halmstad, and refinanced the loans that had fallen due for payment. During the quarter, commercial paper of MSEK 1,035 was extended. At year-end, outstanding commercial paper amounted to MSEK 1,995 and non-covered bonds to MSEK 2,000. There are backup facilities for the commercial papers, most of which are covered.

Financial objectives

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

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

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



Change in loan portfolio

MSEK	Jan-Dec	
	2017	2016
Interest-bearing liabilities at the beginning of the period	20,666	18,960
Repayment of bank loans	-3,794	-3,602
New bank loans	5,527	3,604
Issue of commercial paper	1,100	895
Issue of bonds	1,973	750
Redemption of bonds	-1,248	-202
Exchange-rate difference	-114	261
Interest-bearing liabilities at the end of the period¹	24,110	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

	Dec 31	
	2017	2016
Net loan-to-value ratio, %	57.1	55.9
Average interest rate, %	1.94	1.98
Average remaining fixed-rate period, years	1.5	1.3
Average remaining loan maturity period, years	2.3	2.1
Interest-rate hedged portion of liabilities, %	69.1	56.0
Fair value of derivatives, MSEK	-34	-84

Available liquidity

MSEK	Dec 31	
	2017	2016
Cash and cash equivalents	541	1,221
Unutilized overdraft facilities	450	450
Total	991	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 December 31, 2017, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,706 (5,117) and interest-rate caps MSEK 11,405 (7,000). All interest-rate swaps had a negative fair value at December 31, 2017.

Fixed-rate period distributed by instrument, December 31, 2017

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	24,050	-1,372	-9,503	13,175	55
1-2 years	0	497	2,526	3,024	13
2-3 years	23	674	3,617	4,314	18
3-4 years	0	200	1,619	1,819	8
4-5 years	0	0	1,740	1,740	7
>5 years	38	0	0	38	0
Total	24,110	0	0	24,110	100

Maturity structure, interest-bearing liabilities, December 31, 2017

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest rate, derivatives, MSEK ¹	Total interest, MSEK
2018	6,871 ²	28	386	47	432
2019	4,945	21	252	8	260
2020	6,404	27	146	3	149
2021	3,183	13	81	1	81
2022	2,605	11	40	0	40
2023-	103	0	37	0	37
Total	24,110	100	941	58	999

¹ The net rate in the table is attributable to swaps with negative value, according to IAS 39

² Taking into account back-up facilities of SEK 1.8 billion as collateral for the commercial paper loan

Sensitivity analysis, December 31, 2017

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+94/-19
Interest expenses assuming change in average interest rate ²	+/- 1	+/-241
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/- 1	+/-66

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

CURRENCY EXPOSURE

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

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

Currency exposure

MSEK	Dec 31	
	2017	2016
Exposure in EUR	82	90
Exposure in NOK	2,707	2,202

Sensitivity analysis, December 31, 2017

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/- 10	+/-80
Changes in SEK/NOK exchange rates	+/- 10	+/- 269

CASH FLOW

Cash flow from operating activities, before changes in working capital, amounted to MSEK 1,612 (1,260). Cash flow from operating activities totaled SEK 1,542 (1,108).

Investing activities impacted cash flow in the amount of MSEK -4,955 (-3,246), mainly comprising investments in existing properties of MSEK -956 (-893), direct and indirect acquisitions and divestments of properties of MSEK -4,005 (-3,544) and dividends from joint ventures of MSEK 100 (100).

Financing activities had an impact of MSEK 2,732 (2,622) on cash flow for the period. Issued and redeemed bonds had a net positive impact on cash flow of MSEK 725 (548). New commercial paper had a positive impact on cash flow of MSEK 1,100 (895). The net change in bank loans was MSEK 1,727 (2). During the period, MSEK 799 (678) was paid in dividends to Hemfosa's shareholders.

Overall, the change in cash and cash equivalents during the year was MSEK -681 (483).

Cash flow

MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Cash flow from operating activities	449	291	1,542	1,108
Cash flow from investing activities	-1,221	-1,381	-4,955	-3,246
Cash flow from financing activities	846	1,567	2,732	2,622
Total cash flow	75	477	-681	483

Other

THE SHARE AND SHAREHOLDERS

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

At December 31, 2017, there were 168,728,248 Hemfosa shares, of which 157,728,249 were ordinary shares and 10,999,999 were preferential shares. The number of voting rights totaled 158,828,248.9. Each ordinary share carries one voting right and each preference share one tenth of a voting right.

The closing price on December 31, 2017 was SEK 109.90 per ordinary share and SEK 180.40 per preference share. Total market capitalization was MSEK 19,318. At December 31, 2017, Hemfosa had 23,092 shareholders, of whom Swedish investors, institutions and private individuals owned 54.9 percent of the shares and 53.1 percent of the voting rights. International institutional investors owned 45.1 percent of the shares and 46.9 percent of the votes.

Ownership structure, December 31, 2017

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	9,441,045	-	5.6	5.9
Länsförsäkringar				
Fondförvaltning AB	9,317,037	-	5.5	5.9
Kåpan Pensioner				
Försäkringsförening	8,236,274	-	4.9	5.2
Swedbank Robur Funds	7,691,644	-	4.6	4.8
Handelsbanken Funds	6,025,549	-	3.6	3.8
JPM Chase NA	5,453,788	332,197	3.4	3.5
SEB Investment Management	4,794,586	-	2.8	3.0
CBNY-Norges Bank	4,049,446	-	2.4	2.6
Other	102,718,880	10,667,802	67.2	65.3
Total	157,728,249	10,999,999	100.0	100.0

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. The 156,000 warrants that were not subscribed for were canceled. After the end of the quarter, 10,000 warrants were bought back and will be canceled.

In accordance with an AGM resolution, the Board has also offered an incentive program comprising synthetic options to employees of Hemfosa's Norwegian and Finnish organization. A total of 61,500 options were subscribed for, equal 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 paying cash remuneration to holders of synthetic options.

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.



DIVIDEND PROPOSAL

Hemfosa Fastigheter's dividend policy is to pay a long-term dividend of 60 percent of distributable profit. Distributable profit is defined as profit from property management less taxes paid and shares in the profit of joint ventures. Distributable profit for the year amounted to MSEK 1,589.

For the 2017 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.80 per ordinary share with quarterly payment of SEK 1.20 per share. The proposed record dates are April 20, July 10 and October 10, 2018 and January 10, 2019. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10.00 per share with quarterly payment of SEK 2.50 per preference share, with the record dates being July 10 and October 10, 2018 and January 10 and April 10, 2019. The proposed dividend corresponds to 55 percent of distributable profit for 2017.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

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

Nacka, February 16, 2018
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Jens Engwall
Chief Executive Officer

This interim report was not audited.

The information is such that Hemfosa Fastigheter AB is obligated to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was issued for publication under the auspices of the CEO on February 16, 2018 at 7:30 a.m. CET.



Financial calendar

Annual Report for 2017	Week of March 18, 2018
Interim report, January–March 2018	April 18, 2018
Annual General Meeting 2018	April 18, 2018
Interim report January–June 2018	July 19, 2018
Interim report January–September 2018	November 7, 2018

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Condensed financial statements

Consolidated statement of profit/loss and comprehensive income

MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Rental income	792	684	3,134	2,642
Property expenses				
Operating expenses	-124	-103	-488	-433
Maintenance costs	-71	-67	-221	-212
Property tax	-30	-24	-108	-98
Property administration	-18	-18	-85	-82
Net operating income	548	472	2,232	1,817
Central administration	-44	-40	-137	-128
Other operating income and expenses	3	3	11	21
Share in profit of joint ventures ¹	131	217	548	542
Shares in profit of associated companies	19	-	19	-
Financial income and expenses	-132	-116	-487	-440
Profit from property management	525	537	2,186	1,812
Changes in value of properties, realized	-9	11	22	46
Unrealized changes in value of properties	210	292	1,629	1,548
Changes in value of financial instruments, unrealized	18	23	50	18
Profit before tax for the year	744	862	3,887	3,424
Current tax	0	-14	-30	-17
Deferred tax	Note 4	-216	-11	-693
Profit for the year	528	837	3,163	3,583
Other comprehensive income				
Items that have or could be transferred to profit for the period				
Translation differences for the period when translating foreign operations	-29	-6	-104	156
Comprehensive income for the year	499	831	3,059	3,739
Profit for the year attributable to:				
Parent Company shareholders	527	821	3,142	3,556
Non-controlling interests	1	16	21	27
Profit for the year	528	837	3,163	3,583
Profit for the year attributable to:				
Parent Company shareholders	499	815	3,042	3,709
Non-controlling interests	0	16	18	30
Comprehensive income for the year	499	831	3,059	3,739
Profit for the year per ordinary share, before dilution, SEK	3.17	5.02	19.22	23.25
Profit for the year per ordinary share, after dilution, SEK	3.16	5.02	19.21	23.25

¹ See table on page 9

Consolidated statement of financial position

MSEK	Dec 31	
	2017	2016
ASSETS		
Investment properties	41,119	34,668
Shares in joint ventures	2,096	1,676
Shares in associated companies	123	56
Other fixed assets	17	13
Total fixed assets	43,355	36,412
Current receivables	190	141
Cash and cash equivalents	541	1,221
Total current assets	731	1,361
TOTAL ASSETS	44,086	37,774
EQUITY AND LIABILITIES		
Shareholders' equity attributable to Parent Company shareholders	17,723	15,506
Non-controlling interests	85	64
Equity	17,807	15,570
Non-current interest-bearing liabilities	15,139	14,639
Other long-term liabilities	52	91
Deferred tax liabilities	1,184	506
Total non-current liabilities	16,375	15,236
Current interest-bearing liabilities	8,894	5,966
Other current liabilities	1,010	1,002
Total current liabilities	9,904	6,968
Total liabilities	26,279	22,204
TOTAL EQUITY AND LIABILITIES	44,086	37,774

Consolidated statement of changes in equity

MSEK	Equity attribut- able to Parent Company shareholders	Non- controlling interests	Total equity
Opening equity 2016-01-01	10,737	12	10,749
New issue, ordinary shares	1,808	-	1,808
Dividend, ordinary shares	-635	-	-635
Dividend, preference shares	-110	-	-110
Change in holdings of non-controlling interests	-4	22	18
Comprehensive income, Jan-Dec 2016	3,709	30	3,739
Closing equity 2016-12-31	15,506	64	15,570
Opening equity 2017-01-01	15,506	64	15,570
New issue, ordinary shares	-26 ²	-	-26
Issue of warrants	5	-	5
Dividend, ordinary shares	-694	-	-694
Dividend, preference shares	-110	-	-110
Change in holdings of non-controlling interests	-	6	6
Comprehensive income, Jan-Dec 2017	3,042	18	3,059
Closing equity 2017-12-31	17,723¹	85	17,807

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	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Operating activities				
Profit from property management	525	537	2,186	1,812
Adjustments for non-cash items	-152	-217	-566	-541
Income tax paid	-0	1	-8	-11
Subtotal	373	321	1,612	1,260
Change in operating receivables	209	37	-15	-56
Change in operating liabilities	-132	-67	-55	-96
Cash flow from operating activities	449	291	1,542	1,108
Investing activities				
Acquisition of investment properties	-20	-18	-62	-46
Divestment of investment properties	-	7	7	16
Investments in existing properties	-228	-363	-956	-893
Acquisition of subsidiaries	-986	-1,348	-4,239	-3,498
Divestment of subsidiaries	36	341	288	1,264
Acquisition of joint ventures and associated companies	-18	-1	-62	-56
Other	-5	-	68	-33
Cash flow from investing activities	-1,221	-1,381	-4,955	-3,246
Financing activities				
New share issue	-	-	5	1,808
Loans raised	2,991	2,170	8,588	5,277
Repayment of loans	-1,949	-418	-5,042	-3,804
Dividend paid to shareholders	-201	-193	-799	-678
Other	5	8	-20	18
Cash flow from financing activities	846	1,567	2,732	2,622
Cash flow for the period	75	477	-681	483
Cash and cash equivalents at the beginning of the period	463	744	1,221	732
Exchange-rate difference in cash and cash equivalents	2	1	0	7
Cash and cash equivalents at the end of the period	541	1,221	541	1,221

Key performance data

KEY FINANCIAL DATA

	Dec 31	
	2017	2016
Return on equity, %	19.0	27.1
Equity/assets ratio, %	40.4	41.2
Net loan-to-value ratio, properties, %	57.1	55.9
Debt/equity ratio, multiple	1.3	1.3
Interest-coverage ratio, multiple	4.4	3.9

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Profit from property management per ordinary share, SEK ²	3.15	3.23	13.16	11.49
Profit after tax per ordinary share before dilution, SEK ²	3.17	5.03	19.22	23.25
Profit after tax per ordinary share after dilution, SEK ²	3.16	5.03	19.22	23.25
Equity per ordinary share, SEK ¹	101.01	86.95	101.01	86.95
Net asset value (EPRA NAV) per ordinary share, SEK ^{1,2}	112.20	93.54	112.20	93.87
Cash flow from operating activities, before changes in working capital per ordinary share, SEK	2.19	2.09	9.52	7.76
Dividend per ordinary share, SEK	1.10	1.05	4.35	3.90
Weighted average number of ordinary shares, 000s	157,728	157,728	157,728	148,149
Number of ordinary shares outstanding, 000s ¹	157,728	157,728	157,728	157,728

PROPERTY-RELATED KEY FIGURES

	Dec 31	
	2017	2016
No. of properties	472	432
Rental value, MSEK ²	3,397	2,999
Leasable area, 000s of sqm	2,918	2,627
Fair value of properties, MSEK	41,119	34,668
Property value, SEK per sqm of leasable area	14,092	13,195
Economic leasing rate, %	92.5	91.1
Surplus ratio, Jan-Dec, %	71.2	68.8
Yield, Jan-Dec, %	5.5	5.5

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Dividend per preference share, SEK	2.50	2.50	10.00	10.00
Equity per preference share, SEK ¹	162.85	162.85	162.85	162.85
Number of preference shares outstanding, 000s ¹	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	Dec 31	
	2017	2016
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	3,150	3,556
Average equity attributable to Parent Company shareholders	16,614	13,122
Return on equity, %	19.0	27.1

INTEREST-COVERAGE RATIO

MSEK	Dec 31	
	2017	2016
Profit from property management	2,186	1,812
Share in profit from joint ventures and associated companies	548	542
Depreciation/amortization	-1	-1
Financial income and expenses	-487	-440
Interest-coverage ratio, multiple	4.4	3.9

EPRA NAV

MSEK	Dec 31	
	2017	2016
Equity attributable to Parent Company shareholders	17,723	15,506
Preference share capital	1,791	1,791
Deferred tax	1,184	506
Derivatives	34	84
Deferred tax in joint ventures, Hemfosa's share	383	290
Derivatives in joint ventures, Hemfosa's share	164	212
Number of ordinary shares, millions	158	158
EPRA NAV, SEK	112.20	93.87

EQUITY/ASSETS RATIO

MSEK	Dec 31	
	2017	2016
Equity	17,807	15,570
Total assets	44,086	37,774
Equity/assets ratio, %	40.4	41.2

NET LOAN-TO-VALUE RATIO

MSEK	Dec 31	
	2017	2016
Cash and cash equivalents	541	1,221
Interest-bearing liabilities	24,033	20,606
Investment properties	41,119	34,668
Net loan-to-value ratio, %	57.1	55.9

Quarterly review

	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017	Quarter 4 2016	Quarter 3 2016	Quarter 2 2016	Quarter 1 2016
Rental income, MSEK	792	762	858	722	684	666	642	650
Property expenses								
Operating expenses, MSEK	-124	-83	-124	-158	-103	-84	-113	-133
Maintenance costs, MSEK	-71	-52	-34	-63	-67	-47	-53	-46
Property tax, MSEK	-30	-28	-25	-25	-24	-28	-23	-23
Property administration, MSEK	-18	-22	-21	-22	-18	-22	-21	-21
Net operating income, MSEK	548	576	654	455	472	485	432	428
Surplus ratio, %	69.3	75.6	76.2	62.9	69.0	72.8	67.3	65.8
Economic leasing rate, %	92.5	92.0	92.2	91.7	91.1	91.5	91.2	90.8
Yield, %	5.4	5.9	5.4	5.4	5.5	5.6	5.7	5.9
Profit from property management, MSEK	525	515	699	447	537	582	352	340
Profit from property management per ordinary share, SEK	3.15	3.09	4.25	2.66	3.23	2.23	2.23	2.30
Profit for the year, MSEK	528	775	874	986	837	1,389	703	654
Profit for the year per ordinary share, before dilution, SEK	3.17	4.73	5.31	6.02	5.02	8.59	4.62	4.59
Profit for the year per ordinary share, after dilution, SEK	3.16	4.69	5.31	6.02	5.02	8.59	4.62	4.59
Fair value of properties, MSEK	41,119	39,736	38,153	35,751	34,668	33,020	31,928	31,340
Equity, MSEK	17,807	17,303	16,517	16,496	15,570	14,731	13,236	11,429
Equity per ordinary share, SEK	101.01	97.82	92.86	92.77	86.95	81.81	72.44	70.69
EPRA NAV per ordinary share, SEK	112.20	107.55	101.93	100.89	93.87	88.40	81.58	80.61
Return on equity, % ¹	19.0	21.5	27.3	28.0	27.1	27.4	21.9	23.9
Equity/assets ratio, %	40.4	40.6	39.7	42.7	41.2	41.5	38.7	34.2
Net loan-to-value ratio, properties, %	57.1	56.8	56.4	55.5	55.9	55.0	55.6	61.8
Debt/equity ratio, multiple	1.3	1.3	1.4	1.3	1.3	1.3	1.4	1.7
Interest-coverage ratio, multiple	4.4	4.5	4.5	3.7	3.9	3.9	3.7	3.7
Cash flow from operating activities before changes in working capital, MSEK	373	433	500	312	321	357	280	301
Cash flow per ordinary share, SEK	2.19	2.57	3.00	1.81	1.86	2.09	1.82	2.01

¹ Pertains to rolling 12-month periods.

NOTE 4 TAX

The Group's effective tax rate for the year was -19.0 percent (4.7 percent). The nominal corporate tax rate is -22 percent in Sweden. The main reason for the deviation is that profit from property management includes shares in profit from joint ventures and associated companies that 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 19,418, which means that temporary differences of MSEK 12,637 are not recognized in the Statement of financial position.

In late 2016, the company made a new assessment of its loss carryforwards, which resulted in a considerable revaluation of deferred tax assets in the Group. The revaluation had a positive impact on earnings in the fourth quarter and full-year 2016. Since no new loss carryforwards were recognized in 2017, the discrepancy between the years is relatively large.

MSEK	Dec 31, 2017
Loss carryforwards	4,256
Residual value for tax purposes, properties	19,418
Temporary difference not recognized in the consolidated financial statements	12,637

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	
	Dec 31, 2017	Dec 31, 2016	Dec 31, 2017	Dec 31, 2016
Derivatives with a positive value	9	3	9	3
Derivatives with a negative value	43	87	43	87

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. During 2017, one property was acquired from Söderport. All transactions were conducted on market-based terms. At December 31, 2017, the Group had sureties of MSEK 160 (187) for the liabilities of joint ventures. At the same date, the Group had receivables of MSEK 23 from joint ventures.

NOTE 9 SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Following the close of the quarter, the specialist hospital and local medical center in Gardermoen, Norway, were completed and the tenants moved in. Hemfosa will become the sole owner of the properties during March pursuant to the agreement signed earlier in 2017.

NOTE 10 EARNINGS PER SHARE

In accordance with the AGM's resolution in April 2017, an incentive program for employees was introduced during the year. Under the program, 1,294,000 warrants were issued conferring rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022. In addition to the warrants, 61,500 synthetic options were issued, conferring rights to subscribe for shares or alternatively to a cash payment during the periods May 1-31, 2022 and August 1-31, 2022.

(MSEK)	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Profit for the period attributable to Parent Company shareholders	527	821	3,142	3,556
Dividend on preference shares	-28	-28	110	-110
Profit attributable to Parent Company ordinary shareholders before dilution	499	794	3,032	3,446
Average weighted number of ordinary shares, millions	158	158	158	148
Profit per ordinary share, before dilution, SEK	3.17	5.02	19.22	23.25
Profit per ordinary share, before dilution, SEK	3.16	5.02	19.22	23.25
Number of ordinary shares, millions	158	158	158	148
Number of warrants issued, millions	1	-	1	-
Estimated dilution, %	0.00	-	0.04	-

Income statement for the Parent Company

MSEK	Oct-Dec		Jan-Dec	
	2017	2016	2017	2016
Net sales	9	9	33	34
Other external costs	-15	-6	-47	-34
Personnel expenses	-12	-19	-32	-39
Depreciation/amortization	0	0	0	0
Operating loss	-18	-16	-46	-39
Profit from shares in Group companies	900	979	897	979
Interest income and similar income items	8	5	26	32
Interest expenses and similar expense items	-35	-13	-71	-41
Loss after financial items	855	956	806	931
Appropriations				
Group contributions received and paid	118	53	116	162
Profit/loss after appropriations	973	1008	922	1,093
Tax	0	0	0	-24
Profit for the year	972	1008	922	1,069

For the January–December 2017 fiscal year, the Parent Company recognized profit of MSEK 922 (1,069) after tax. The Parent Company's fee during the period for central and property administrative services on behalf of Group companies was MSEK 33 (34). Profit for the year total corresponds to comprehensive income for the year.

Balance sheet for the Parent Company

MSEK	Dec 31	
	2017	2016
ASSETS		
Tangible assets	1	1
Participations in Group companies	5,389	5,258
Non-current receivables from Group companies	810	477
Deferred tax assets	-	-
Total fixed assets	6,200	5,736
Current receivables from Group companies	11,427	8,898
Other current receivables	45	47
Cash and bank balances	0	671
Total current assets	11,472	9,616
TOTAL ASSETS	17,672	15,352
SHAREHOLDERS' EQUITY AND LIABILITIES		
Restricted equity	84	84
Unrestricted equity	10,207	11,033
Equity	11,214	11,117
Non-current interest-bearing liabilities	2,000	750
Non-current liabilities to Group companies	8	-
Other non-current liabilities	3	-
Total non-current liabilities	2,011	750
Current interest-bearing liabilities	100	998
Commercial paper, short-term	1,995	895
Current liabilities to Group companies	2,110	1,330
Other current liabilities	244	261
Total current liabilities	4,447	3,485
Total liabilities	6,458	4,235
TOTAL EQUITY AND LIABILITIES	17,672	15,352
Pledged assets and contingent liabilities		
<i>Pledged assets</i>		
Participations in Group companies	2,660	2,660
<i>Contingent liabilities</i>		
Sureties for liabilities in Group companies	17,353	14,273
Sureties for liabilities in joint ventures	310	187

At December 31, 2017, the Parent Company had shareholders' equity totaling MSEK 11,214 (11,117), of which restricted equity accounted for MSEK 84 (84).

Intra-Group liabilities totaled MSEK 2,118 (1,330) and intra-Group receivables MSEK 12,237 (9,375).

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 adjudged 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).



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