

Q4

Year-end
REPORT

January-December 2018

KEY FIGURES

Continuing operations	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Rental income, MSEK	683	545	2,525	2,103
Net operating income, MSEK	509	378	1,792	1,484
Surplus ratio, %	74.6	69.4	71.0	70.6
Profit from property management, MSEK	364	277	1,204	1,173
- per ordinary share, SEK	2.00	1.58	6.52	6.74
Profit after tax, MSEK	454	250	2,030	1,949
- per ordinary share before dilution, SEK	2.54	1.41	11.97	11.66
- per ordinary share after dilution, SEK	2.54	1.41	11.95	11.65
Cash flow from operating activities, MSEK	674	449	961	1,065
- per ordinary share, SEK	3.85	2.96	5.07	6.05
Property value, SEK billion			36.0	29,1
Net asset value (EPRA NAV) per ordinary share			75.11	83,97
Equity/assets ratio, %			35.4	41,1

- Rental income amounted to MSEK 683 (545) for the quarter and MSEK 2,525 (2,103) for the period. Net operating income amounted to MSEK 509 (378) for the quarter and MSEK 1,792 (1,484) for the period.
- Profit from property management amounted to MSEK 364 (277) for the quarter, up 31 percent, corresponding to SEK 2.00 per ordinary share (1.58), and to MSEK 1,204 (1,173) for the period, corresponding to SEK 6.52 per ordinary share (6.74). Profit from property management for the year-earlier period was impacted by a significant increase in value of part-owned properties, recognized in share in profit from joint ventures.
- Profit after tax amounted to MSEK 454 (250) for the quarter, corresponding to SEK 2.54 per ordinary share before dilution (1.41), and to MSEK 2,030 (1,949) for the period, corresponding to SEK 11.97 per ordinary share before dilution (11.66).
- Net asset value (EPRA NAV) per ordinary share was SEK 75.11 at December 31, 2018. The decrease is attributable to the demerger process of the Hemfosa group.
- The earnings capacity at December 31, 2018 amounted to MSEK 1,360.
- The Board proposes a dividend of SEK 2.40 per ordinary share, with quarterly payment of SEK 0.60 per share, as well as a dividend of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per preference share.

Significant events during and after the quarter

- In October, possession was taken of a newly built property in Huddinge with Internationella Engelska Skolan as tenant. The underlying property value amounts to MSEK 160 with a rental value of MSEK 11.
- Hemfosa signed an agreement for the acquisition of four LSS homes from Emrahus in Borås, Uddevalla, Örebro and Lund. The underlying property value was MSEK 103 with a total rental value of slightly more than MSEK 6. Possession was taken of two of the properties in October and possession of the other two properties is scheduled to take place in March after the properties have been completed.
- In December, possession was taken of three modern health-care properties in Vänersborg, Uddevalla and Stenungsund, with an underlying property value of MSEK 109 MSEK and a total rental value of MSEK 8. The largest tenants are the Västra Götaland region and the Vänersborg municipality.
- In Norway, possession was taken of two office properties in December, with an underlying property value of MNOK 350 and a total leasable area of 12,000 square meters. The largest tenant is the Norwegian Directorate for Civil Protection (DSB).
- The subsidiary Nyfosa AB was distributed to ordinary shareholders and listed on Nasdaq Stockholm Large Cap and its first day of trading was November 23, 2018.
- On January 24, 2019, Hemfosa presented an updated strategy and new financial targets for the Group. The growth target is for the property portfolio to grow to SEK 50 billion within five years and distributable earnings per share to increase on average by a minimum of 10 percent per year over these five years.

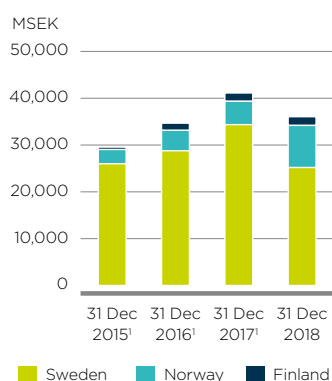


The information in this report refers to Hemfosa excluding Nyfosa, Continuing operations, unless otherwise stated. Nyfosa is recognized in this report as *Operations distributed to shareholders* in accordance with IFRS 5 and IFRIC 17. This means that Nyfosa's profit for the period is recognized on a separate line in the consolidated statement of profit/loss and comprehensive income. For more information, refer to Note 1 Accounting policies on page 18 and Note 11 Operations distributed to shareholders on page 20.

This is HEMFOSA

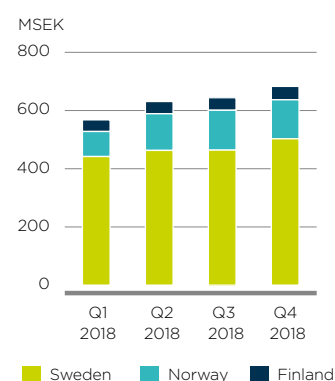
Hemfosa combines long-term management and development of a growing property portfolio with the acquisition and development of community service properties. The aim is to strengthen the company's position as the leading Nordic player in community service properties and create the right premises for Hemfosa's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

Fair value



¹ Including Nyfosa

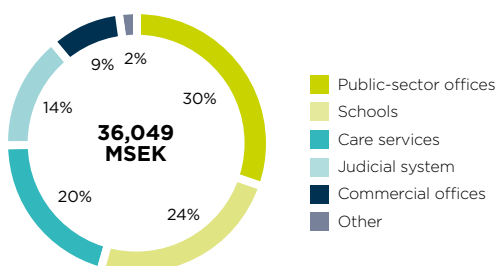
Rental income



Hemfosa will be there to serve the community

Property value per category

Dec 31, 2018



SEK 9.0 BILLION
Property value Norway

SEK 1.9 BILLION
Property value Finland

SEK 25.1 BILLION
Property value Sweden

GROWTH TARGETS

- Grow to SEK 50 billion in property value within five years
- Distributable earnings per share will increase on average by a minimum of 10 percent per year

DIVIDEND POLICY

- The dividend will amount to approximately 40 percent of distributable earnings

FINANCIAL RISK LIMITATIONS

- The loan-to-value ratio is to amount to approximately 60 percent
- The equity/assets ratio is to amount to at least 30 percent
- The interest-coverage ratio is to be at least a multiple of 2

COMMENTS FROM THE CEO

Evolution

We started 2019 by presenting our business plan containing an updated strategy and new financial targets. We can also report a positive 2018 with increased profit from property management combined with a stable financial position. This is a solid platform for the work we have ahead of us now, when we aim to grow from SEK 36 to SEK 50 billion in property value within five years.

PROFITABLE GROWTH

With the distribution of Nyfosa, we have left the opportunistic approach behind us and are now setting our sights on structured growth with our first target set at SEK 50 billion in property value within five years, coupled with healthy profitability and continued low risk. We view our path ahead as an evolution, where we will preserve and develop the robust platform that already exists in Hemfosa while also adding many new elements. Together this will make us even stronger.

SPECIALIZING IN COMMUNITY SERVICE PROPERTIES

One of the new additions is an even clearer specialization in community service properties. But greater focus will also be directed to a long-term approach and sustainability as integrated parts of the business. We will also combine the entrepreneurial spirit of the organization with greater structure to upscale the operation while retaining agility. An example of this is packaging our expertise in such areas as schools and residential care facilities into concepts. These concepts will clarify our offering as a long-term property owner and manager, and be based on our experience of how buildings can best support the operations of our tenants.

We continuously see the positive effects of our long-term approach to working with our customer relationships. An example of this can be seen in the Karolinen property in Karlstad. The municipality initially leased about 500 sqm, but gradually increased this floor space with new municipal operations and it now leases about 7,000 sqm. We will soon welcome the upper-secondary school administration that will co-locate with the children and young people's administration that is already a tenant in the building. Discussions are also being held on additional floor space that the municipality would like to lease.



As a result of the productive dialog with the Municipality of Karlstad, we also remodeled the adjacent property Mätaren from an office hotel into a municipal preschool. This type of property development is constantly under way in our regions where the property management organization is doing a fantastic job at building close relationships with our tenants.

ACQUISITIONS AND PROJECTS IN A GROWING MARKET

The need for community service properties is increasing in our markets, with a growing population and higher number of younger and older people. The number of preschools, schools and residential care facilities needs to increase sharply. It is a difficult situation for municipalities and county councils and this is where Hemfosa can be involved and contribute to resolving the growing needs by undertaking new construction, but also by taking over ownership when municipalities want to free up resources.

In light of this, we can see that Hemfosa has the conditions in place to achieve the ambitious growth in the property portfolio and the profitability that we have set as our targets. We believe that the vast majority of growth will take place through acquisitions of properties in all markets. We will focus intently on growing in Finland to approach the same strong position that we have in Norway and Sweden.

Project development will represent an increasing share of our growth. We expect about one-third of growth during the period to be linked to projects, from minor adjustments to large-scale expansions and new builds, always with leases signed before the project commences. We will carry out our strategic partnerships with established players but also increasingly by ourselves as we establish a larger in-house project organization.

WELL-POSITIONED

Targets and strategies are now in place and our market is filled with opportunities. We are already working hard on evaluating attractive transactions in all three markets and have several new projects ready to start. Our organization has highly dedicated employees who now want to build Hemfosa 2.0 with smart business, healthy relationships and attractive premises for the most important people in society. Hemfosa is well-positioned to capitalize on all of the exciting opportunities and I look forward, together with my colleagues, to realizing our plan going forward.

Caroline Arehult
CEO

Operational DEVELOPMENT

JANUARY-DECEMBER 2018

Earnings from continuing operations

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Rental income	683	545	2,525	2,103
Net operating income	509	378	1,792	1,484
Surplus ratio, %	74.6	69.4	71.0	70.6
Profit from property management excl. shares in profit of joint ventures and associated companies	362	243	1,180	986
Profit from property management incl. shares in profit of joint ventures and associated companies	364	277	1,204	1,173
Changes in value of properties	206	88	1,305	1,275
Changes in value of financial instruments	-26	14	-14	44
Tax	-89	-129	-466	-544
Profit	454	250	2,030	1,949

Net operating income

Rental income for the year totaled MSEK 2,525 (2,103). The increase of 18 percent was attributable to a larger property portfolio, lease renegotiations, the signing of new leases and indexation according to leases. Property expenses amounted to MSEK 652 (562) and costs for property administration to MSEK 82 (56). The cost increase is largely attributable to the demerger process of the Hemfosa Group. The surplus ratio was 71.0 percent (70.6). The yield for the entire portfolio was 5.4 percent (5.4).

Profit from property management

Central administration costs totaled MSEK 141 (128). The cost increase is largely attributable to the demerger process of the Hemfosa Group.

Financial expenses totaled MSEK 514 (381). The increase in financial expenses was mainly due to a larger loan stock and to other financial expenses being charged with costs for such items as the repayment of interest-rate swaps in conjunction with the implemented refinancing. At December 31, the average interest rate in the loan portfolio was 2.05 percent (1.94).

Profit from property management excluding shares in profit from joint ventures and associated companies amounted to MSEK 1,180 (986).

The share in profit from joint ventures and associated companies amounted to MSEK 24 (187). In the year-earlier period, this item included significant changes in the value of properties.

Tax

The tax expense for the year totaled MSEK 466 (545), of which MSEK 333 (415) was due to changes in deferred tax liabilities attributable to investment properties. The effective tax rate for Hemfosa for the period was 18.7 percent (21.9). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to the deferred tax being calculated at a rate of 20.6 percent, refer to Note 5, and to the share in profit from joint ventures comprising profit after tax.

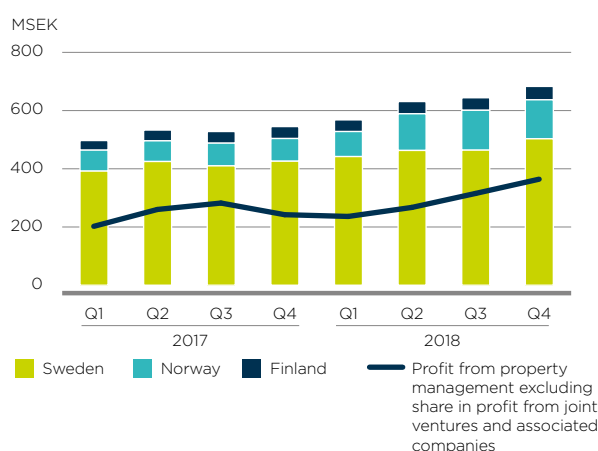
Profit

Earnings per ordinary share

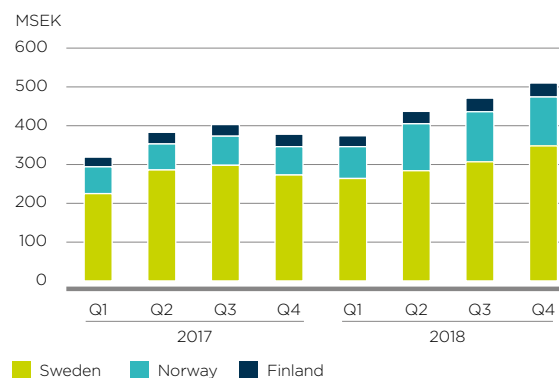
MSEK **2,030**
(1,949)

SEK **11.97**
(11.66)

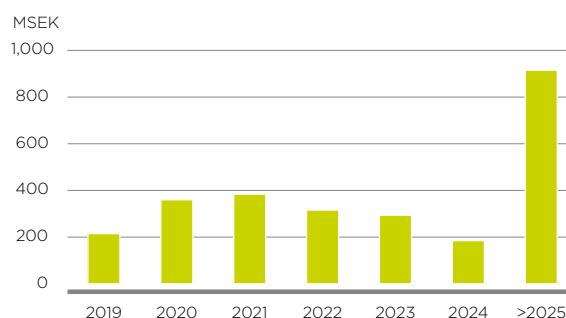
Rental income and profit from property management per quarter by market



Net operating income per quarter by market



Maturity structure of leases at December 31, 2018



PROPERTY portfolio

Hemfosa's business model is to combine long-term management with the acquisition and development of properties and efficient financing – all with the aim of strengthening the company's position as the leading Nordic player in community service properties.

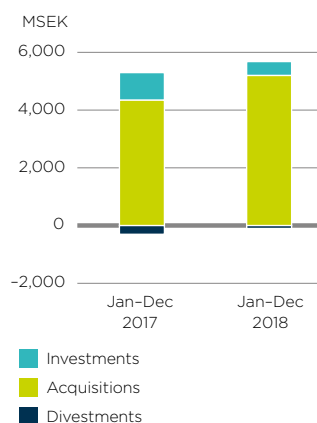
The objective is to continue to develop an extensive and balanced property portfolio with a stable and high yield and to increase the value of the existing properties.

CHANGES IN PROPERTY PORTFOLIO

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

MSEK	Sweden		Norway		Finland		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Opening value for the year	22,346	18,795	4,988	4,359	1,772	1,531	29,106	24,685
Acquired properties	1,781	1,883	3,419	592	-	177	5,198	2,652
Investments in existing properties	408	691	68	2	6	13	482	705
Divested properties	-67	-24	-	-	-	-	-67	-18
Realized changes in value in profit or loss for the period	-2	0	-	-	-	-	-2	-6
Unrealized changes in value in profit or loss for the period	729	1,002	575	281	1	2	1,307	1,281
Translation differences	-	-	-51	-246	77	49	25	-193
Closing fair value	25,194	22,346	8,999	4,988	1,856	1,772	36,049	29,106

Acquisitions, investments and divestments



Changes in property portfolio

Properties were acquired for MSEK 5,198 and the largest acquisitions were the specialist hospital in Gardermoen together with the portfolio of properties in Örebro, Falun, Härnösand and Sollefteå acquired from Klövern.

Investments of MSEK 482 were made in existing properties, mostly comprising tenant-specific modifications in Sweden.

Unrealized changes in value amounted to MSEK 1,307, with Norwegian properties increasing the most in value in relative terms.

Acquisitions and divestments

During the quarter, possession was taken of two properties in Norway and six in Sweden. The total underlying property value was almost MSEK 700 and the total leasable area 23,000 square meters. Acquisitions during the quarter contribute a rental value of slightly more than MSEK 40 per year.

Acquisitions, January-December 2018

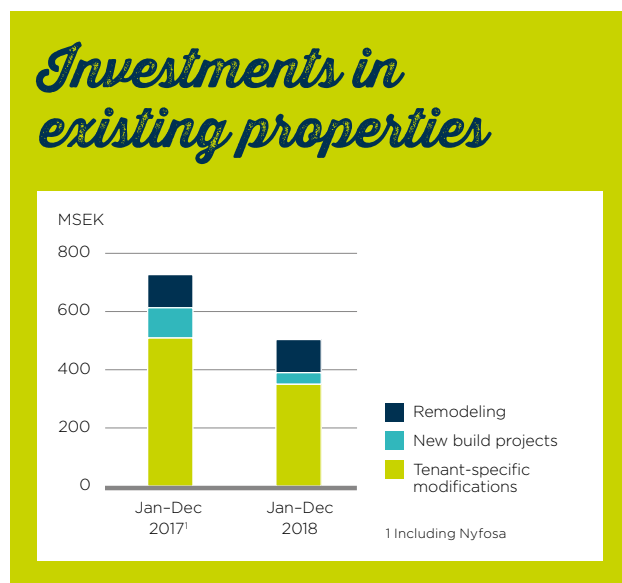
Municipality	Property	Area, 000s of sqm	Rental value, MSEK
<i>Quarter 1</i>			
Helsingborg	Möllarp 1:57	1	1
Gardermoen, Norway	Ullensaker 136/158, Ullensaker 136/160	37	124
Bergen, Norway	Kalfarveien 72,76,78,82 Fjellmagasinet	29	34
<i>Quarter 2</i>			
Örebro	Norra Bro 5:26	1	1
Sollentuna	Hallonet 1, Hultet 5, Morteln 1, Rotebro 2, Rotebro 3:4, Rotstocken 2, Vinbäret 1, Vinguden 1, Vinkeljärnet 78	12	21
Stavanger, Norway	Jærveien 12	3	4
<i>Quarter 3</i>			
Kungsbacka	Hede 1:53	5	5
Örebro, Falun, Härnösand, Sollefteå	Kvarnberget 1:6, Falun 8:9, Ädelstenen 6, Seminariet 16, Remsle 13:64, Vindhjulet 3, Ön 2:41	152	141
Norway	Njøsavegen 2	6	11
Norway	Fjørevegen 20	4	4
<i>Quarter 4</i>			
Norway	Rambergveien 5, 9	12	20
Stenungsund	Höga 2:152	1	3
Uddevalla	Simmersröd 1:4	1	3
Vänersborg	Niklasberg 13	2	2
Falun	Bataljonen 14	1	1
Huddinge	Lunnaren 1	5	11
Västerås	Nyckelön 1:51	1	1

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 properties is a 52,000-square-meter property in Haninge (Najaden), where large-scale remodeling and upgrading is in progress. A new zoning plan has been formulated, which makes it possible to establish community service operations on the property, such as retirement homes and schools, in addition to the existing premises in the property. The project is scheduled for completion in 2019.

A conversion project to create activity-based offices for the Swedish Prison and Probation Service in Norrköping was completed during the quarter. The investment amounted to MSEK 74 and the tenant moved into the premises in January 2019.



Major ongoing projects, December 31, 2018

Municipality	Property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Retirement homes, etc.	52	360	Q4, 2019
Gothenburg	Gamlestaden 2:10	Public-sector tenant	3	114	Q4, 2020
Västerås	Sigurd 6	City of Västerås	8	250	Q1, 2021

Unrealized changes in value

The unrealized change in the value of the property portfolio during the period was MSEK 1,307 (1,281). The total unrealized change in value for the quarter was MSEK 206 (91), corresponding to 0.6 percent of the opening property value. The change in value was negatively impacted by the weakening of the NOK during the quarter. Calculated in local currency, the change in value for the quarter was 1.0 percent.

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

The weighted yield requirement was 5.8 percent (5.9), and was 5.8 percent at the previous valuation date of September 30, 2018. The weighted cost of capital for calculating the present value of cash flow and residual value was 7.0 percent (6.7) and 8.1 percent (8.1), respectively.

Property portfolio at December 31

	Schools		Care services		Judicial system		Public-sector offices ³		Commercial offices		Other		Total	
	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹	2018	2017 ¹
Rental value, MSEK	680	576	474	330	420	403	884	744	299	892	70	452	2,826	3,397
Leasable area ² , 000s sqm	494	432	319	275	278	278	645	564	248	728	75	641	2,059	2,918
Fair value of properties, MSEK	8,765	7,784	7,326	4,456	5,131	4,803	10,789	8,928	3,219	9,837	818	5,311	36,049	41,119
No. of properties	94	77	128	120	41	41	76	71	23	82	19	81	381	472
Economic leasing rate, %	93.8	93.7	98.5	95.0	95.5	95.6	95.1	94.7	85.0	89.0	98.3	89.3	94.4	92.5
Remaining lease term, years	8.5	9.2	12.4	8.5	4.0	4.3	4.4	4.2	3.9	3.8	4.3	5.2	6.6	5.5

¹ Including Nyfosa

² Excluding garage

³ Offices where, directly or indirectly, publicly financed tenants account for the vast majority of the rental income.

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

Group's earnings capacity

MSEK	Dec 31, 2018
Rental income	2,666
Property expenses	-636
Property administration	-67
Net operating income	1,963
Central administration	-120
Share in profit from joint ventures and associated companies	12
Financial expenses	-495
Profit from property management	1,360

the aim of presenting annualized income and expenses based on the property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions. The yield according to earnings capacity was 5.4 percent (5.6).

Sensitivity analysis, December 31, 2018

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/-1	+/-27
Economic leasing rate according to earnings capacity	+/-1	+/-27
Property expenses according to earnings capacity	+/-1	+/-7
Net operating income according to earnings capacity	+/-5	+/-98
Changed exchange rate NOK/SEK	+/-5	+/-17
Changed exchange rate EUR/SEK	+/-5	+/-5

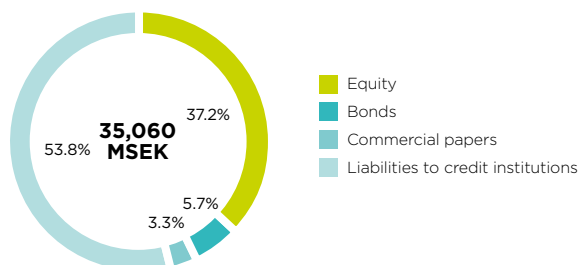
CALCULATION BASIS

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

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

Financing

Breakdown of sources of financing, December 31, 2018



INTEREST-BEARING LIABILITIES

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

During the fourth quarter of 2018, new bank loans totaling MSEK 326 were raised to refinance properties that were acquired during the quarter and existing properties. Commercial paper totaling MSEK 500 was extended and MSEK 400 was redeemed during the quarter. At the end of the period, Hemfosa had outstanding commercial paper of MSEK 1,150 and non-covered bonds of MSEK 2,000. The company has backup facilities for the outstanding commercial paper, most of which is covered.

Change in loan portfolio

MSEK	Jan-Dec	
	2018	2017 ²
Interest-bearing liabilities at the beginning of the period	24,110	20,666
New bank loans	13,268	5,521
Repayment of bank loans	-8,614	-3,794
Redemption of commercial paper	-845	-
Issue of commercial paper	-	1,100
Issue of bonds	-	1,973
Redemption of bonds	-473	-1,248
Exchange-rate difference	44	-108
Changes attributable to Nyfosa that has been distributed to shareholders	-5,463	-
Interest-bearing liabilities at the end of the period¹	22,027	24,110

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

² Including Nyfosa

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, 2018, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,906 (4,706) and interest-rate caps MSEK 8,232 (11,405). Most of the interest-rate swaps had a negative fair value at December 31, 2018.

Key performance data concerning the loan portfolio

	Dec 31	
	2018	2017 ²
Net loan-to-value ratio, %	58.2	57.1
Average interest rate, %	2.05	1.94
Average remaining fixed-rate period, years	1.5	1.5
Average remaining loan maturity period, years	2.8	2.3
Interest-rate hedged portion of liabilities, %	59.8	69.1
Fair value of derivatives, MSEK	-27	-34

² Including Nyfosa

Fixed-rate period distributed by instrument, December 31, 2018

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate caps, MSEK	Amount, MSEK	Proportion, %
<1 year	21,985	-4,409	-6,321	11,255	51
1-2 years	4	690	3,634	4,327	20
2-3 years	-	200	1,511	1,711	8
3-4 years	-	0	1,177	1,177	5
4-5 years	-	3,519	-	3,519	16
>5 years	38	-	-	38	0
Total	22,027	-	-	22,027	100

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

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, neg. value, MSEK ²	Net interest, derivatives, pos. value, MSEK ²	Total interest, MSEK
2019	2,863 ¹	13%	406	35	-	441
2020	5,958	27%	306	34	-	340
2021	2,733	12%	230	33	-	262
2022	2,470	11%	173	32	-	206
2023	7,902	36%	48	11	-	59
>2024	100	0%	33	-	-	33
Total	22,027	100%	1,197	144	-	1,341

¹ Taking into account backup facilities of SEK 2 billion that secure the commercial paper loans

² The net rate is attributable to interest-rate swaps with negative value, according to IAS 39

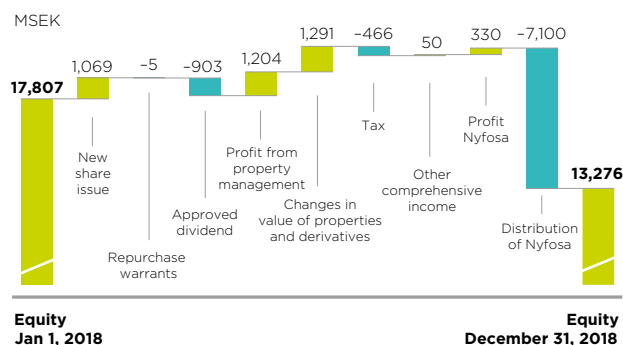
Sensitivity analysis, December 31, 2018

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+100 / -38
Interest expenses assuming change in average interest rate ²	+/-1	+/-220
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/-1	+/-161

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

Changes in equity during the period



Equity
Jan 1, 2018

Equity
December 31, 2018

CURRENCY EXPOSURE

The ownership of properties in Norway and Finland exposes the Group to currency risk. To limit currency exposure, funding for the Norwegian and Finnish properties takes place in local currency. At present, Hemfosa does not hedge its net equity exposure.

The NOK weakened during the quarter so that the closing rate was almost 7 percent lower than at the end of the preceding quarter. This had a negative impact of MSEK 125 on equity and MSEK 539 on the property value. The NOK strengthened 5 percent in January 2019 compared with year-end.

Currency exposure

MSEK	Dec 31	
	2018	2017
Exposure in EUR	91	82
Exposure in NOK	3,455	2,707

Sensitivity analysis, December 31, 2018

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/-10	+/-94
Changes in SEK/NOK exchange rates	+/-10	+/-354

CASH FLOW

Cash flow from operating activities for the period totaled MSEK 961 (1,065).

Investing activities impacted cash flow in the amount of MSEK -4,836 (-3,264), mainly comprising direct and indirect acquisitions and divestments of properties. The net of acquisitions and divestments amounted to MSEK -5,119 (-2,577) and investments in existing properties amounted to MSEK -503 (-696).

Financing activities had an impact of MSEK 3,213 (1,611) on cash flow for the period. The net change in bank loans was MSEK 3,038 (2,425). During the period, MSEK 876 (799) was paid in dividends to shareholders. The new share issue generated proceeds of MSEK 1,069 after issue expenses.

Overall, the change in cash and cash equivalents for the period was MSEK 662 (-588).

Cash flow

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Cash flow from operating activities, continuing operations	674	495	961	1,065
Cash flow from investing activities, continuing operations	-830	-805	-4,836	-3,264
Cash flow from financing activities, continuing operations	-381	409	3,213	1,611
Total cash flow	-537	99	-662	-588

Available liquidity

MSEK	Dec 31	
	2018	2017
Cash and cash equivalents	974	541
Unutilized overdraft facilities	527	450
Total	1,501	991

Other

DISTRIBUTION OF NYFOSA

Hemfosa's extraordinary general meeting on 13 September 2018 resolved in accordance with the proposal of the Board of Directors to distribute all shares in the subsidiary Nyfosa, Corp. Reg. No. 559131-0833, to Hemfosa's ordinary shareholders. The distribution was carried out in the fourth quarter and Nyfosa AB was listed on Nasdaq Stockholm Large Cap and its first day of trading was November 23, 2018.

UPDATED STRATEGY AND NEW FINANCIAL TARGETS

On January 24, 2019, Hemfosa presented an updated strategy, new financial targets and dividend policy for the Group. The growth target is for the property portfolio to grow to SEK 50 billion within five years and distributable earnings per share to increase on average by a minimum of 10 percent per year over these five years. The dividend is to amount to approximately 40 percent of distributable earnings comprising profit from property management, excluding the share in profit in joint ventures and after tax.

DIVIDEND PROPOSAL

For the 2018 fiscal year, the Board proposes that the AGM resolve to pay a dividend to ordinary shareholders of SEK 2.40 per ordinary share with quarterly payment of SEK 0.60 per share, as well as a dividend to preference shareholders of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per share. The proposed dividend corresponds to 46 percent of distributable earnings.

DIVIDEND POLICY

The dividend is to amount to approximately 40 percent of distributable earnings. Distributable earnings comprises profit from property management, excluding the share in profit from joint ventures and associated companies and after tax.

THE SHARE AND SHAREHOLDERS

Hemfosa'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.

On June 19, 2018, Hemfosa carried out a directed share issue comprising 10,000,000 ordinary shares. On account of the directed share issue, the company increased its share capital by SEK 5,000,000, which thereafter amounts to SEK 89,364,124. The company received a capital infusion totaling MSEK 1,085 before issue expenses.

At December 31, 2018, the number of Hemfosa shares was 178,728,248, of which 167,728,249 were ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 168,828,248.9. Each ordinary share carries one voting right and each preference share one tenth of a voting right.

The last price paid on December 28, 2018 was SEK 69.90 for the ordinary share and SEK 170.00 for the preference share. Total market capitalization was MSEK 13,594. At December 31, 2018, Hemfosa had 26,288 shareholders, of whom Swedish investors, institutions and private individuals owned 44.9 percent of the shares and 43.1 percent of the voting rights. International institutional investors owned 28.5 percent of the shares and 29.7 percent of the votes. Other and anonymous investors owned 26.6 percent of the shares and 27.2 percent of the voting rights

Ownership structure, December 31, 2018

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Swedbank Robur funds	9,846,942	-	5.5	5.8
Kåpan Pensioner Försäkringsförening	8,716,274	-	4.9	5.2
Länsförsäkringar Fondförvaltning AB	7,838,012	-	4.4	4.6
Vanguard	5,043,773	529,765	3.1	3.0
Fourth AP Fund	4,767,825	-	2.7	2.8
Norges Bank	4,651,675	-	2.6	2.8
BlackRock	4,464,267	-	2.5	2.6
ICA-handlarnas Förbund	4,344,349	-	2.4	2.6
Handelsbanken Fonder	4,240,000	-	2.4	2.5
Other	113,815,132	10,470,234	69.5	68.1
Total	167,728,249	10,999,999	100.0	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen). The verification date may vary for foreign shareholders. Updated on December 31, 2018.

ASSURANCE BY THE BOARD AND THE CHIEF EXECUTIVE OFFICER

The Board and the Chief Executive Officer give their 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 15, 2019
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Bengt Kjell
Chairman of the Board

Caroline Arehult
Chief Executive Officer

Gunilla Högbom
Board member

Anneli Lindblom
Board member

Per-Ingemar Persson
Board member

Caroline Sundewall
Board member

Ulrika Valassi
Board member

This interim report has not been audited.

The information is such that Hemfosa Fastigheter AB (publ) is obligated to disclose in accordance with the EU Market Abuse Regulation. The information was issued for publication under the auspices of the CEO on February 15, 2019 at 7:30 a.m. CET.

FINANCIAL CALENDAR

Annual Report for 2018	Week of April 1, 2019
Interim report January–March 2019	May 7, 2019
Annual General Meeting 2019	May 7, 2019
Interim report, January–June 2019	July 16, 2019
Interim report January–September 2019	October 25, 2019

CONTACT INFORMATION

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Condensed FINANCIAL STATEMENTS

Consolidated statement OF PROFIT/LOSS AND COMPREHENSIVE INCOME

Continuing operations MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Rental income	683	545	2,525	2,103
Property expenses				
Operating expenses	-90	-86	-403	-342
Maintenance costs	-45	-50	-175	-154
Property tax	-19	-19	-74	-66
Property administration	-19	-13	-82	-56
Net operating income	509	378	1,792	1,484
Central administration	-38	-41	-141	-128
Other operating income and expenses	37	4	43	11
Share in profit of joint ventures	0	15	2	168
Share in profit of associated companies	2	19	22	19
Financial income and expenses	-147	-99	-514	-381
Profit from property management	364	277	1,204	1,173
Changes in value of properties, realized	-	-3	-2	-6
Changes in value of properties, unrealized	206	91	1,307	1,281
Changes in value, financial instruments	-26	14	-14	44
Profit before tax for the year	543	379	2,495	2,493
Tax for the year	-89	-129	-466	-544
Profit after tax for the year	454	250	2,030	1,949
<i>Discontinued operations</i>				
Profit after tax from				
Nyfosa to be distributed to shareholders	100	278	1,407	1,215
Result on distribution of Nyfosa	-1,077	-	-1,077	-
Profit/loss for the year	-523	528	2,360	3,163
Other comprehensive income				
Translation differences when translating foreign operations	-215	-29	50	-104
Comprehensive income for the year	-738	499	2,409	3,059
<i>Profit for the year attributable to:</i>				
Parent Company shareholders	-530	527	2,327	3,142
Non-controlling interests	7	1	31	21
Profit/loss for the year	-523	528	2,360	3,163
<i>Comprehensive income for the year attrib- utable to:</i>				
Parent Company shareholders	-737	499	2,378	3,042
Non-controlling interests	-1	0	31	18
Comprehensive income for the year	-738	499	2,409	3,059
Profit for the year per ordinary share, before dilution, SEK	-2.54	1.41	11.97	11.66
Profit for the year per ordinary share, after dilution, SEK	-2.54	1.41	11.95	11.65
Profit for the year for continuing operations per ordinary share, before dilution, SEK	-5.82	1.76	2.06	7.70
Profit for the year for continuing operations per ordinary share, after dilution, SEK	-5.82	1.76	2.06	7.70
Profit for the year for distributed opera- tions per ordinary share, before dilution, SEK	-3.28	3.17	14.02	19.22
Profit for the year for distributed opera- tions per ordinary share, after dilution, SEK	-3.28	3.16	14.01	19.21

Consolidated statement OF FINANCIAL POSITION

MSEK	Dec 31	
	2018	2017 ¹
ASSETS		
Investment properties	36,049	41,119
Shares in joint ventures	60	2,096
Shares in associated companies	164	123
Other fixed assets	13	17
Total fixed assets	36,286	43,355
Current receivables	200	190
Cash and cash equivalents	974	541
Total current assets	1,174	731
TOTAL ASSETS	37,459	44,086
EQUITY AND LIABILITIES		
Equity attributable to Parent Company shareholders	13,134	17,723
Non-controlling interests	143	85
Equity	13,276	17,807
Non-current interest-bearing liabilities	17,657	15,139
Other non-current liabilities	33	52
Deferred tax liabilities	1,229	1,184
Total non-current liabilities	18,919	16,375
Current interest-bearing liabilities	4,287	8,894
Other current liabilities	977	1,010
Total current liabilities	5,264	9,904
Total liabilities	24,183	26,279
TOTAL EQUITY AND LIABILITIES	37,459	44,086

¹ Including Nyfosa

Consolidated statement of CHANGES IN EQUITY

MSEK	Equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
Opening equity Jan 1, 2017	15,506	64	15,570
New issue, ordinary shares	-26 ²	-	-26 ²
Issue of warrants	5	-	5
Dividend, ordinary shares	-694	-	-694
Dividend, preference shares	-110	-	-110
Change in holdings without significant non-controlling interests	-	3	3
Comprehensive income, Jan-Dec 2017	3,042	18	3,059
Closing equity Dec 31, 2017	17,723	85	17,807
Opening equity Jan 1, 2018	17,723	85	17,807
New issue, ordinary shares	1,069 ³	-	1,069 ³
Repurchase of subscription warrants	-5	-	-5
Dividend, ordinary shares	-793	-	-793
Dividend, preference shares	-110	-	-110
Distribution of Nyfosa	-7,100	-	-7,100
Other	-3	-	-3
Change in holdings without significant non-controlling interests	-24	28	4
Comprehensive income, Jan-Dec 2018	2,378	31	2,409
Closing equity Dec 31, 2018	13,134¹	143	13,276

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.

3 The amount includes costs for raising capital of MSEK 16.

STATEMENT OF CASH FLOW for the Group

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Operating activities				
Profit from property management	364	277	1,204	1,173
Adjustments for non-cash items	17	-38	-9	-187
Income tax paid	0	2	-10	-3
Subtotal	381	241	1,185	983
Change in operating receivables	-2	217	83	4
Change in operating liabilities	295	37	-307	78
Cash flow from operating activities for Nyfosa that has been distributed to shareholders	-	-46	1,155	477
Cash flow from operating activities	748	449	2,116	1,542
Investing activities				
Direct and indirect acquisition of investment properties	-698	-627	-5,185	-2,565
Direct and indirect divestment of investment properties	-	-4	66	-12
Investments in existing properties	-134	-154	-503	-696
Acquisition of joint ventures and associated companies	-	-18	-18	-62
Other	2	-2	804	71
Cash flow from investing activities for Nyfosa that has been distributed to shareholders	-68	-416	-2,457	-1,691
Cash flow from investing activities	-898	-1,221	-7,293	-4,955
Financing activities				
New issue	-	-	1,069	-
Loans raised	328	2,397	12,954	6,552
Repayment of loans	-480	-1,793	-9,916	-4,127
Dividend paid to Parent Company shareholders	-229	-200	-876	-799
Other	-	5	-18	-15
Cash flow from financing activities for Nyfosa that has been distributed to shareholders	-319	437	2,394	1,121
Cash flow from financing activities	-700	846	5,607	2,732
Cash flow for the period	-850	74	430	-681
Cash and cash equivalents at the beginning of the period	1,827	464	541	1,221
Exchange-rate difference in cash and cash equivalents	-2	2	4	0
Cash and cash equivalents at the end of the period	974	541	974	541

Key performance data

KEY FINANCIAL DATA

	Dec 31	
	2018	2017 ¹
Return on equity, %	15.1	19.0
Equity/assets ratio, %	35.4	40.4
Net loan-to-value ratio, properties, %	58.2	57.1
Debt/equity ratio, multiple	1.7	1.3
Interest-coverage ratio, multiple	3.3	3.6

SHARE-RELATED KEY FIGURES, ORDINARY SHARES

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Profit from property management per ordinary share ²	2.00	1.58	6.52	6.74
Profit after tax continuing operations per ordinary share before dilution, SEK	2.54	1.41	11.97	11.66
Profit after tax continuing operations per ordinary share after dilution, SEK	2.54	1.41	11.95	11.65
Equity per ordinary share, SEK ¹			67.62	101.01 ³
Net asset value (EPRA NAV), SEK per ordinary share ^{1,2}			75.11	112.20 ³
Cash flow from operating activities, continuing operations, per ordinary share, SEK	3.85	2.96	5.07	6.05
Dividend per ordinary share, SEK	1.20	1.10	4.70	4.35
Weighted average number of ordinary shares, 000s	167,728	157,728	167,728	157,728
Number of ordinary shares outstanding, 000s ¹	167,728	157,728	167,728	157,728

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	
	2018	2017 ¹
Profit after tax over a rolling 12-month period, attributable to Parent Company shareholders	2,328	3,150
Average equity attributable to Parent Company shareholders	15,428	16,614
Return on equity, %	15.1	19.0

EPRA NAV

MSEK	Dec 31	
	2018	2017 ¹
Equity attributable to Parent Company shareholders	13,134	17,723
Preference share capital	1,791	1,791
Deferred tax	1,229	1,184
Derivatives	27	34
Deferred tax in joint ventures, Hemfosa's share	-	383
Derivatives in joint ventures, Hemfosa's share	-	164
Number of ordinary shares, millions	168	158
EPRA NAV, SEK	75.11	112.20

NET LOAN-TO-VALUE RATIO

MSEK	Dec 31	
	2018	2017 ¹
Cash and cash equivalents	974	541
Interest-bearing liabilities	21,944	24,033
Investment properties	36,049	41,119
Net loan-to-value ratio, %	58.2	57.1

PROPERTY-RELATED KEY FIGURES

	Dec 31	
	2018	2017 ¹
No. of properties	381	472
Rental value, MSEK ²	2,826	3,397
Leasable area, 000s of sqm	2,059	2,918
Fair value of properties, MSEK	36,049	41,119
Property value, SEK per sqm of leasable area	17,508	14,092
Economic leasing rate, %	94.4	92.5
Surplus ratio, Jan-Dec, %	71.0	70.6 ⁴
Yield, Jan-Dec, %	5.4	5.4

SHARE-RELATED KEY FIGURES, PREFERENCE SHARES

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
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.

3 Including Nyfosa

4 Hemfosa excluding Nyfosa

INTEREST-COVERAGE RATIO

MSEK	Dec 31	
	2018	2017
Profit from property management	1,204	1,173
Share in profit from joint ventures and associated companies	24	187
Depreciation/amortization	1	-1
Financial income and expenses	-514	-381
Interest-coverage ratio, multiple	3.3	3.6

EQUITY/ASSETS RATIO

MSEK	Dec 31	
	2018	2017 ¹
Equity	13,276	17,807
Total assets	37,459	44,086
Equity/assets ratio, %	35.4	40.4

DEBT/EQUITY RATIO

MSEK	Dec 31	
	2018	2017 ¹
Interest-bearing liabilities	21,944	24,033
Equity	13,276	17,807
Debt/equity ratio, multiple	1.7	1.3

1 Including Nyfosa

Quarterly review

	Quarter 4 2018	Quarter 3 2018	Quarter 2 2018	Quarter 1 2018	Quarter 4 2017	Quarter 3 2017	Quarter 2 2017	Quarter 1 2017
Rental income, MSEK	683	642	632	568	545	528	532	497
Property expenses								
Operating expenses, MSEK	-90	-82	-110	-120	-86	-55	-97	-104
Maintenance costs, MSEK	-45	-52	-36	-42	-50	-37	-21	-46
Property tax, MSEK	-19	-18	-18	-18	-18	-18	-15	-15
Property administration, MSEK	-19	-21	-22	-20	-13	-15	-17	-12
Net operating income, MSEK	509	468	446	368	378	403	382	320
Surplus ratio, %	74.6	73.0	70.6	64.8	69.4	76.3	71.8	64.4
Economic leasing rate, %	94.4	94.4	93.4	93.4	92.5	92.0	92.2	91.7
Yield, %	5.4	5.2	5.2	5.4	5.4	5.9	5.4	5.4
Profit from property management, MSEK	364	330	268	243	277	280	405	211
Profit from property management per ordinary share, SEK	2.00	1.80	1.29	1.41	1.58	1.60	2.40	1.16
Profit, MSEK	-523	1,290	926	701	528	775	874	986
Profit per ordinary share, before dilution, SEK	3.14 ³	7.51	5.62	4.19	3.17	4.73	5.31	6.02
Profit per ordinary share, after dilution, SEK	3.14 ³	7.50	5.61	4.19	3.16	4.69	5.31	6.02
Fair value of properties, MSEK	36,049	35,570	46,290	44,937	41,119	39,736	38,153	35,751
Equity, MSEK	13,276	13,043	19,936	18,717	17,807	17,303	16,517	16,496
Equity per ordinary share, SEK	67.76	66.39	107.49	106.66	101.01	97.82	92.86	92.77
EPRA NAV per ordinary share, SEK	75.11	73.08	119.13	118.87	112.20	107.55	101.93	100.89
Return on equity, % ¹	15.1	22.5	30.5	31.3	19.0	21.5	27.3	28.0
Equity/assets ratio, %	35.4	23.8	39.5	39.5	40.4	40.6	39.7	42.7
Net loan-to-value ratio, properties, %	58.2	58.7	53.9	56.9	57.1	56.8	56.4	55.5
Debt/equity ratio, multiple	1.7	1.7	1.4	1.4	1.3	1.3	1.4	1.3
Interest-coverage ratio, multiple	3.3	3.6	2.8	3.3	3.5	3.9	3.8	3.2
Cash flow from operating activities before changes in working capital, MSEK ²	381	432	402	354	373	433	500	312
Cash flow per ordinary share, SEK ²	2.27	2.58	2.36	2.07	2.19	2.57	3.00	1.81
Cash flow from operating activities, MSEK	748	669	223	503	449	301	652	140
Cash flow per ordinary share, SEK	4.30	3.82	1.24	3.01	2.67	1.73	3.96	0.72

¹ Pertains to a rolling 12-month period.

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

³ Excluding earnings from the distribution of Nyfosa

Notes

note 1 ACCOUNTING POLICIES

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

The Group started to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The Group has made use of the exemption allowing it not to restate comparative information for earlier periods as regards changes to classification and measurement (including impairment).

IFRS 9 Financial Instruments

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

Impairment of financial assets and contract assets

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

Hemfosa establishes a loss allowance according to the following:

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

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces existing IFRSs governing revenue recognition from January 1, 2018. The Group's revenue essentially comprises rental income recognized according to IAS 17 Leases, which is why IFRS 15 only applies to sales of property management services and media. The impact on the consolidated financial statements consists essentially of a breakdown of revenue into rental income and other income. IFRS 15 will also result in expanded disclosure requirements regarding income, see Note 4.

IFRS 16 Leases

IFRS 16 leases will be applied from January 1, 2019 and thus not retrospectively. Recognized right-of-use assets will be assigned the same value as the recognized lease liability on January 1, 2019. Hemfosa believes that the transition to IFRS 16 will not have any material impact on the Group's earnings, financial position or statement of cash flow. A review and analysis of the Group's leases has been performed and site leaseholds were identified as the single most significant. Other than site leaseholds, only a number of minor leases were identified, for example, for vehicles, office equipment and similar items. The lease liability on January 1, 2019 for site leaseholds amounted to MSEK 119

for which a corresponding right-of-use asset has been recognized. The costs for the ground rent will be recognized as a financial expense in its entirety, which differs from the current policy under which it is recognized as an operating expense charged to net operating income. However, profit from property management will remain unchanged. The recognized expense for site leaseholds amounted to MSEK 4 (5) in 2018.

Accounting policies pertaining to operations to be distributed to shareholders (IFRS 5 and IFRIC 17)

The shares in Nyfosa were distributed to Hemfosa's shareholders on November 23, 2018, when the Nyfosa share was also listed on Nasdaq Stockholm. The operations in Nyfosa have been reported in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The distribution has been recognized in accordance with IFRIC 17 Distribution of Non-cash Assets to Owners. Discontinued operations are recognized separately from continuing operations in profit or loss with retroactive effect for prior periods. Nyfosa's earnings until the distribution date, together with the loss not affecting cash flow that was generated by Nyfosa under IFRIC 17, are recognized on a separate line in the statement of profit/loss. The loss reflects the difference between the market value of Nyfosa's shares (based on the closing price on the first day of trading) and the company's carrying amount in the consolidated balance sheet.

All information in this year-end report refers to continuing operations, excluding the distribution of Nyfosa, unless otherwise stated. All figures in the statement of profit/loss refer to continuing operations with retrospective application from January 1, 2017. However, all figures in the statement of financial position refer to continuing operations from January 1, 2018, without retrospective application for prior periods.

note 2 ESTIMATES OCH ASSESSMENTS

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

note 3 SIGNIFICANT RISKS AND UNCERTAINTIES FOR THE GROUP AND PARENT COMPANY

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

note 4 OPERATING SEGMENTS

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

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

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net operating income, Total (MSEK)				
Rental income	683	545	2,525	2,103
Property expenses				
<i>Operations</i>	-90	-86	-403	-342
<i>Maintenance</i>	-45	-50	-175	-154
<i>Property tax</i>	-19	-18	-74	-66
Property administration	-19	-13	-82	-56
Net operating income	509	378	1,792	1,484
Profit from property management			1,204	1,173
Changes in value			1,291	1,319
Profit before tax for the period			2,495	2,493
Tax			-466	-544
Profit for the period			2,030	1,949
Profit after tax for Nyfosa that has been distributed to shareholders			330	1,215
Profit for the period			2,360	3,163

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net operating income, Sweden (MSEK)				
Rental income	503	426	1,872	1,653
Property expenses				
<i>Operations</i>	-81	-77	-370	-317
<i>Maintenance</i>	-42	-45	-161	-145
<i>Property tax</i>	-15	-15	-60	-54
Property administration	-17	-15	-79	-55
Net operating income	348	273	1,203	1,083

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net operating income, Norway (MSEK)				
Rental income	134	78	482	299
Property expenses				
<i>Operations</i>	-3	-2	-10	-5
<i>Maintenance</i>	-0	-3	-6	-5
<i>Property tax</i>	-2	-1	-5	-4
Property administration	-2	1	-3	-1
Net operating income	125	73	458	284

	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net operating income, Finland (MSEK)				
Rental income	46	41	171	151
Property expenses				
<i>Operations</i>	-6	-6	-23	-20
<i>Maintenance</i>	-2	-2	-8	-4
<i>Property tax</i>	-2	-2	-9	-8
Property administration	-0	-0	-0	-0
Net operating income	36	32	131	118

Key performance data, December 31	Sweden		Norway		Finland		Total	
	2018	2017 ³	2018	2017	2018	2017	2018	2017 ³
Rental value, MSEK	2,118	2,911	532	320	176	166	2,826	3,397
Leasable area ¹ , 000s sqm	1,660	2,610	288	196	112	112	2,059	2,918
Fair value of properties, MSEK	25,194	34,359	8,999	4,988	1,856	1,772	36,049	41,119
No. of properties	323	426	50	38	8	8	381	472
Yield ² , %	5.3	5.5	5.5	5.7	6.8	7.0	5.4	5.6
Economic leasing rate, %	93.4	91.9	98.2	96.9	95.0	95.1	94.4	92.5
Remaining lease term, years	5.6	5.3	11.0	7.2	5.6	6.2	6.6	5.5
Surplus ratio for the period, %	64.2	65.5 ⁴	95.0	94.9 ⁴	76.9	78.0 ⁴	70.9	70.6 ⁴

1 Excluding garage space

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

3 Including Nyfosa

4 Hemfosa excluding Nyfosa

note 5 TAX

The Group's effective tax rate for the period was 18.7 percent (21.9).

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. In June 2018, the Swedish government decided that the corporate tax rate would be reduced in two steps to 20.6 percent for fiscal years commencing January 1, 2021 or later. Hemfosa's assessment is that deferred taxes in the Group will be realized in 2021 or later, which is why amounts were restated at a tax rate of 20.6 percent. The effect of the remeasurement of deferred tax assets and liabilities amounted to MSEK +42 and impacted earnings in its entirety for the second quarter of 2018. The government's decision also entails the introduction of a restriction of the amount of interest expenses for which companies can make tax deductions. Hemfosa has performed a review and concluded that given the current interest rate level the new regulations will not impact the tax paid by the Group.

The residual value of investment properties for tax purposes totaled MSEK 16,761, which means that temporary differences of MSEK 10,889 are not recognized in the Statement of financial position.

MSEK	Dec 31, 2018
Loss carryforwards	3,032
Residual value for tax purposes, properties	16,761
Temporary difference not recognized in the consolidated financial statements	10,889

note 6 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments, MSEK	Carrying amount		Fair value	
	Dec 31, 2018	Dec 31, 2017 ¹	Dec 31, 2018	Dec 31, 2017 ¹
Derivatives with a positive value	2	9	2	9
Derivatives with a negative value	29	43	29	43

¹ Including Nyfosa

note 7 SHARES IN JOINT VENTURES AND ASSOCIATED COMPANIES

At December 31, 2018, Hemfosa was a partner in two joint ventures: Gardermoen Campus Utvikling AS and Culmen Strängnäs II AB.

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

At December 31, 2018, Hemfosa held 26.9 percent of the shares and voting rights in Offentlig Eiendom AS, which is recognized as an associated company. More information about Hemfosa's holdings in joint ventures and associated companies is available in the 2017 Annual Report on pages 90-91 and 123-125.

note 8 RELATED PARTIES

Gardermoen Campus Utvikling AS is managed by Aspelin Ramm. The agreements between the parties are conducted in conformity with normal market terms.

note 9 SIGNIFICANT EVENTS AFTER THE END OF THE INTERIM PERIOD

An updated strategy, new financial targets and a revised dividend policy, presented in various parts of this report, were established by the Board on January 24, for more information see page 11.

note 10 EARNINGS PER SHARE

An incentive program for employees was introduced in 2017. Under the program, Hemfosa issued 1,294,000 warrants conferring rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022. In addition to the warrants, 61,500 synthetic options were issued, conferring rights to subscribe for shares or alternatively to a cash payment during the periods May 1-31, 2022 and August 1-31, 2022. Hemfosa had bought back 575,000 warrants at December 31, 2018. The warrants program is described on page 48 of the 2017 Annual Report.

On June 19, 2018, the company carried out a directed share issue comprising 10,000,000 ordinary shares. On account of the directed share issue, the company's share capital has increased by SEK 5,000,000, thereafter amounting to SEK 89,364,124.

MSEK	Oct-Dec 2018		Jan-Dec 2017	
	2018	2017	2018	2017
Profit for the period attributable to Parent Company shareholders	-530	527	2,328	3,142
Dividend on preference shares	-28	-28	-110	-110
Profit attributable to Parent Company ordinary shareholders	-737	499	2,378	3,042
Average weighted number of ordinary shares, millions	168	158	168	158
Profit per ordinary share, before dilution, SEK	-3.28	3.17	14.02	19.22
Profit per ordinary share, after dilution, SEK	-3.28	3.16	14.01	19.21
Number of ordinary shares, millions	168	158	168	158
Number of warrants issued, millions	1	1	1	1
Estimated dilution, %	0.1	0.1	0.1	0.04

note 11 NYFOSA - OPERATIONS THAT HAVE BEEN DISTRIBUTED TO SHAREHOLDERS

The wholly owned subsidiary Nyfosa and all of its subsidiaries were distributed to Hemfosa's shareholders on November 23, 2018.

Statement of profit/loss for Nyfosa

MSEK	Oct-Dec 2018 ¹		Jan-Dec 2017	
	2018 ¹	2017	2018 ¹	2017
Rental income	181	283	929	1,031
Net operating income	124	247	623	746
Profit from property management	113	345	782	1,013
Profit before tax	113	-62	1,570	1,394
Tax	-13	-30	-163	-179
Profit after tax	100	-92	1,407	1,215
Loss on distribution of Nyfosa	-1,077	-	-1,077	-
Earnings from the operations that have been distributed to shareholders	-977	278	330	1,215
Earnings per share from the operations that have been distributed to shareholders, SEK	-5.99	1.59	1.39	6.89

¹ Refer to the period up to and including November 22, 2018.

The distribution of Nyfosa resulted in a negative profit and loss effect of MSEK -1,077 after tax. This effect is explained by Nyfosa being valued at market value on the first trading day, causing a difference between book value of Nyfosa's net assets and said market value, which is reported on the profit and loss statement. In addition, Nyfosa's result from its operations up until the time of the distribution amounted to MSEK 1,407, which give a total the profit and loss effect for the period of MSEK 330.

INCOME STATEMENT for the Parent Company

MSEK	Oct-Dec		Jan-Dec	
	2018	2017	2018	2017
Net sales	23	9	49	33
Other external costs	-26	-15	-67	-47
Personnel costs	-7	-12	-32	-32
Depreciation/amortization	-0	-0	-0	-0
Operating loss	-10	-18	-51	-46
Profit from shares in Group companies	550	900	550	897
Interest income and similar income items	1	8	20	26
Interest expenses and similar expense items	-24	-35	-70	-71
Profit after financial items	517	855	449	806
Appropriations				
Group contributions received and paid	100	118	100	116
Profit after appropriations	617	973	549	922
Tax	-16	-0	-0	-0
Profit for the year	601	972	549	922

For the January-December 2018 fiscal year, the Parent Company recognized a loss after tax of MSEK 549 (922). The Parent Company's fee for central and property administrative services on behalf of Group companies (including Nyfosa) during the period was MSEK 49 (33). Profit for the year corresponds to comprehensive income for the year.

BALANCE SHEET for the Parent Company

MSEK	Dec 31	
	2018	2017
ASSETS		
Tangible assets	1	1
Participations in Group companies	5,510	5,326
Non-current receivables from Group companies	227	810
Total fixed assets	5,737	6,137
Current receivables from Group companies	5,972	11,490
Other current receivables	30	45
Cash and bank balances	355	0
Total current assets	6,357	11,535
TOTAL ASSETS	12,095	17,672
EQUITY AND LIABILITIES		
Restricted equity	89	84
Unrestricted equity	7,990	11,130
Equity	8,079	11,214
Non-current interest-bearing liabilities	1,000	2,000
Non-current liabilities to Group companies	8	8
Other non-current liabilities	1	3
Total non-current liabilities	1,009	2,011
Commercial paper, short-term	1,150	1,995
Current interest-bearing liabilities	1,000	-
Current liabilities to Group companies	583	2,208
Other current liabilities	274	244
Total current liabilities	3,007	4,447
Total liabilities	4,016	6,458
TOTAL EQUITY AND LIABILITIES	12,095	17,672

At December 31, 2018, the Parent Company had equity totaling MSEK 8,079 (11,214), of which restricted equity accounted for MSEK 89 (84).

Intra-Group liabilities totaled MSEK 583 (2,208) and intra-Group receivables MSEK 5,972 (11,490).

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

Profit 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

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

Interest-rate swaps

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

Interest-rate cap

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

Interest-coverage ratio*

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

Community service properties

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

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Net asset value (EPRA NAV) per ordinary share

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax liabilities according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period. The purpose of this key figure is to show the fair value of net assets in a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivatives and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

Ground rent

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

Site leasehold

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

Distributable earnings

Distributable earnings comprise profit from property management, excluding the share in profit from joint ventures and associated companies and after tax. This amount comprises the basis for dividends for preference shares and ordinary shares.

Surplus ratio*

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

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



Hemfosa

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