INTERIM REPORT JANUARY – MARCH 2016

Hemfosa
FASTIGHETER

Strong start to the year

JANUARY – MARCH 2016 QUARTER

- Rental income amounted to MSEK 650 (589)
- Profit from property management totaled MSEK 340 (265), corresponding to SEK 2.40 per ordinary share (1.84)
- Profit after tax amounted to MSEK 654 (506), corresponding to SEK 4.78 per ordinary share (3,72)
- Recognized property value of SEK 31.3 billion (27.6) pertains to 416 (361) directly owned properties
- Net asset value (EPRA NAV) per ordinary share was SEK 83.50 (66.46)
- Cash flow from operating activities was MSEK 294 (420), corresponding to SEK 2.04 per ordinary share (3.01)

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- The Board clarified the strategy for the proportion of community service properties, which are to ultimately account for at least 75 percent of the total property value. The financial objective for the interest-coverage ratio was adjusted to a target of a multiple of at least two.
- The Board proposes that the AGM resolve on a new issue of ordinary shares of MSEK 1 800 with preferential rights for Hemfosas ordinary shareholders at a subscription ratio of 1: 5 and issue price of SEK 69.00 per ordinary share.
- Hemfosa acquired three community service properties in Finland at an underlying property value of approximately MSEK 500.
- Hemfosa acquired nine community service properties in Norway through the acquisition of Statens Park in the municipality of Tønsberg at an underlying property value of approximately MSEK 420.
- Hemfosa acquired three community service properties in Sweden – in Växjö, Uppsala and Gävle – at an underlying property value of approximately MSEK 470.
- Streamlining of the property portfolio continued and five residential properties in Gävle were divested during the quarter at an underlying property value of approximately MSEK 170. In addition, five nonpriority properties were sold individually at an underlying property value of about MSEK 160.
- Hemfosa signed a ten-year lease with If Skadeförsäkring for 11,000 square meters of previously vacant floor space in the Södra Porten area of Mölndal.

Comments from the CEO

During the first quarter, we took possession of properties at a value of SEK 1.4 billion in Sweden, Norway and Finland and Hemfosa reported increased earnings capacity and stronger earnings from property management. The proportion of community service properties continued to rise, in line with our strategy of achieving further growth in this type of property. In view of our strong development and continued growth ambitions, we have proposed to the shareholders that we implement a proactive rights issue, which will strengthen our opportunities to continue to grow while maintaining a high and stable return.

Acquisitions worth SEK 1.4 billion

PROPERTY MANAGEMENT

We now put another strong and eventful quarter behind us. Our earnings capacity increased after acquiring properties worth approximately SEK 1.4 billion in all of our three markets, including our second acquisition in Finland, as well as a number of fully leased, newly built healthcare and personal care properties in Sweden. We also divested non-priority properties at a total value MSEK 324 as a feature of our efforts to streamline the property portfolio towards an increased share of community service properties. Viewed as a whole, this meant that the community service properties' share of the total property value increased to 61 percent while the Group's net operating income rose 17 percent to MSEK 428. The upward trend during the quarter strengthens us in our conviction that we have chosen the right direction: that by focusing on community service properties, we can achieve increased earnings combined with a lower risk.

Net operating income rose 17%

PROPERTY DEVELOPMENT

Hemfosa is currently the only listed company in Sweden focusing on community service properties. Our clear focus combined with stable cash flows and a position as a reputable and knowledgeable counterparty in the community property sector constitutes a solid platform for acquisitions and continued growth. During spring 2016, the Hemfosa Board decided to additionally underscore the company's focus on community service properties by adopting a strategy aimed at expanding the share of community service properties so that it represents at least 75 percent of the total property portfolio. The geographic expansion to Norway and Finland is important to our efforts to reach this goal. By broadening the geographic selection base, we enhance our potential to identify advantageous business opportunities that are suitable to us, even in the currently competitive transaction market. The active market also provides us with opportunities to streamline the portfolio and continue to divest non-priority properties.

Proactive share issue proposed

GROWTH

By combining long-term property management and development with successful transaction work, Hemfosa has generated strong growth and a high return for its shareholders since its inception seven years ago. The early part of 2016 continued in the same vein, and we see favorable prospects to continue to grow while achieving high and stable earnings. This boosts our confidence ahead of the proactive rights issue of ordinary shares that we are proposing to our shareholders.

With greater access to capital, we can act more swiftly when we identify the right acquisitions. Our aim is to get this money working as soon as possible by implementing wise acquisitions. We are evaluating attractive transactions in all of our three markets. Strong cash assets also increase our opportunities to invest in and develop our existing properties. We consider this beneficial to both Hemfosa and our shareholders. We hope to receive the confidence of the shareholders at the Annual General Meeting being held today – and we look forward to continuing delivering the highest return among listed property companies in Sweden.

Jens Engwall, CEO

Overview

Consolidated statement of profit/loss and other comprehensive income, MSEK

	Jan–Mar		Full-year
	2016	2015	2015
Rental income	650	589	2,443
Property expenses including property administration	–222	–221	–773
Net operating income	**428**	**367**	**1,670**
Central administration	–26	–28	–112
Other operating income and expenses	9	–3	0
Share in profit of joint ventures	39	36	255
Financial income and expenses	–110	–106	–450
Profit from property management	**340**	**265**	**1,363**
Changes in value of properties	498	394	1,500
Changes in value of financial instruments	–31	–52	–42
Current and deferred tax	–153	–101	–483
Profit for the year	**654**	**506**	**2,339**
Other comprehensive income			
Exchange differences for the period in converting foreign operations	25	–32	–131
Comprehensive income for the year	**679**	**474**	**2,207**

Consolidated statement of financial position, MSEK

	Mar 31		Dec 31
	2016	2015	2015
Investment properties	31,340	27,583	29,553
Shares in joint ventures	1,211	641	1,075
Derivatives och other fixed assets	7	13	7
Current receivables	337	303	82
Cash and cash equivalents	517	551	732
Total assets	**33,412**	**29,091**	**31,449**
Shareholders' equity	11,429	9,372	10,749
Interest-bearing liabilities	19,885	17, 880	18,898
Derivatives	133	155	103
Deferred tax liabilities	861	533	701
Other liabilities	1,104	1,150	997
Total equity and liabilities	**33,412**	**29, 901**	**31,449**

Consolidated statement of cash flow, MSEK

	Jan–Mar		Full-year
	2016	2015	2015
Cash flow from operating activities	294	420	1,220
Cash flow from investing activities	–1,320	–2,557	–3,943
Cash flow from financing activities	810	2,095	2,862
Total cash flow	**–216**	**–43**	**138**

Key figures

Key financial data

	Jan–Mar		Full-year
	2016	2015	2015
Return on equity, %	23.9	21,4	23.7
Equity/assets ratio[1]	34.2	32.2	34.2
Loan-to-value ratio, properties, %[1]	63.4	64.8	63.9
Debt/equity ratio, multiple[1]	1.7	1.9	1.8
Interest-coverage ratio, multiple[2]	3.7	3.2	3.5

Share-related key figures, ordinary shares

	Jan–Mar		Full-year
	2016	2015	2015
Profit from property management, SEK per ordinary share	2.40	1.84	9.55
Profit after tax, SEK per ordinary share	4.78	3.72	16.87
Equity, SEK per ordinary share[1]	73.22	58.90	68.06
Net asset value (EPRA NAV), SEK per ordinary share[1]	83.50	66.46	76.63
Cash flow from operating activities, SEK per ordinary share	2.4	3.01	8.43
Dividend, SEK per ordinary share[3]	0.75	–	3.00
Weighted average number of ordinary shares, 000s	131,440	131,440	131,440
Number of ordinary shares outstanding, 000s[1]	131,440	131,440	131,440

Share-related key figures, preference shares

	Jan–Mar		Full-year
	2016	2015	2015
Dividend, SEK per preference share[3]	2.50	2.50	10.00
Equity, SEK per preference share[1]	162.85	162.50	162.85
Number of preference shares outstanding, 000s[1]	11,000	10,000	11,000

Property-related key figures

	Jan–Mar		Full-year
	2016	2015	2015
No. of properties[1]	416	361	411
Rental value, MSEK[1]	2,848	2,688	2,768
Leasable area, 000s of sqm[1]	2,642	2,545	2,607
Fair value of properties, MSEK[1]	31,340	27,583	29,553
Property value, SEK per sqm[1]	11,862	10,838	11,336
Economic leasing rate, %[1]	90.8	90.7	90.4
Surplus ratio, %	65.8	62.5	68.4
Yield, %	5.9	6.1	5.8

1 At the end of the period.

2 Share of profit/loss of joint ventures is not included in profit from property management when calculating the interest-coverage ratio.

3 The 2015 Annual General Meeting adopted a dividend of SEK 3.00 per ordinary share and of SEK 10.00 per preference share subject to quarterly payment.

Operations

Summary of earnings

MSEK	Jan–Mar 2016	Jan–Mar 2015	Full-year 2015
Rental income	650	589	2,443
Property expenses including property administration	–222	–221	–773
Net operating income	**428**	**367**	**1,670**
Central administration	–26	–28	–112
Other operating income and expenses	9	–3	0
Share in profit of joint ventures	39	36	255
Financial income and expenses	–110	–106	–450
Profit from property management	**340**	**265**	**1,363**
Changes in value of investment properties	498	394	1,500
Changes in value of financial instruments	–31	–52	–42
Profit before tax for the year	**808**	**606**	**2,821**
Current tax	–3	–2	–5
Deferred tax	–150	–99	–478
Profit for the year	**654**	**506**	**2,339**
Other comprehensive income			
Translation differences for the period when translating foreign operations	25	–32	–131
Comprehensive income for the year	**679**	**474**	**2,207**

FIRST QUARTER JANUARY - MARCH 2016

During the first quarter, Hemfosa implemented a number of transactions in line with the strategy of focusing the property portfolio on community service properties. In total, community service properties were acquired at an underlying property value of some SEK 1.4 billion. Hemfosa continued to establish a position as a broader Nordic player in community service properties by acquiring three community service properties in Finland at an underlying property value of MSEK 500 and acquiring nine community service properties in Norway at an underlying property value of about MSEK 420. The remaining acquisitions comprised community service properties in Sweden at an underlying property value of approximately MSEK 470. At the same time, the streamlining of the portfolio continued during the quarter through divestments at an underlying property value of some MSEK 324 of non-priority properties that no longer fit in with the operations.

Net operating income

Rental income for the quarter amounted to MSEK 650 (589). At March 31, 2016, the leasable area of Hemfosa's total property portfolio totaled 2,642,000 square meters (2,545,000). Average rental income was SEK 1,205 per square meter (1,213) for Community service properties and SEK 761 per square meter (752) for Other properties. The leasing rate was 90.8 percent (90.7).

Property expenses amounted to MSEK 222 (221), corresponding to SEK 79 per square meter leasable area (87). The surplus ratio was 65.8 percent (62.5) and the yield on the entire portfolio was 5.9 percent (6.1).

Net operating income amounted to MSEK 428 (367), up MSEK 61 or 17 percent.

Profit from property management

Profit from property management during the quarter amounted to MSEK 340 (265), up 28 percent year-on-year and is mainly explained by the larger property portfolio. Profit from property management per ordinary share amounted to SEK 2.40 (1.84) after taking the pre-emptive rights of preference shares into account.

Central administration costs amounted to MSEK 26 (28).

Profit from shares in joint ventures totaled MSEK 39 (36), mainly generated by the holding in Söderport Holding AB, and comprised MSEK 26 (27) in profit from property management, MSEK 11 (23) in revaluations of properties and financial instruments and MSEK 2 (–14) in taxes and other items.

Financial income and expenses were positively impacted by both lower interest rates and reduced margins on new borrowings. The average loan portfolio was higher year-on-year, which contributed to a rise in financial expenses in relative terms. At December 31, 2016, the average interest rate was 2.06 percent (2.30). Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. Certain loan agreements include an interest-rate floor provision, entailing that Hemfosa is not able to fully capitalize on the lower interest rate scenario because STIBOR 3 months has been negative. The loan-to-value ratio was 63.4 percent (64.8).

Changes in fair value

Hemfosa's property portfolio experienced an unrealized change in value of MSEK 478 (323) during the quarter. MSEK 125 of the change in value in the year-earlier period was due to a changed accounting policy mainly generated by profit from projects and changes in yield requirements.

At March 31, 2016, interest-rate swaps and interest-rate caps had a negative fair value of MSEK 132 (154). The unrealized negative change in the value of interest-rate swaps and interest-rate caps amounted to MSEK 31 (52) during the quarter.

Tax

The nominal corporate tax rate is 22 percent in Sweden, 25 percent in Norway and 20 percent in Finland. In the Statement of profit/loss and other comprehensive income, income tax is recognized in two items: current tax and deferred tax. Current tax is calculated on the basis of taxable profit for the year, which can be lower than recognized profit. The effective tax rate for Hemfosa was 19 percent (17).

The current tax expense amounted to MSEK 3 (2) and the deferred tax expense totaled MSEK 150 (99), of which MSEK 152 (101) derived from temporary differences in investment properties. Other items pertain to deferred tax income and expenses due to the remeasurement of derivative instruments and tax loss carryforwards, as well as completed property transactions.

Hemfosa has no ongoing tax disputes.

Profit for the quarter

Profit for the quarter amounted to MSEK 654 (506), corresponding to SEK 4.78 per ordinary share (3.72), after taking the pre-emptive rights of preference shares into account.

Other comprehensive income

During the quarter, translation of the Norwegian and Finnish operations generated a translation difference of MSEK 25 (–32) in other comprehensive income. Deferred tax attributable to items in other comprehensive income amounted to MSEK 7 (0).

Cash flow

Cash flow from operating activities for the period amounted to MSEK 294 (420), corresponding to SEK 2.04 per ordinary share (3.01). The reduced cash flow from operating activities is mainly related to larger acquisitions. Investing activities impacted cash flow by MSEK –1,320 (–2,557), of which investments in existing properties accounted for MSEK –146 (–94), acquisitions of subsidiaries and properties for MSEK –1,383 (–3,338), divestment of subsidiaries and properties for MSEK 300 (890) and other items for MSEK 92 (–8).

Financing activities had an impact of MSEK 810 (2,095) on cash flow. Dividends of MSEK 127 (25) were paid to Hemfosa's shareholders during the quarter. Cash and cash equivalents changed by a total of MSEK –216 (–43) during the quarter.

Segment reporting

For the purpose of accounting and follow-up, Hemfosa has divided its operations into three segments. The segment division is based primarily on the different markets of Sweden, Norway and Finland and secondarily on the property types of Community service properties and Other properties.

The Sweden segment is the largest one and accounted for 88 percent (94) of rental income. Sweden will continue to represent the main focus of Hemfosa's property portfolio, despite the aim of also growing in other segments. The tables below present information on Hemfosa's net operating income plus a sample of key performance indicators for the quarter and the past year divided by segment and also the total for the Group.

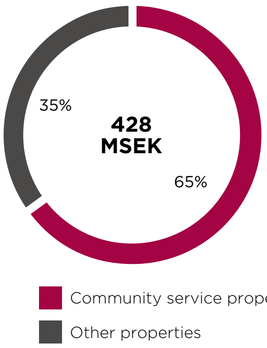
The pie chart shows the size of the two types of properties – Community service properties and Other properties – with Community service properties accounting for 65 percent (62) of net operating income during the quarter and 61 percent (57) of the fair value of properties.

Net operating income (MSEK)	Sweden			Norway			Finland			Total		
	Jan-Mar		Full-year	Jan-Mar		Full-year	Jan-Mar		Full-year	Jan-Mar		Full-year
	2016	**2015**	**2015**	**2016**	**2015**	**2015**	**2016**	**2015**	**2015**	**2016**	**2015**	**2015**
Rental income	573	551	2,247	58	38	196	19	–	0	650	589	2,443
Property expenses												
Operations	–132	–128	–411	0	–1	–2	–1	–	0	–134	–129	–413
Maintenance	–44	–42	–191	–1	–1	–3	0	–	0	–46	–43	–194
Property tax	–21	–22	–83	–1	0	–2	–1	–	0	–23	–22	–86
Property management	–19	–27	–78	0	0	–2	0	–	0	–20	–27	–81
Net operating income	**356**	**332**	**1,482**	**56**	**36**	**187**	**17**	**–**	**0**	**428**	**367**	**1,670**

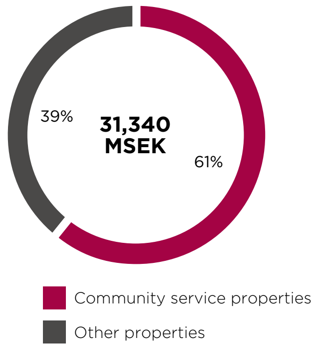
Key figures for the period, Mar 31	Sweden		Norway		Finland		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Rental value, MSEK	2,518	2,484	244	204	85	–	2,848	2,688
Leasable area[1], 000s square meters	2,429	2,436	149	109	64	–	2,642	2,545
Fair value of properties, MSEK	26,688	24,572	3,581	3,011	1,071	–	31,340	27,583
No. of properties	381	353	30	8	5	–	416	361
Yield, %	5.8	6.0	6.7	6.7	6.6	–	5.9	6.1
Economic leasing rate, %	89.7	89.9	99.4	100.0	100.0	–	90.8	90.7
Remaining lease term, years	5.5	5.4	9.2	10.1	9.2	–	6.0	5.8

1 excluding garage space

Net operating income by property type, Group Jan–Mar 2016



Fair value by property type, Group Mar 31, 2016



85%
of the Group's net operating income

SWEDEN

In Sweden, Hemfosa's core market, there is a definite emphasis on community service properties. Although active transaction work is being conducted to further streamline the portfolio in the direction of this property type, the portfolio of the future will also contain other properties that complete the portfolio in a desirable manner. Geographically, the focal point of the Swedish portfolio is on the Stockholm, Gothenburg and Öresund regions, as well as growth municipalities in central Sweden and along the cost of Norrland. The metropolitan regions of Stockholm and Gothenburg represent approximately 40 percent of the total property value. The largest tenants in Sweden are the Police Authority, the Municipality of Härnösand and the National Courts Administration. At March 31, 2016, the Swedish property portfolio accounted for 85 percent of Hemfosa's property value.

Development during the quarter

During the quarter, Hemfosa acquired three community service properties in Växjö, Uppsala and Gävle at an underlying property value of some MSEK 466. Of the Swedish property portfolio, 55 percent (53) of rental income and 58 percent of (58) net operating income derived from community service properties.

During the quarter, the property portfolio continued to be streamlined and five residential properties in Gävle, in the Other properties segment, were sold. In addition, five nonpriority properties were divested individually. In total, properties were divested during the quarter at an underlying property value of approximately MSEK 324.

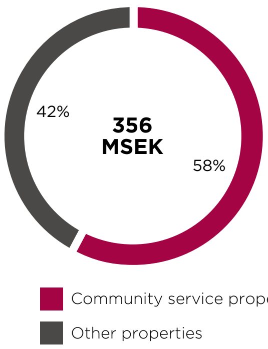
Hemfosa signed a lease for previously vacant floor space in an office property in Mölndal. This large new lease, together with tenant-specific modifications and refurbishment, represents an important step in rejuvenating Mölndal's Södra Porten business park. The property in Mölndal comprises 16 different buildings. One of the larger buildings is now being upgraded to create a modern, flexible offices and is being extended by about 2,000 square meters, thus bringing the total leasable area to 11,000 square meters. Hemfosa has signed a ten-year lease with If Skadeförsäkring for the entire area. Occupancy of the upgraded and customized premises is scheduled for June 2017.

The Sweden segment is divided into five regions, of which the Stockholm and Central region contribute the most to net operating income in relative terms. This segment accounted for 88 percent (94) of rental income and 83 percent (90) of net operating income during the quarter. The economic leasing rate for the segment was 89.7 percent (89.9) and the yield for the segment was 5.8 percent (6.0). The reason for the lower yield was a change in the value of properties.

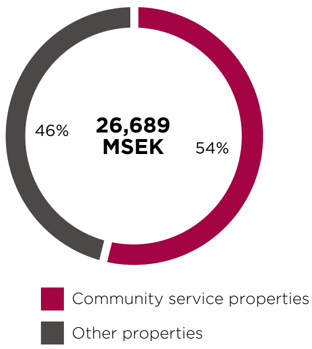
Segment Sweden (MSEK)	Jan–Mar 2016	Jan–Mar 2015	Full-year 2015
Rental income	573	551	2,247
Property expenses			
Operations	–132	–128	–411
Maintenance	–44	–42	–191
Property tax	–21	–22	–83
Property administration	–19	–27	–78
Net operating income	**356**	**332**	**1,482**
Rental value, MSEK[1]	2,518	2,484	2,518
Leasable area, 000s square meters[1, 2]	2,429	2,436	2,451
Fair value of properties, MSEK[1]	26,688	24,572	25,999
No. of properties[1]	381	353	388
Yield, %	5.8	6.0	5.8
Economic leasing rate, %[1]	89.7	89.9	89.5
Remaining lease term, years[1]	5.5	5.4	5.4

1 at end of period
2 excluding garage space

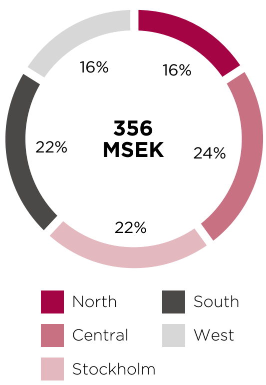
Net operating income by property type, Sweden Jan–Mar 2016



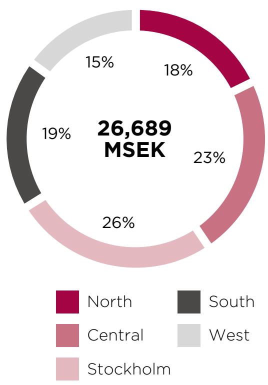
Net operating incomeby property type, Sweden Mar 31, 2016



Net operating income by region, Sweden Jan–Mar 2016



Fair value by region, Sweden Mar 31, 2016



11%
of the Group's net operating income

NORWAY

Hemfosa has been established in the Norwegian market since early 2015 and the property portfolio in Norway accounted for 11 percent of Hemfosa's total property value at March 31, 2016. The properties are mainly located in the Oslo region and consist exclusively of community service properties, with the operations ranging from office and judicial institutions to schools, health and personal care services. The largest tenants are Oslo University College, the Norwegian Labor and the Welfare Administration and Østfold University College. Hemfosa has built up a property management organization in Norway that is of a size that can handle a growing property portfolio.

Development during the quarter

During the quarter, Hemfosa acquired nine community service properties in the Statens Park area of the municipality of Tønsberg, south of Oslo, at an underlying property value about MSEK 414. The properties comprise some 30,000 square meters of leasable area and sites covering about 42,000 square meters of land, with one of the sites detailed planned for a new property.

Norway accounted for 9 percent (6) of rental income during the quarter and 13 percent (10) of net operating income. The economic leasing rate for the segment was 99.4 percent (100.0). The lower year-on-year economic leasing rate was due to acquired vacancy in connection with the acquisition of Statens Park. The yield for the segment was 6.7 percent 6.7.

	Jan–Mar		Full-year
Segment Norway (MSEK)	**2016**	**2015**	**2015**
Rental income	58	38	196
Property expenses			
Operations	0	–1	–2
Maintenance	–1	–1	–3
Property tax	–1	0	–2
Property administration	0	0	–2
Net operating income	**56**	**36**	**187**
Rental value, MSEK[1]	244	204	206
Leasable area, 000s square meters[1,2]	149	109	119
Fair value of properties, MSEK[1]	3,581	3,011	3,042
No. of properties[1]	30	8	21
Yield, %	6,7	6,7	6.3
Economic leasing rate, %[1]	99.4	100.0	100.0
Remaining lease term, years[1]	9.2	10.1	10.2

1 at end of period
2 excluding garage space

3%

of the Group's net operating income

FINLAND

Finland is the third market in which Hemfosa, in late 2015, has established operations and the property portfolio there consists exclusively of community service properties, with the focus on the country's largest cities. At March 31, 2016, the property portfolio in Finland accounted for 3 percent of Hemfosa's property value. Hemfosa is working to establish a property management organization in Finland.

Development during the quarter

Hemfosa acquired three community service properties in southern Finland during the quarter at an underlying property value of about MSEK 500. Two of the properties are situated in Tampere, the country's third largest city, and contain a university building and an office building. The third property, a building housing public authorities, is located in Raahe, just south of Oulu. All three properties are fully leased.

Finland accounted for 3 percent of rental income during the quarter and 4 percent of net operating income. The economic leasing rate for the segment was 100.0 percent and the yield was 6.6 percent, calculated on expected net operating income over a 12-month period.

	Jan–Mar		Full-year
Segment Finland (MSEK)	**2016**	**2015**	**2015**
Rental income	19	–	0
Property expenses			
Operations	–1	–	0
Maintenance	0	–	0
Property tax	–1	–	0
Property administration	0	–	0
Net operating income	**17**	**–**	**0**
Rental value, MSEK[1]	85	–	45
Leasable area, 000s square meters[1, 2]	64	–	37
Fair value of properties, MSEK[1]	1,071	–	512
No. of properties[1]	5	–	2
Yield, %	6,6	–	7.4
Economic leasing rate, %[1]	100.0	–	100.0
Remaining lease term, years[1]	9.2	–	8.6

1 at end of period

2 excluding garage space

Current earnings capacity

Current earnings capacity on a 12-month basis as per March 31, 2016 is presented below. Current earnings capacity is only to be considered as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on 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.

Group's earnings capacity

MSEK	March 31, 2016
Rental income	2,596
Property expenses	–671
Property administration	–70
Net operating income	**1,855**
Central administration	–114
Share in profit of joint ventures	126
Financial income and expenses	–445
Profit from property management	**1,422**

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

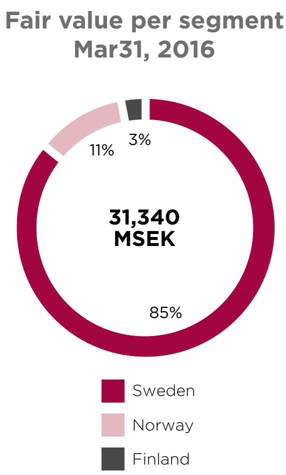
- Annual contractual rental income (including rent supplements and taking into account any rent discounts), as well as other property-related income on March 31, 2016 based on valid leases.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures for a standard year.
- Property tax has been calculated on the basis of the current taxable value of the properties, and the current costs for site leaseholds on March 31, 2016.
- 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 of profit from joint ventures is calculated based on the same assumptions as for Hemfosa, taking into account the size of the share of profit.
- Assumptions concerning financial income are not included in the assessment of earnings capacity.
- Financial expenses have been calculated on the basis of the company's actual average interest rate on March 31, 2016, amounting to 2.06 percent.
- The earnings capacity for the Norwegian operations has been restated at the exchange rates prevailing on March 31, 2016.[1]

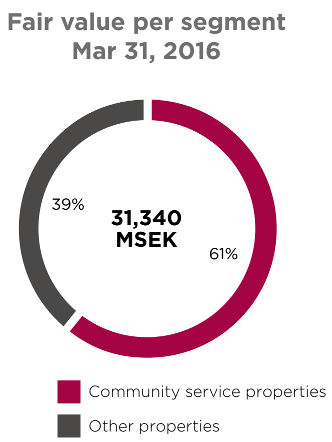
1 The following exchange rates are applied: NOK/SEK of 0.9802 and EUR/SEK of 9.2323.

Property portfolio

Hemfosa's property portfolio is dominated by properties of the Community service properties type but also contains Other properties. Hemfosa is working determinedly to focus the property portfolio on community service properties, which accounted for 60 percent of rental income in the Group during the first quarter of 2016, with the aim of increasing that share. The property portfolio has also grown geographically following the acquisition of community service properties in Norway and Finland. As a result, Hemfosa considers itself a Nordic player in the market for community service properties.

At March 31, 2016, the total property portfolio comprised 416 properties (361). The properties had a total fair value of SEK 31.3 billion (27.6), of which Community service properties accounted for SEK 19.2 billion (15.8), corresponding to 61 percent. The total leasable area was 2,642,000 square meters (2,545,000), with a rental value of MSEK 2,848 (2,688).





INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

Investments in properties totaled MSEK 1,529 (3,410), of which property acquisitions accounted for MSEK 1,383 (3,316) and investments in the existing property portfolio for MSEK 146 (94). Streamlining of the portfolio resulted in Hemfosa divesting non-priority properties that were no longer compatible with the operations, in the form of entire portfolios and the divestment of individual properties. Divestments during the quarter totaled MSEK 324 (939).

Investments, acquisitions and divestments per segment, March 31	**Sweden**		**Norway**		**Finland**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Investments in existing properties, MSEK	146	94	0	–	–	–	146	94
of which, Community service properties	*73*	*40*	*0*	–	–	–	*73*	*40*
Acquisition of properties, MSEK	470	421	414	2,895	500	–	1,383	3,316
of which, Community service properties	*469*	*397*	*414*	*2,895*	*500*	–	*1,382*	*3,292*
Divestment of properties, MSEK	324	939	–	–	–	–	324	939
of which, Community service properties	–	–	–	–	–	–	–	–

COMMUNITY SERVICE PROPERTIES

Hemfosa's operations focus on properties of the community service properties type, with tenants who directly or indirectly conduct publicly financed operations, such as schools, judicial institutions, care services and public authorities. At Hemfosa, a property is defined as a community service property if tenants who, directly or indirectly, are publicly financed account for at least 70 percent the rental income.

Community service properties contributed 60 percent (56) of Hemfosa's rental income during the quarter. Due to the specialization towards community service properties, Hemfosa occupies a unique position in its markets and the company has become a significant and powerful player in a short period of time. Hemfosa's strategy is to continue to grow in Community service properties, which generate stable cash flows and usually also have longer leases. At the end of the quarter, Community service properties accounted for 61 percent (57) of the total value of the property portfolio.

Development during the quarter

During the quarter, Hemfosa acquired 15 community service properties at a value of SEK 1.4 billion and with a total leasable area of 72,000 square meters.

In Sweden during the first quarter, Hemfosa aquired three community service properties, in which the tenants conduct operations such as schools, healthcare and care services.

In Norway during the first quarter, Hemfosa acquired nine community service properties that constitute the Statens Park area of the municipality of Tønsberg, south of Oslo, at an underlying property value about MSEK 414. The properties comprise some 30,000 square meters of leasable area and sites covering about 42,000 square meters of land, with one of the sites detailed planned for a new property.

Hemfosa acquired three community service properties in southern Finland during the quarter at an underlying property value of approximately MSEK 500. Two of the properties are situated in Tampere, the country's third largest city, and contain a building at the University of Tampere and an office building that is fully leased to the Finnish Tax Administration. The third property, a building housing public authorities, is located in Raahe, just south of Oulu, and contains the police authority, the prosecution authority and the enforcement authority.

Key figures per property category, March 31	Community service properties: School		Offices		Judicial system		Care services		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	497	439	535	450	332	321	276	214	9	25	1,648	1,450
Leasable area[1], sqm 000s	378	335	421	356	243	233	245	193	10	21	1,297	1,137
Fair value, properties, MSEK	5,960	4,917	5,828	4,542	3,918	3,626	3,325	2,294	138	408	19,170	15,787
No. of properties	57	51	50	41	40	38	105	47	7	8	259	185
Yield[2], %											6.0	6.3
Financial occupancy rate, %											94.9	95.2
Average remaining lease term, years											7,0	6,9

1 Excluding garage space

2 According to earnings capacity

OTHER PROPERTIES

Other properties are all properties that cannot be defined as Community service properties and these mainly consist of office and logistics buildings and warehouses. This property type accounted for 40 percent (44) of Hemfosa's rental income during the quarter.

Hemfosa's office properties that cannot be classified as Community service properties are located centrally in primarily the two metropolitan regions of Stockholm and Gothenburg, and also in such growth municipalities as Västerås, Karlstad, Sundsvall, Umeå and Luleå.

The logistics buildings and warehouses are mainly found in attractive locations close to major European grade highways, near key transportation hubs, mainly in southern and central Sweden. Hemfosa's logistics properties include a considerable share of modern logistics buildings with a highly flexible range of applications.

Development during the quarter

During the quarter, the property portfolio continued to be streamlined and five residential properties in Gävle were sold in the Other properties segment. In addition, five nonpriority properties were divested individually. In total, properties were divested during the quarter at an underlying property value of approximately MSEK 324.

Key figures per property category, Mar 31	Other properties							
	Offices		Logistics/ Storage		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	675	691	305	294	220	253	1,200	1,238
Leasable area[1], sqm 000s	571	611	521	515	253	282	1,345	1,408
Fair value of properties, MSEK	6,636	6,355	3,545	3,292	1,990	2,150	12,171	11,796
No. of properties	66	77	35	34	56	65	157	176
Yield[2], %							5.8	6.0
Economic leasing rate, %							85.3	85.5
Remaining lease term, years							4.5	4.3

1 Excluding garage space
2 According to earnings capacity

MARKET VALUE OF PROPERTY PORTFOLIO

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

Valuation techniques

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

The yield requirement used in the estimate derives from sales of comparable properties. Significant factors when selecting the required yield include an assessment of the object's future rent trend, changes in value and any development potential, as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow is prepared that extends at least five years into the future. With respect to income, current leases are used. For vacant spaces, an estimate is performed by individually assessing each property. The inflation assumption for Sweden is 1.0 percent for 2016 and 2017, and 2.0 percent thereafter. The inflation assumption for Norway is 2.5 percent and that for Finland is 2.0 percent. Property expenses are estimated on the basis of annual historical trends. The valuation is based on a present-value calculation of cash flow and the present value of the market value at the end of the calculation period.

The weighted yield requirement was 6.4 percent (6.8), compared with an average yield requirement of 6.4 percent at December 31, 2015. The weighted cost of capital for calculating the present value of cash flow and the residual value was 7.6 percent (7.9) and 8.5 percent (8.7), respectively.

Hemfosa's property portfolio was valued at MSEK 31,340 (27,583). The total change during the period was SEK 1.8 billion (2.9), of which SEK 1.4 billion (3.3) pertained to acquired properties, MSEK 146 (94) to value-adding investments in the properties, MSEK 20 (71) to realized changes in value and MSEK 478 (323) to unrealized changes in value. Properties at a value of MSEK 324 (939) were divested during the period. Translation differences for the period amounted to MSEK 83 (–), attributable to acquisitions in Norway and Finland.

Förändring i fastighetsportföljens Change in fair value of property portfolio per segment, March 31	**Sweden**		**Norway**		**Finland**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Opening value for the year	25,999	24,718	3,042	–	512	–	29,553	24,718
Acquired properties	470	421	414	2,895	500	–	1,383	3,316
Investments in existing properties	146	94	0	–	–	–	146	94
Divested properties	–324	–939	–	–	–	–	–324	–939
Realized changes in value in profit or loss for the period	20	71	–	–	–	–	20	71
Unrealized changes in value in profit or loss for the period	377	207	47	116	54	–	478	323
Translation differences	–	–	78	–	5	–	83	–
Closing fair value	**26,688**	**24,572**	**3,581**	**3,011**	**1,071**	**–**	**31,340**	**27,583**

Shares in joint ventures

At March 31, 2016, Hemfosa was a partner in four joint ventures. Ownership is governed by shareholder agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence. Hemfosa recognizes the holdings as shares and participations in joint ventures in the statement of financial position. The share of profit of joint ventures is recognized in the Group's profit from property management, but is not included in Hemfosa's profit for calculating dividends.

	Söderport Holding AB		Gardermoen Utvikling AS		Other companies*		Total	
	Mar 31		Mar 31		Mar 31		Mar 31	
MSEK	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Share in equity	863	610	323	–	25	30	1,211	640
Participating interest %	50	50	65	–	50	50		
Share in profit/loss, Jan-Mar	40	36	0	–	–1	0	39	36
Of which:								
Profit from property management	26	27	0	–	0	0	26	27
Changes in value of properties	37	39	0	–	0	–	37	39
Changes in value of financial instruments	–26	–16	0	–	–	–	–26	–16
Deferred tax	–7	–7	0	–	–	–	–7	–7
Other	10	–7	0	–	–1	–	9	–7

SÖDERPORT HOLDING AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB. On March 31, 2016, Söderport owned properties worth some SEK 5.7 billion (5.1) with the emphasis on the Stockholm and Gothenburg areas. Hemfosa's share of Söderport's profit for the quarter was MSEK 40 (36), of which MSEK 26 (27) pertained to profit from property management, MSEK 37 (39) to changes in the value of the property portfolio, MSEK –26 (–16) to changes in the value of financial instruments, MSEK –7 (–7) to deferred tax and MSEK 10 (–7) to other items.

During the quarter, Söderport continued its work on the leasing of properties, primarily with a focus on new leasing.

As per March 31, 2016, Söderport owned 55 properties.

Söderport Holding AB

	Mar 31	
MSEK	**2016**	**2015**
Rental revenue Jan-Mar, MSEK	136	128
Comprehensive income Jan-Mar, MSEK	60	77
of which, Hemfosa's share (50%)	30	39
Market value of properties, MSEK	5,706	5,068
Interest-bearing loans, MSEK	3,206	3,210
Deferred tax liability, MSEK	251	116
Derivatives, negative value, MSEK	464	496
Equity, MSEK	1,726	1,216
of which, Hemfosa's share (50%)	863	608
No. of properties	55	45
Leasable area, 000s of sqm	667	613

GARDERMOEN CAMPUS UTVIKLING AS

Hemfosa owns Gardermoen Campus Utvikling AS (GCU) jointly with Aspelin Ramm Eiendom AS, a Norwegian development company.

The purpose of GCU is to own and develop an area at Gardermoen Airport, near Oslo, into an important national hub for expertise in health and social 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. GCU is Hemfosa's largest development project and is the first of its kind for the company in terms of focus. The initiative is fully in line with Hemfosa's strategy: to focus on community service properties with stable cash flows and to capitalize on opportunities in a fluid property market.

The first phase of the investment in GCU comprises the design and construction of a specialist hospital at Gardermoen in Norway. GCU has signed a 25-year lease with LHL (Norwegian Heart and Lung Association). LHL will co-locate the operations of two existing specialist hospitals to the new hospital when construction is completed. Construction of the hospital commenced in 2015 and is scheduled for completion in January 2018.

In late 2015, GCU signed an agreement with the Municipality of Ullensaker concerning the construction of a new local medical center adjacent to LHL's hospital. The project area is some 8,000 square meters and construction is planned to commence in spring 2016 with completion scheduled for January 2018. The municipality has signed a 30-year lease. The property is fully leased.

On March 31, 2016, Hemfosa's investment in GCU amounted to MSEK 323.

Hemfosa's share of the joint venture has been classified in accordance with IAS 28. Although Hemfosa owns most of the shares in GCU, the company has no controlling influence over significant shareholder issues. According to the shareholder agreement, operational decisions require consensus on GCU's Board of Directors and the project planners approved by the Board control all details in the progress of the projects.

Gardermoen Campus Utvikling AS

MSEK	Mar 31 2016	Mar 31 2015
Market value of properties, MSEK	425	–
Interest-bearing loans, MSEK	–	–
Equity, MSEK	478	–
of which, Hemfosa's share (65%)	311	–
No. of properties	2	–

OTHER SHARES IN JOINT VENTURES

Hemfosa and Smebab Kommersiellt Holding AB each own 50 percent of a company in the Skanska Group, Gästgivaregatan Holding AB. Gästgivaregatan is a project development company formed to develop and add value to the Tellus 4 commercial property in Södertälje. Plans have been drawn up for the renovation and refurbishment of the commercial premises, on a total area of about 10,000 square meters.

Hemfosa and Culmen AB each own 50 percent of Culmen Strängnäs II AB. Culmen Strängnäs II AB is a project development company formed to develop and add value to properties. Towards the end of 2015, the company sold the remaining land, including associated development rights.

Financing

EQUITY

On March 31, 2016, Hemfosa's shareholders' equity amounted to MSEK 11,429 (9,372), corresponding to an equity/assets ratio of 34.2 percent (32.2). Hemfosa's financial target is an equity/assets ratio of at least 30 percent. The shareholders' equity of the Parent Company amounted to MSEK 8,979 (8,598) at March 31, 2016.

During the quarter, dividends of MSEK 127 have been paid.

INTEREST-BEARING LIABILITIES

At March 31, 2016, Hemfosa's interest-bearing liabilities totaled MSEK 19,949 (17,952), of which MSEK 18,717 (16,714) pertained to loans from credit institutions, MSEK 1,200 (1,200) to bond loans, MSEK 17 (18) to vendors' mortgages and MSEK 15 (20) to other liabilities. Hemfosa has a revolving credit facility of MSEK 1,300 (1,300), of which MSEK 11 (118) was unutilized at the end of the quarter. The Group also has three overdraft facilities totaling MSEK 475 (325), which were unutilized at March 31, 2016. In addition, the Group has loans raised in NOK pertaining to the property portfolio in Norway, as well as loans raised in EUR for the Finnish property portfolio.

The Group's interest-bearing liabilities to external creditors corresponded to 63.4 percent (64.8) of the fair value of the property portfolio. At March 31, 2016, the average interest rate was 2.06 percent (2.30). STIBOR 3 months was negative throughout the entire quarter. 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.

Fixed-rate period distributed by instrument type at March 31, 2016

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	18,114	–4,688	–2,695	10,731	54%
1–2 years	1,766	385	384	2,535	13%
2–3 years	0	3,520	1,902	5,422	27%
3–4 years	29	783	0	812	4%
4–5 years	0	0	409	409	2%
>5 years	39	0	0	39	0%
Total	**19,949**	**0**	**0**	**19,949**	**100%**

Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 8,495 have been taken into account in contractual interest rates and terms. The underlying loans carry a floating interest rate that is mainly based on STIBOR 3 months.

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. On March 31, 2016, interest-rate caps had a nominal value of MSEK 5,800 (7,039) and outstanding interest-rate swaps a nominal value of MSEK 2,695 (1,056). Taking into account the fixed-income derivatives entered into and the interest-rate caps, together with the loans that carry fixed interest rates, 51.6 percent (52.6) of Hemfosa's loan portfolio is interest-rate hedged. During the quarter, new interest-rate-cap agreements of MSEK 409 were entered into. A market-based premium has been paid for the interest-rate caps. At the end of the quarter, the average remaining fixed-rate period was 1.2 years (1.5).

Fixed-rate period, interest-rate swaps, March 31, 2016

	Nominal amounts, MSEK	Average interest rate, interest-rate swaps, %	Market value, MSEK
<1 year	1,112	0.8%	–3
1–2 years	385	0.1%	–4
2–3 years	3,520	1.1%	–110
3–4 years	783	1.1%	–17
4–5 years	0	0%	0
>5 years	0	0%	0
Total	**5,800**	**1.0%**	**–134**

The net change in interest-bearing liabilities during the quarter was MSEK 1,051 (2,126). During the quarter, new loans were raised totaling MSEK 1,018 pertaining to the taking possession of properties in Finland, Norway and Sweden. Repayments during the quarter totaled MSEK 85 (511), of which MSEK 31 (457) pertained to repayment on sales of properties and MSEK 54 (19) ongoing repayment under loan agreements.

For loans maturing in 2016, Hemfosa is of the opinion that the probability of refinancing the loans on market terms is high.

At the end of the period, the total fair value of interest-rate swaps and interest-rate caps and swaps was MSEK –132 (–154). The average loan maturity period was 2.5 (2.9) years. All interest-rate swaps had a negative fair value at March 31, 2016.

Maturity structure, interest-bearing liabilities at March 31, 2016

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, MSEK[1]	Total, MSEK
2016	1,566	8%	255	38	293
2017	6,687	34%	288	46	334
2018	6,488	33%	207	36	244
2019	1,098	6%	101	2	103
2020	3,343	17%	41	0	41
2021–	767	4%	47	0	47
Total	**19,949**	**100%**	**940**	**122**	**1,062**

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

Other disclosures

EMPLOYEES

At March 31, 2016, the number of employees was 60 (57), of whom 26 (25) were women. Hemfosa has offices in Nacka (head office), Gothenburg, Härnösand, Karlskrona, Karlstad, Kristianstad, Sundsvall, Västerås, Värnamo, Växjö and Oslo.

In connection with the acquisition of community service properties in Finland, work on establishing a property management organization in Helsinki commenced.

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 in its management of these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2015 Annual Report on pages 36–39 and 86–88.

Due to the acquisition of properties in Norway and Finland during 2015, the Group is currently exposed to currency risk. Currency risks pertain to investments, income and expenses in foreign currency, whereby exchange-rate 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 frequently 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. The company has not entered into any currency hedges to date but is continuously working on the issue, and it is not impossible that the company could enter into currency hedges from time to time.

Sensitivity analysis, March 31, 2016

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/– 1	+/–26
Economic leasing rate according to earnings capacity	+/– 1	+/–26
Property expenses according to earnings capacity	+/– 1	–/+7
Net operating income according to earnings capacity	+/– 5	+/–93
Changes in SEK/NOK exchange rates	+/– 10	+/–113
Change in SEK/EUR exchange rate	+/– 10	+/–39
Interest expenses for current fixed-rate periods and changed interest rates[1]	+/– 1	–81/+12
Interest expenses for change in average interest rate level[2]	+/– 1	–/+200
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/– 1	+/–131

1 Taking into account derivative agreements

2 Not taking into account derivative agreements

THE SHARE AND SHAREHOLDERS

The company's ordinary share has been listed on Nasdaq Stockholm, Mid Cap, since March 21, 2014 under the ticker symbol "HEMF." The company's preference share has been listed on NASDAQ Stockholm, Mid-Cap, since December 12, 2014 under the ticker symbol "HEMF PREF."

At March 31, 2016, the number of Hemfosa shares was 142,440,207, of which 131,440,208 were ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 132,540,207.9. Each ordinary share carries one voting right and each preference share carries one tenth of a voting right.

The closing price paid on March 31, 2016 was SEK 89.25 for ordinary shares and SEK 159.00 for preference shares. Total market capitalization was MSEK 13,480. At March 31, 2016, Hemfosa had 16,081 shareholders, of whom Swedish investors, institutions and private individuals owned 65.2 percent of the shares and 63.2 percent of the voting rights. International institutional investors owned 34.8 percent of the shares and 36.8 percent of the votes.

Owner distribution, March 31, 2016

	Number of shares		Percentage of	
Owners	**Ordinary shares**	**Preference shares**	**Share capital**	**Votes**
Fourth AP Fund	13,218,166	–	9.3%	10.0%
Länsförsäkringar Fondförvaltning AB	10,132,533	–	7.1%	7.6%
Kåpan Pensioner	6,863,562	–	4.8%	5.2%
AMF Försäkring och Pensioner	6,767,901	–	4.8%	5.1%
Lannebo Funds	5,575,328	–	3.9%	4.2%
Handelsbanken Fonder AB RE JPMEL	5,212,211	300,000	3.7%	3.9%
Swedbank Robur Funds	4,728,721	–	3.5%	3.6%
JPM Chase NA	3,262,826	–	2.4%	2.5%
Board and Management	6,774,909	57,779	4.8%	5.1%
Others	68,904,051	10,642,220	55.7%	52.8%
Total	**131,440,208**	**10,999,999**	**100.0%**	**100.0%**

MOTION TO THE 2016 ANNUAL GENERAL MEETING

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 1,103.

For the 2015 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.20 per ordinary share with quarterly payment of SEK 1.05 per ordinary share. The proposed record dates are April 21, July 10 and October 10, 2016 and January 10, 2017. 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, 2016 and January 10, 2017 and April 10, 2017. The proposed dividend corresponds to 60 percent of distributable profit for 2015. The proposed dividend according to the above totals SEK 662,048,863.60.

The Board has made a decision to implement a rights issue subject to approval by the Annual General Meeting (AGM). The Board proposes that the new ordinary shares that may be issued according to the Board's decision on a rights issue will provide entitlement to dividends, in accordance with the above, as of the day on which these shares have been entered into the share register maintained by Euroclear Sweden AB. Assuming the AGM adopts the Board's decision concerning a rights issue, dividends on the newly added ordinary shares will not exceed SEK 105,000,000.00.

The Board has also proposed that the AGM authorize the Board to make decisions on a new issue of ordinary shares. The Board proposes that the new ordinary shares that may be issued with the support of the authorization will provide entitlement to dividends, in accordance with the above, as of the day on which these shares have been entered into the share register maintained by Euroclear Sweden AB. Assuming that the authorization is exercised in full, the dividend on additional ordinary shares will not exceed SEK 51,903,666.00.

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 company's and the Group's operations, financial position and earnings, and describes material risks and uncertainties facing the company and the companies included in the Group.

Nacka, April 19, 2016
Hemfosa Fastigheter AB (publ) (Corp.
(Corp. Reg. No. 556917-4377)

Jens Engwall
Chief Executive Officer

This interim report has been audited by the company's auditors; see the Auditors' review on page 32.

Hemfosa publishes the information in this interim report in accordance with the Securities Market Act on Friday, on April 19, 2016 at 7:30 a.m. (CET).

REPORTING DATES

Interim report, January–June 2016	**July 21, 2016**
Interim period January–September 2016	**November 9, 2016**
Year-end report, January–December 2016	**February 17, 2017**

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Condensed financial statements

Consolidated statement of profit/loss and other comprehensive income

MSEK	Jan-Mar 2016	Jan-Mar 2015	Full-year 2015
Rental income	650	589	2,443
Property expenses including property administration	–222	–221	–773
Net operating income	**428**	**367**	**1,670**
Central administration	–26	–28	–112
Other operating income and expenses	9	–3	0
Share in profit of joint ventures	39	36	255
Financial income and expenses	–110	–106	–450
Profit from property management	**340**	**265**	**1,363**
Changes in value of properties, realized	20	71	91
Changes in value of properties, unrealized	478	323	1,409
Changes in value of financial instruments, realized	–	–	3
Changes in value of financial instruments, unrealized	–31	–52	–45
Profit before tax for the year	**808**	**606**	**2,821**
Current tax	–3	–2	–5
Deferred tax	–150	–99	–478
Profit for the year	**654**	**506**	**2,339**
Other comprehensive income			
Items that have or could be transferred to profit for the period			
Exchange differences for the period in converting foreign operations	25	–32	–131
Comprehensive income for the year	**679**	**474**	**2,207**
Profit/loss for the year attributable to:			
Parent Company shareholders	652	514	2,324
Non-controlling interests	2	–8	15
Profit for the year	**654**	**506**	**2,339**
Profit/loss for the year attributable to:			
Parent Company shareholders	677	482	2,191
Non-controlling interests	2	–8	16
Comprehensive income for the year	**679**	**474**	**2,207**
Earnings per ordinary share for the year, before and after dilution, SEK	**4.78**	**3.72**	**16.87**

Consolidated statement of financial position

	Mar 31		Dec 31
MSEK	**2016**	**2015**	**2015**
ASSETS			
Investment properties	31,340	27,583	29,553
Shares in joint ventures	1,211	641	1,075
Other fixed assets	7	13	7
Total fixed assets	**32,558**	**28,237**	**30,635**
Current receivables	337	303	82
Cash and cash equivalents	517	551	732
Total current assets	**854**	**854**	**814**
TOTAL ASSETS	**33,412**	**29,091**	**31,449**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to Parent Company shareholders	11,415	9,368	10,737
Non-controlling interests	14	4	12
Shareholders' equity	**11,429**	**9,372**	**10,749**
Non-current interest-bearing liabilities	18,005	17,697	17,228
Other long-term liabilities	137	157	106
Deferred tax liabilities	861	533	701
Total non-current liabilities	**19,003**	**18,387**	**18,035**
Current interest-bearing liabilities	1,880	183	1,670
Other current liabilities	1,100	1,149	994
Total current liabilities	**2,980**	**1,332**	**2,664**
Total liabilities	**21,983**	**19,719**	**20,699**
TOTAL EQUITY AND LIABILITIES	**33,412**	**29,091**	**31,449**

Consolidated statement of changes in equity shareholders' equity

MSEK	Share capital	Other con-tributed capital	Transla-tion reserve	Retained earnings incl. profit for the year	Total	Non-con-trolling interests	Total Share-holders' equity
	Shareholders' equity attributable to Parent Company shareholders						
Opening equity, Jan 1, 2015	**71**	**5,549**	**–**	**3,317**	**8,938**	**12**	**8,949**
Transactions with the Group's shareholders Jan–Mar 2015							
Contributions from and distributions to shareholders							
Emission costs	–	–2	–	–	–2	–	–2
Dividend, preference shares	–	–	–	–50	–50	–	–50
Total transactions with the Group's shareholders	**–**	**–**	**–**	**–50**	**–50**	**–**	**–50**
Total comprehensive income Jan-Mar 2015	**–**	**–**	**–32**	**514**	**482**	**–8**	**474**
Closing equity, Dec 31, 2015	**71**	**5,547**	**–32**	**3,781**	**9,368**	**4**	**9,372**
Transactions with the Group's Apr-Dec shareholders							
Contributions from and distributions to shareholders							
New share issue, preference shares	1	165[1]	–	–	166	–	166
Dividend, preference shares	–	–	–	–107	–107	–	–107
Dividend, ordinary shares	–	–	–	–394	–394	–	–394
Changes in interests in subsidiaries							
Acquisition of subsidiaries with non-controlling interests	–	–	–	–4	–4	4	–
Divestment of part-owned ubsidiary	–	–	–	–	–	–20	–20
Total transactions with the Group's shareholders	**1**	**165**	**–**	**–505**	**–339**	**–16**	**–355**
Total comprehensive income Apr-Dec 2015	**–**	**–**	**–100**	**1,809**	**1,709**	**23**	**1,733**
Closing equity, Dec 31, 2015	**72**	**5,713**	**–132**	**5,084**	**10,737**	**12**	**10,749**
Opening equity, Jan 1, 2016	**72**	**5,713**	**–132**	**5,084**	**10,737**	**12**	**10,749**
Transactions with the Group's shareholders Jan–Mar 2016							
Total transactions with the Group's shareholders Jan-Mar 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income Jan-Mar 2016	**–**	**–**	**25**	**652**	**677**	**2**	**679**
Closing equity, Mar 31, 2016	**72**	**5,713**	**–107**	**5,737**	**11,415**	**14**	**11,429**

1 Preference share capital constitutes SEK 162.85 per preference share, totaling MSEK 1,791.

Consolidated statement of cash flows

MSEK	Jan–Mar 2016	Jan–Mar 2015	Full-year 2015
Operating activities			
Profit from property management	340	265	1,363
Adjustments for non-cash items	–40	–36	–264
Income tax paid	0	–8	0
Cash flow from operating activities before changes in working capital	**300**	**223**	**1,100**
Cash flow from changes in working capital			
Changes in operating receivables	–255	–208	22
Changes in operating liabilities	249	405	98
Cash flow from operating activities	**294**	**420**	**1,120**
Cash flow from investing activities			
Acquisition of investment properties	–10	–17	–103
Divestment of investment properties	7	4	45
Investments in existing properties	–146	–94	–566
Acquisition of subsidiaries	–1,373	–3,321	–4,491
Divestment of subsidiaries	293	886	1,378
Acquisition of joint ventures	–	–	–221
Other	–92	–14	14
Cash flow from investing activities	**–1,320**	**–2,557**	**–3,943**
Cash flow from financing activities			
New share issue	–	–	165
Loans raised	990	2,637	4,240
Amortization of loans	–54	–517	–1,101
Redemption of existing swap agreements	–	–	–43
Dividend paid to shareholders	–127	–25	–399
Cash flow from financing activities	**810**	**2,095**	**2,862**
Cash flow for the year	**–216**	**–43**	**138**
Exchange-rate difference in cash and cash equivalents	2	0	0
Cash and cash equivalents at the beginning of the year	732	594	594
Cash and cash equivalents at year-end	**517**	**551**	**732**

NOTE 1 SEGMENT INFORMATION

MSEK	Sweden Jan–Mar 2016	Sweden Jan–Mar 2015	Norway Jan–Mar 2016	Norway Jan–Mar 2015	Finland Jan–Mar 2016	Finland Jan–Mar 2015	Total consolidated Jan–Mar 2016	Total consolidated Jan–Mar 2015
Rental income	573	551	58	38	19	–	650	589
Property expenses								
Operations	–132	–128	0	–1	–1	–	–134	–129
Maintenance	–44	–42	–1	–1	0	–	–46	–43
Property tax	–21	–22	–1	0	–1	–	–23	–22
Property administration	–19	–27	0	0	0	–	–20	–27
Net operating income	**356**	**332**	**56**	**36**	**17**	**–**	**428**	**367**
Central administration							–26	–28
Other operating income and expenses							9	–3
Share in profit of joint ventures							39	36
Financial income and expenses							–110	–106
Profit from property management							**340**	**265**
Changes in value of properties							498	394
Changes in value of financial instruments							–31	–52
Profit before tax for the year							**808**	**606**

NOTE 2 ACCOUNTING POLICIES

This condensed interim report for the Group has been prepared in accordance with International Accounting Standards (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 the Swedish Annual Accounts Act, Chapter 9, Interim Reports. For the Group and Parent Company, the same accounting and valuation policies were applied as in the most recent Annual Report. All amounts in this interim report are stated in millions of kronor (MSEK), unless otherwise stated. Amounts in parentheses pertain to the comparative year-earlier period. Rounding-off differences may occur.

NOTE 3 ESTIMATES AND ASSESSMENTS

The preparation of interim reports requires that company management make judgements and estimates, as well as assumptions, that affect the financial statements. Important estimates and judgments are presented in Note 25 to the Annual Report 2015.

NOTE 4 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 recognized 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. At the present time, netting is not being implemented.

Financial instruments, MSEK	Carrying amount Mar 31, 2016	Carrying amount Dec 31, 2015	Fair value Mar 31, 2016	Fair value Dec 31, 2015
Assets at fair value	2	2	2	2
Assets measured at amortized cost	529	766	529	766
Liabilities measured at fair value	134	103	134	103
Liabilities measured at amortized cost	19,973	18,987	19,973	18,987

NOTE 5 FINANCING

For information on changes in financing, reference is made to page 20–21 in this interim report.

NOTE 6 RELATED-PARTY TRANSACTIONS

The Group owns participations in joint ventures; refer to pages 18–19 in this interim report. At March 31, 2016, the Group had sureties of MSEK 127 (–) for the liabilities of joint ventures. At March 31, 2015, the Group had no receivables from joint ventures.

NOTE 7 SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

No significant events occurred after the end of the quarter.

Income statement for the Parent Company

MSEK	Jan–Mar 2016	Jan–Mar 2015	Full-year 2015
Net sales	8	12	53
Other external costs	–8	–9	–33
Personnel expenses	–4	–7	–30
Depreciation/amortization	0	0	0
Operating profit/loss	**–6**	**–4**	**–10**
Profit from shares in Group companies	–	–	850
Interest income and similar items	3	88	286
Interest expenses and similar expense items	–2	–44	–173
Profit after financial items	**–5**	**40**	**953**
Appropriations			
Group contributions received and paid	–	–	–187
Profit after appropriations	**–5**	**40**	**765**
Tax	–	–	–
Profit for the year	**–5**	**40**	**765**

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

MSEK	Jan–Mar 2016	Jan–Mar 2015	Full-year 2015
Profit for the year	**–5**	**40**	**765**
Other comprehensive income for the year			
Items that have or could be transferred to profit for the period			
Translation differences for the period when translating foreign operations	–	–	–
Comprehensive income for the year	**–5**	**40**	**765**

For the January–March 2016 period, the Parent Company recognized a result after tax of MSEK –5. The Parent Company's fee for central and property administrative services on behalf of Group companies was MSEK 8 (12). The Parent Company's investments in operations outside Sweden resulted in exchange-rate differences of MSEK 7 (–32) and are recognized in interest expenses and similar expense items.

Balance sheet for the Parent Company

MSEK	Mar 31 2016	Mar 31 2016	Dec 2015
ASSETS			
Tangible assets	0	0	0
Participations in Group companies	4,199	2,876	3,527
Non-current receivables from Group companies	–	5,460	523
Deferred tax asset	24	–	24
Total fixed assets	**4,223**	**8,336**	**4,074**
Current receivables from Group companies	7,732	2,749	7,103
Other current receivables	10	13	13
Cash and bank balances	7	34	286
Total current assets	**7,749**	**2,828**	**7,402**
TOTAL ASSETS	**11,972**	**11,164**	**11,476**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity	72	71	72
Unrestricted equity	8,907	8,527	8,913
Shareholders' equity	**8,979**	**8,598**	**8,985**
Bond	1,200	1,200	1,200
Non-current liabilities to Group companies	–	75	–
Total non-current liabilities	**1,200**	**1,275**	**1,200**
Current liabilities to Group companies	1,676	1,170	1,101
Other current liabilities	117	90	190
Total current liabilities	**1,793**	**1,260**	**1,291**
Total liabilities	**2,993**	**2,535**	**2,491**
TOTAL EQUITY AND LIABILITIES	**11,972**	**11,164**	**11,476**
Pledged assets and contingent liabilities			
Pledged assets			
Participations in Group companies	4,199	2,876	3,527
Contingent liabilities			
Sureties for liabilities in Group companies	13,311	11,472	12,639
Sureties for liabilities in joint ventures	127	–	–

At March 31, 2016, the Parent Company had shareholders' equity totaling MSEK 8,979 (8,598), of which restricted equity accounted for MSEK 72 (71).

At March 31, 2016, the Parent Company had non-current interest-bearing bond loans of MSEK 1,200 (1,200), excluding costs associated with borrowing. Intra-Group liabilities totaled MSEK 1,676 (1,245) and intra-Group receivables MSEK 7,732 (8,209).

Review report

Hemfosa Fastigheter AB (publ)
Corp. Reg. No. 556917-4377

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) for Hemfosa Fastigheter AB (publ) for the period ending on March 31, 2016 and for the three-month period ending on that date. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

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

OPINION

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

Stockholm, April 19, 2016
KPMG AB

Björn Flink
Authorized Public Accountant

Glossary

Cash flow from operating activities per common 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.

Community service properties
Properties with publicly financed tenants Either directly or indirectly, who account for at least 70

Debt/equity ratio
Interest-bearing liabilities as a percentage of equity.

Dividend poilcy
The dividend shall amount to 60 percent of profit from property management over time share of profit/loss joint ventures after tax Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

Earnings per ordinary share
Earnings for the year, less preferential right to a dividend for preferential shares for the period, as a percentage of the weighted average number of common shares.

Economic leasing rate
Rental income as a percentage of the rental value during the year.

Equity/assets ratio
Equity as a percentage of total assets.

Equity per ordinary share
Equity as a percentage of the number of common shares after taking into account the preference share capital at the end of the year.

Equity per preference share
Equity per preference share corresponds to the average issue price for the preference shares.

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

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

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.

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.

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

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

Loan-to-value ratio
Total interest-bearing liabilities at the end of the year value statement of financial position

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

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 according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period.

Preference share capital
The preferential share's issue price multiplied by the number of preferential shares.

Profit from property management per ordinary share
Profit from property management for the year, less the pre-emptive rights of preference shares to a dividend , as a percentage of the weighted average number of common shares.

Property
Properties held under title or site leasehold.

Rental income
Rents charged plus, for example, supplements for heating and property tax.

Return on equity
Profit/loss for the period as a percentage of average shareholders' equity during the year.

Surplus ratio
Net operating income for the year as a percentage of the rental income.

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

BUSINESS CONCEPT

Hemfosa will own, develop and manage community service properties on a long-term basis and create value through active participation in a changing property market in order to generate long-term, high and stable profitability.

FINANCIAL OBJECTIVES

- Hemfosa is to deliver the highest return among listed Swedish property companies over a five-year period
- Long-term, the equity/assets ratio is to amount to at least 30%.
- Long-term, the interest coverage ratio is to be at least a multiple of two.

DIVIDEND POLICY

The dividend will amount to 60 percent of profit from property management long term, excluding share of profit/loss 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.

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 at least 75 percent of the total property value

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

- generate growth
- maximize return in relation to risks
- generate transaction gains