

ANNUAL REPORT 2018

NYFOSA

WELCOME TO VALUE

NYFOSA IS AN OPPORTUNISTIC PROPERTY COMPANY. THAT MEANS THAT WE SEEK OUT VALUE THAT OTHERS DO NOT SEE. IN LINE WITH THIS STRATEGY, WE WILL BECOME THE MOST PROFITABLE COMPANY IN THE MARKET, WORK TOGETHER WITH BUSINESSES ACROSS SWEDEN AND GENERATE ADDED VALUE FOR OUR SHAREHOLDERS AND TENANTS.

IT'S VERY EASY TO DESCRIBE OUR WAY OF WORKING. IT IS ABOUT SEEING THINGS IN A NEW LIGHT. CHANGING PERSPECTIVE, DISCOVERING OPPORTUNITIES AND GETTING THE BEST OUT OF EACH INVESTMENT. WITH A QUICK, EFFECTIVE AND RESULTS-CENTRIC MINDSET. IN PRACTICE, IT MEANS THAT WE ACQUIRE, MANAGE, ADD VALUE TO AND SELL PROPERTIES THAT WE BELIEVE IN, REGARDLESS OF WHERE THEY ARE IN SWEDEN.

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While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the Board of Directors, is in Swedish.

“A NEW PROPERTY COMPANY
FOR ALL OF SWEDEN”

NYFOSA 2018

NYFOSA IS A TRANSACTION-BASED AND OPPORTUNISTIC PROPERTY COMPANY IN WHICH BUSINESS ACTIVITIES ARE IN FOCUS. WE ACQUIRE, MANAGE, ADD VALUE TO AND SELL PROPERTIES THROUGHOUT SWEDEN.

Nyfosa was listed on Nasdaq Stockholm on November 23, 2018. The listing marked the beginning of Nyfosa as an independent company after its distribution to ordinary shareholders in Hemfosa Fastigheter. The goal of the demerger was for the two specialized companies to create better conditions for leveraging the potential of the entire business and thereby increase shareholder value.

Nyfosa acquired properties for a value of SEK 3.7 billion in 2018. Our single largest acquisition was a portfolio of 51 properties with a property value of SEK 3.6 billion.

SEK **15.6** billion

PROPERTY VALUE
EXCL. PARTICIPATIONS IN JOINT VENTURES
DECEMBER 31, 2018

SEK **3.7** billion

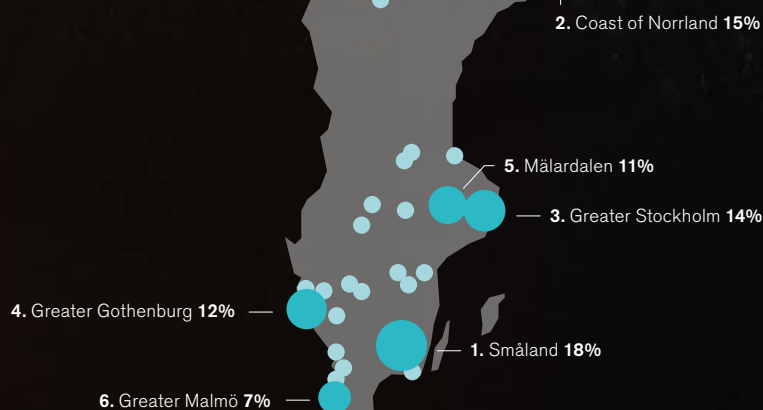
ACQUIRED
PROPERTIES
2018

MSEK **834**

EARNINGS CAPACITY
PROFIT FROM PROPERTY
MANAGEMENT
DECEMBER 31, 2018



PROPERTY VALUE BY REGION



KEY FIGURES

	2018	2017
Income, MSEK	1,064	1,031
Net operating income, MSEK	728	746
Surplus ratio, %	68.4	72.4
Profit from property management, MSEK	918	1,013
– per share, SEK	5.47	6.04
Profit after tax, MSEK	1,615	1,215
– per share before and after dilution, SEK	9.63	7.24
Cash flow from operating activities, MSEK	1,207	477
– per share, SEK	7.20	2.84
Return on equity, %	27.2	37.9
Equity/assets ratio, %	48.3	25.5
Net asset value, EPRA NAV, MSEK	9,385	4,300
– per share, SEK	55.36	25.64
Loan-to-value ratio, properties, %	52.9	54.4

NYFOSA OWNS PROPERTIES IN HIGH-GROWTH MUNICIPALITIES AND TRANSPORT HUBS IN SWEDEN

Nyfosa's properties are located throughout Sweden, mainly in high-growth municipalities and at transportation hubs. On December 31, 2018, Nyfosa's property portfolio comprised 177 properties with a total property value of SEK 15.6 billion, a rental value of MSEK 1,404 and a leasable area of 1,577 thousand sqm.

Q3 2018

- In September, Nyfosa vacated the Kungsängen 15:1 property in Uppsala, which was divested at an underlying property value of SEK 1 billion.
- Possession was taken of a property portfolio with an underlying property value of approximately SEK 3.6 billion in September.
- The Extraordinary General Meeting of Hemfosa Fastigheter AB resolved in September to distribute the subsidiary Nyfosa to existing ordinary shareholders.

Q4 2018

- Nyfosa was listed on Nasdaq Stockholm, Large Cap, on November 23.
- Nyfosa supplemented the organization by recruiting several employees to key functions.

AFTER YEAR-END

- Nyfosa's joint venture, Söderport, divested a part-owned property in Torslanda in January 2019.
- The Board proposes that the Annual General Meeting resolve that no dividends be paid to the shareholders for the 2018 financial year.



Our objective is annual growth of 20 percent in the property portfolio and earnings. We achieved this by a healthy margin in 2018 and I am convinced that we will continue to grow at a rapid rate.

- JENS ENGWALL, CEO

PROPERTIES ARE FANTASTIC

Nyfosa loves properties. And business. After an intense autumn 2018 when we formed and listed the new company on Nasdaq Stockholm, we can now in 2019 fully concentrate on just this – acquiring, selling and creating value. We want to grow quickly and we have the expertise, capital and power to do that.

Nyfosa is an opportunistic property company that dares to go against the tide. For us this means capitalizing on business opportunities in the current market and identifying values that others do not see. It could be an office in Kiruna, a business park in Lund, a warehouse in my hometown of Eskilstuna or wholesale market halls outside Stockholm City, or all of these in a single portfolio. What is crucial to us is to do value-creating business, regardless of the type of property or geography. This flexible strategy grants us freedom of movement that other property companies in the Swedish market lack.

Many financing opportunities

We have a strong first year behind us. We increased our property portfolio by 29 percent to SEK 15.6 billion, mainly through the acquisition of a large portfolio valued at SEK 3.6 billion. Rental income rose 22 percent and the annual earnings capacity of our existing property portfolio was MSEK 834 at year-end. This provides us with a stable foundation for continued growth. We also hold a strong position in the financing market with excellent relationships with all major banks. This is confirmed by the substantial credit facilities available to us and that give us scope to act. As a result of these excellent financing opportunities and a loan-to-value ratio of 52.9 percent, we have significant acquisition capacity and the ability to rapidly carry out transactions when the right deal appears. We may also consider entering the bond market in the future to further accelerate growth.

We see favorable market conditions for Nyfosa's continued positive development. We now have a negative real interest rate, given the currently low interest rate scenario; we are essentially borrowing at less than inflation. The level of activity in the property market remains high, although we see imbalances in certain property sectors that could generate business opportunities for Nyfosa.

Stronger team

But we do not only need money in the bank and the right market conditions to do good business – we also need the right people. We have strengthened our experienced team by adding

further skills to key functions since the listing in November. We also opened a property management office in Malmö.

An important component in creating value is to continuously assess how to add value to the existing portfolio. We create value for both tenants and shareholders by actively and creatively developing our properties. We strengthened our project development team to sharpen our skills even further, and we can now better identify development opportunities throughout the property portfolio – plans that we ourselves or a future buyer of the property can realize.

Ready for expansion

At Nyfosa, we actively analyze potential business across Sweden and in virtually all property categories. We have the capacity to study a large number of properties and portfolios in parallel. This is a prerequisite for finding hidden gems. We are both impatient and patient. We are constantly on the go, looking near and far for both large and small properties. At the same time, we understand that many transactions take time and are built on long-term relationships. This is where the breadth of our geographic presence and our combined experience are valuable for generating new business.

Nyfosa intends to grow rapidly and we are aiming high. Our objective is annual growth of 20 percent in the property portfolio and earnings. We achieved this by a healthy margin in 2018 and I am convinced that we will continue to grow at a rapid rate. We are now heading toward a transaction-based 2019 and currently evaluating a large number of attractive business transactions in a range of property categories, geographic locations and sizes. Sometimes these are properties that other players would turn their nose up at, such as retail properties. But for those of us who love properties and business, it is very exciting in every way. With almost 20,000 shareholders onboard, there are many of us who believe that Nyfosa has an interesting journey ahead.

“What is crucial to us is to do value-creating business, regardless of the type of property or geography.”

Jens Engwall
CEO

TRANSACTION-BASED AND OPPORTUNISTIC

Nyfosa is a transaction-based and opportunistic property company. That means that we seek out value that others do not see. Part of our strategy is to operate nationwide without being limited to specific regions, sectors or concepts. This focus sets us apart in the Swedish property market.

BUSINESS CONCEPT

Nyfosa's mission is to be a transaction-based, opportunistic property company with strong forward momentum. Nyfosa will change in pace with the property market to always identify the best possible transactions and capitalize on business opportunities when they arise. Furthermore, Nyfosa will generate sustained and high return and be cash flow driven with the ambition to grow both its cash flow and property portfolio.

VISION

Nyfosa's vision is to identify and complete the most profitable transactions in a changing property market. The focus is on identifying and developing value and getting the best out of each investment in order to maximize the shareholder value. We also aim to create added value by being the best company in the property sector at complex transactions.

A swift and experienced property company

Nyfosa considers itself to be Sweden's only listed property company with an opportunistic business model without being limited to specific regions, sectors or concepts. We can find the value that others do not see by identifying and conducting acquisitions that are often on the periphery for other operators or that other operators are unable to undertake. Several factors make this a possibility for Nyfosa.

Our job is to explore, discover and improve the value of Sweden's properties.

Business model focusing fully on transactions

Nyfosa's business model is based on taking an active role in the transaction market, combined with a flexible investment strategy adapted to changes in the property market. By being perceived as an especially active property company in the transaction market, in terms of both acquisitions and divestments, Nyfosa will become a natural and attractive business partner for other property owners, transaction advisors and banks, thereby generating further business opportunities.

A broad strategy that creates freedom of movement

Nyfosa can capitalize on business opportunities when they arise, and evaluate and implement numerous different transactions, by being open to doing business irrespective of the property category, region or magnitude of the transaction.

This flexibility provides Nyfosa with the conditions to acquire properties that are often outside the investment strategy of other property companies; transactions that are therefore subject to less competition. One of Nyfosa's main strengths is the ability to identify business opportunities or development potential that other players perceive as too complex or insecure but where we see an opportunity to take full advantage of the know-how and experience of our employees.

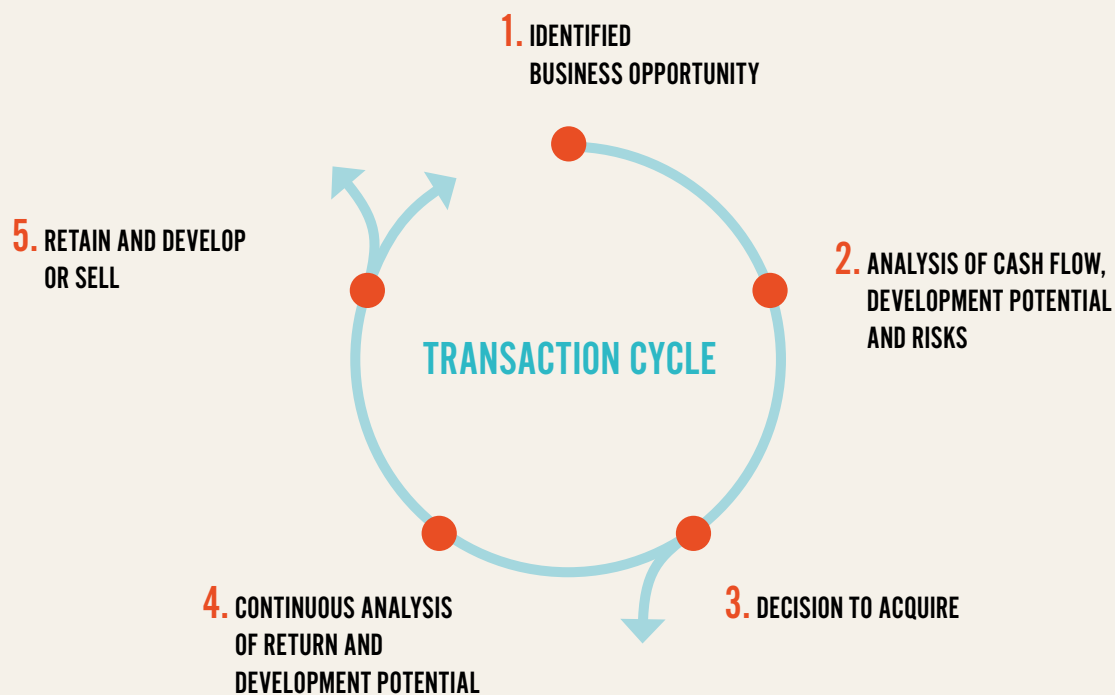
Experienced management team and an organization close to the market

Nyfosa has a management team with immense experience of transactions that vary in nature and complexity and is highly skilled in identifying values, assessing potential and weighing risks. Nyfosa also has a market-centric organization with short decision-making paths and well-established processes. Most of Nyfosa's employees come from Hemfosa and possess long experience of value-creating property management and development and a tried-and-tested way of working based on the transaction-based activities pursued. Short decision-making paths and employee experience in evaluating risks and assessing potential mean that we can act swiftly to capitalize on attractive business opportunities when and where they appear.

NYFOSA

“We can act swiftly to capitalize on attractive business opportunities when and where they appear.”

– JENNY LINDHOLM, HEAD OF TRANSACTIONS



STRATEGY

Nyfosa's long-term strategy is based on five cornerstones.

1. Maintain sustained activity in the transaction market and creatively evaluate new business opportunities

Nyfosa's working method is based on active and close contact with the transaction market. Employees engage in continuous dialogue with a diverse range of players in markets across Sweden. The strong local presence and in-depth local knowledge of the management organization are key to Nyfosa's growth strategy and create a solid basis on which to assess the market trend, identify business opportunities at an early stage and make well-founded decisions concerning acquisitions and divestments. Together with the organization's short and rapid decision-making procedures and well-established processes, this means that a large number of different business opportunities can be assessed and evaluated simultaneously and transactions can be carried out and completed quickly.

2. Focus on commercial properties in high-growth municipalities in Sweden

With a property portfolio centered on commercial properties in high-growth municipalities in Sweden, Nyfosa can leverage favorable trends, such as a rising population and business activities in these municipalities, regardless of where they are located in Sweden. Nyfosa's flexible approach means that the properties we acquire do not need to belong in the same category or be of the same size or in the same region as its existing properties. Instead, our focus is on identifying development potential. Nyfosa will acquire properties or portfolios that generate a stable and high yield and where Nyfosa can add value through active property management or follow-up transactions.

3. Develop and add value to its property holdings

By managing, developing and adding value to Nyfosa's property holdings, we can increase the value of our properties and earnings capacity while adding to their attractiveness for both existing and potential new tenants. This active approach to property management is carried out professionally, profitably and sustainably in close cooperation between Nyfosa's local organization and the central functions, and in close dialogue with tenants, society and other operators.

4. Be a reliable and receptive partner with a long-term approach and a broad established network

By being a responsible property owner and a reliable, receptive partner, we help to build relationships and create value in the markets where we are active. A critical part of this is to think creatively when developing new solutions for tenants, and to have a relatively small and local property management organization with a large and established contact network to be able to offer tenants rapid responses, personalized service and optimal conditions for their operations.

5. Attract the best employees

By recruiting and developing motivated, creative and experienced employees with solid expertise, business acumen and an established contact network, Nyfosa creates an effective, well-adapted and market-centric organization. The structure of the organization is a key part of Nyfosa's strategy for realizing its business concept and capitalizing on new business opportunities. Accordingly, being able to attract employees who can contribute the right know-how and experience is a priority for us. Nyfosa works actively to be an employer that offers a creative, open and stimulating work environment with a focus on proximity to business decisions, inclusion in business development and personal development for all employees.

OBJECTIVES AND FINANCIAL RISK LIMITS

Our overall objective is to generate a long-term high and stable return with a focus on growth. With our way of working, we aim to be Sweden's most profitable property company.

FINANCIAL OBJECTIVES

- Average annual growth in earnings and the property portfolio of at least 20 percent up to a total property value of SEK 25 billion (excluding participations in joint ventures).

- At least 15 percent return on equity over time, before paid tax.

Result 2018

+29%

Property value

+33%

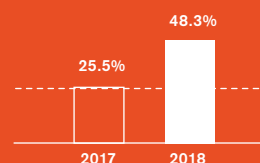
Profit after tax

27%

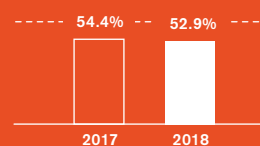
Return on equity

FINANCIAL RISK LIMITS

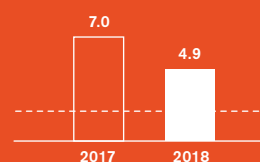
- Equity/assets ratio
At least 25 percent in the long term



- Loan-to-value ratio
Not to exceed 65 percent

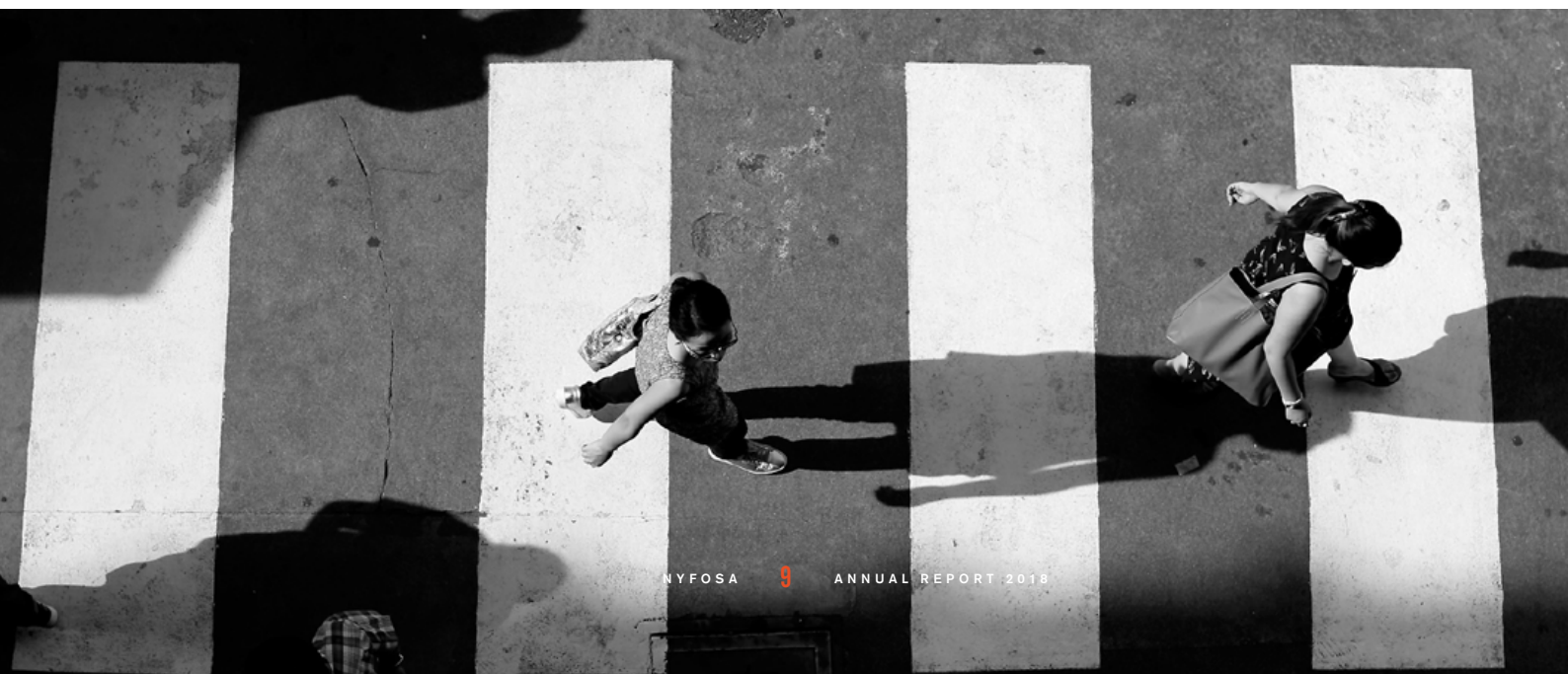


- Interest-coverage ratio Long term at least a multiple of 2



DIVIDEND POLICY

Profits will primarily be reinvested to leverage business opportunities and achieve the growth target of a total property value of SEK 25 billion. Thereafter, a significant portion of profit will be paid to shareholders in the form of a dividend, redemption and/or repurchase of shares.



MARKET PERFORMANCE AND TRENDS

Nyfosa's property portfolio mainly comprises commercial offices in high-growth municipalities and logistics and warehouse properties at transportation hubs throughout Sweden. Through its flexible investment strategy, Nyfosa's property portfolio can change over time as the property market develops.

Property transactions in Sweden

The total transaction volume in the Swedish property market in 2018 was in line with 2017 with business valued at approximately SEK 153 billion (for transactions of more than MSEK 40) and a slightly higher average amount per transaction. The activities of international investors in the Swedish property market increased during the year, representing 27 percent of the total transaction volume. Geographically, Stockholm accounted for the largest share at 41 percent, while Malmö represented about 12 percent and Gothenburg 11 percent. Some 19 percent of the total transaction volume in 2018 was invested in other large towns and cities and the rest of Sweden accounted for about 17 percent.

Transactions in the office category represented 22 percent of the total transaction volume for the year, which was a marked increase from the record-low level of 17 percent in 2017. Warehouse, logistics and industrial properties continued to account for a significant share of business in the Swedish property market, commanding 14 percent of the total transaction volume. Retail properties declined the most during the year, which can be interpreted to be caused by the investors' perception of elevated risk caused by fiercer competition from online shopping. Residential properties remained an attractive segment and represented 34 percent of the volume during the year, thus becoming the most traded property category in Sweden.

Offices

Performance and trends

Office properties performed strongly in 2018 and were marked by declining vacancy rates, high investment appetite and low yield requirements in most sub-areas in Sweden. Service companies are the main office tenants, with a normal lease term of about three years. The lease term is usually longer, often between five and ten years, for new builds and major modifications.

The rent level for office properties is primarily determined by the property's location, its condition and standard, the general market situation and the business structure in the area. A higher

proportion of service companies creates a larger market for office premises, which in turn drives rent levels. The market rent in larger and smaller regional capitals is deemed to have increased by about 6 percent during the year, with the best rent levels reaching SEK 2,300 per square meter.

The vacancy rate for offices fell again in Sweden during the year and most geographic areas saw declining or unchanged low levels. As a result of the low vacancy rate combined with high demand for office premises, the price of office properties rose during the year. Rent levels in 2019 are expected to remain at the same high levels and possibly increase further in the coming years, while the trend of declining yield requirements is expected to turn and rise slightly in the next few years.

Transactions

The Swedish property market for offices is among the strongest in Europe and international buyers accounted for about 28 percent of dedicated office transactions in 2018. The Stockholm region represented the largest share of dedicated office transactions in 2018, with 71 percent of the volume. The year's largest office transaction outside Sweden's three largest cities was Nyfosa's sale of the Kungsängen 15:1 property in Uppsala.

The yield requirement for office properties mainly depends on the location of the property, followed by its condition. Growth cities have experienced a slightly declining yield requirement in recent years and the level varies sharply depending on location and condition. In general, the yield requirement in regional capitals is between 5 and 7.5 percent, and is slightly higher in growth cities.

Logistics and warehouses

Performance and trends

The logistics market is continuing to strengthen due to tenants with strong credit ratings, long-term leases and sustained high demand. The market for warehouse, logistics and industrial properties varies widely based on a number of parameters such as ownership, size, modernity and efficiency. Longer leases of often five to ten years are generally signed.

The rent level is governed by a number of factors, mainly the location of the property and its proximity to logistics clusters, transportation hubs and major roadways. Rent levels for this property segment have been stable in recent years with no major change in rents noted.

Demand for logistics properties is high mainly in the metropolitan regions, while there is greater variation in demand in growth districts and regional capitals. The yield requirement for logistics properties varies considerably depending on the condition of the properties and the tenant's lease term. In most smaller regional capitals, the yield requirement declined during the year and is generally deemed to amount to 6–7 percent in prime locations, whereas the yield requirement for new-build logistics properties with long leases is at significantly lower levels.

As for the rest of the property market, trends are continuously changing for the logistics market. Factors influencing the logistics and warehouse segment are the strong growth in online shopping and weaker performance for physical retail stores. Increasingly advanced demands are being made for more complex facilities, such as automated sorting and picking systems. Digitization, automation and AI are trends that can enhance the efficiency of warehouse management and thus impact demand for logistics space. The clear trend is that the total floor space will increase as online shopping grows.

Transactions

2018 was a historic, record-breaking year for logistics properties in Sweden with the construction of several large logistics properties. The warehouse, logistics and industry segment remains an attractive investment option in the Swedish transaction market with a share of 14 percent of the total transaction volume for the year. A distinct trend is that demand for warehouses is increasing, which is partly due to increased online shopping. Acquisitions outside the major cities dominated dedicated warehouse, logistics and industry transactions. The largest property transaction in warehouse and logistics properties for the year was Nyfosa's acquisition of a property portfolio of 51 office, warehouse and logistics properties in high-growth municipalities and at transportation hubs.

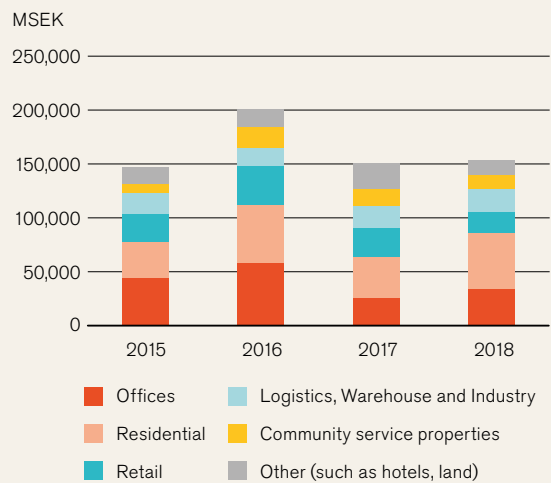
Competitors

With a portfolio comprising largely offices as well as logistics and warehouse premises in several locations in Sweden, Nyfosa faces different competitors in each property category and region. Other players in the market include international property funds, listed property companies and privately owned property companies. Nyfosa is of the opinion that the main players in the market are Catena, Castellum, Corem, Fastpartner, Klöver, Kungsleden, Sagax and Stendörren.

Market data from Newsec

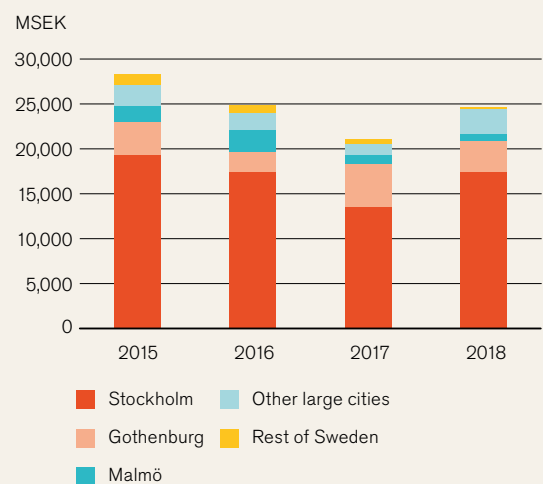
PROPERTY TRANSACTIONS, SWEDEN

By category (transactions of more than MSEK 40)



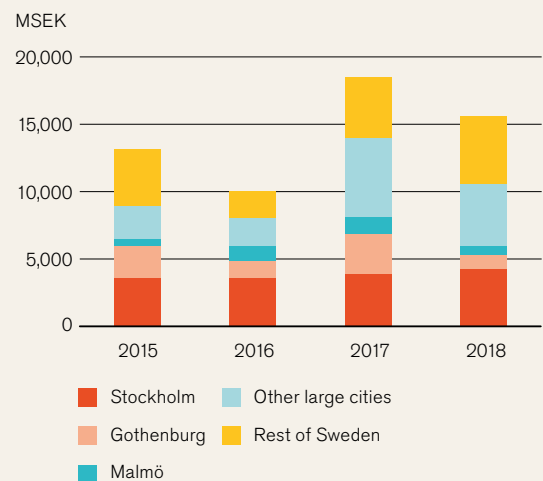
PROPERTY TRANSACTIONS - OFFICE

By region (transactions of more than MSEK 40)



PROPERTY TRANSACTIONS - WAREHOUSE, LOGISTICS AND INDUSTRY

By region (transactions of more than MSEK 40)



TARGETING THE BEST POSSIBLE TRANSACTIONS

With a flexible investment strategy, a market-centric organization, employees with documented transaction know-how and long experience of assessing risks, Nyfosa can pursue investments that are on the periphery for other operators. We continuously seek out business opportunities that match Nyfosa's portfolio of high-yield properties – both individual properties and property portfolios – and our activity level is high.

Acquisitions and sales are fundamental to Nyfosa's business model for continued growth and value creation. Nyfosa has a highly driven, experienced management team, a market-centric organization and resources that enable it to act swiftly and capitalize on the business opportunities that arise. This sets Nyfosa apart in the Swedish property market.

Established work model

Nyfosa's existing property portfolio is continuously evaluated and restructured to optimize the property portfolio and develop its composition. This creates the optimal levels of risk and yield. The emphasis is on identifying business opportunities that lead to a portfolio of high-yielding properties with development potential. In our transaction operations, we follow an established work model for implementing property transactions in a business-like and efficient manner, and ensuring that Nyfosa is there when deals arise.

Based on business plan and growth targets

Nyfosa's business plan and growth targets act as a basis for our investment strategy, market surveillance and market analyses. Using these analyses, Nyfosa then assesses the various business opportunities identified through Nyfosa's strong local presence, broad contact network and strong position in the acquisition market. We are well equipped to assess several alternatives in parallel, which makes it possible to process a larger selection and increase the chances of a positive conclusion.

Experience and market-centric transaction organization

The organization has the expertise, creativity and resources to identify and realize the business opportunities that arise. Transaction operations are also largely based on a

model whereby Nyfosa's transaction department and broad nationwide property management organization work closely together to create the best possible conditions for identifying interesting business opportunities. Nyfosa's presence at a large number of locations across the country provides important contacts with buyers, sellers and tenants.

Nyfosa has a relatively small, efficient and market-centric organization that is represented throughout Sweden. We have created a flexible and functional organization together with external suppliers who are renowned for their expertise in various parts of the transaction process, such as advisors in environmental, technical management, legal affairs, finance and tax matters. The consultants, who are chosen with great care and who possess the expertise required for current needs, are linked closely to the organization to ensure stability and a high degree of transaction know-how in the processes. The organizational structure makes it easier to make risk assessments and transaction decisions relatively quickly, which is a prerequisite for us to complete acquisitions and divestments in an efficient and business-like manner.

Value-adding acquisitions

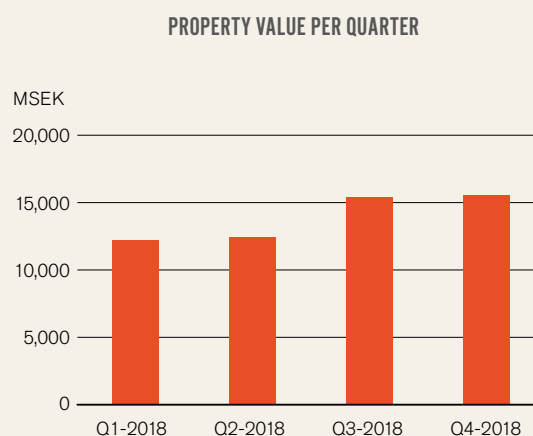
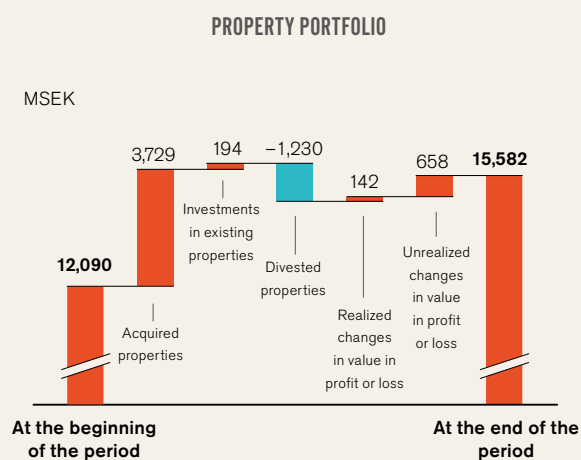
Prior to a potential acquisition, we always analyze the prospective property based on its unique potential. Great emphasis is placed on assessing its development potential and on identifying, evaluating and managing any risks associated with the property and the property portfolio. One particularly important factor that is given special consideration is the opportunity to add value and work with value creating measures in property management.

We think in new and broad terms and dare to go against the tide.

“We are not locked into any strategies. We capture portfolios where we see opportunities.”

– ANN-SOFIE LINDROTH, HEAD OF FINANCIAL CONTROL

CHANGES IN THE PROPERTY PORTFOLIO



ACQUIRED PROPERTIES 2018

Municipality	Property	Category	Area, 000s of sqm
SveaReal portfolio	51 properties	Office, warehouse/logistics	460
Södertälje	Tellus 4 ¹	Retail	13
Helsingborg	Kniven 9, Revolvern 1	Warehouse/logistics	11
Falköping	Eldaren 1	Warehouse	5
Total			489

DIVESTED PROPERTIES 2018

Municipality	Property	Category	Area, 000s of sqm
Uppsala	Kungsängen 15	Offices	25
Möndal	Gasmätaren 2	Warehouse	14
Möndal	Anisen 2	Industry	6
Trollhättan	Hjulet 6	Retail	2
Oskarshamn	Blåbäret 4	Land	–
Växjö	Postiljonen 2	Land	–
Total			47

¹ Previously part-owned through holdings in joint ventures.

IMPORTANT GROWTH STEP WITH PORTFOLIO ACQUISITIONS OF SEK 3.6 BILLION

In September 2018, Nyfosa took possession of a property portfolio for a total value of SEK 3.6 billion. The properties mainly comprise offices in high-growth municipalities and warehouse and logistics properties at transportation hubs in Sweden. This deal was an important growth step for Nyfosa during the year.



The property portfolio contains 51 properties located in 17 towns and cities, mainly in central and southern Sweden, including Stockholm, Malmö, Västerås, Borås and Lund. The tenants include Speed Logistics, DHL Nordic, Haldex Brake Products and PostNord Sverige.

Nyfosa already owns properties at several of these locations and can thus leverage its existing property management operations.

“This is a portfolio that contributes favorable earnings and matches Nyfosa’s portfolio of commercial properties very well, both geographically and in the property categories of office and warehouse/logistics,” says Stina Lindh Hök, COO at Nyfosa.

No. of properties: **51**

Total value, about **SEK 3.6 billion**

Leasable area: **460,000 sqm**

Rental income before rent discounts: **MSEK 318**

Average remaining lease term: **3.4 years**

PROPERTY MANAGEMENT THAT CREATES VALUE

We work actively to add value to our properties. This involves finding creative solutions and sustainable investments as the needs of tenants change. The starting point of Nyfosa's property management is to create and build long-term relationships with our tenants by ensuring that they are satisfied and feel secure when carrying out operations in Nyfosa's premises.

Property management close to tenants

Nyfosa's management is focused on developing the existing property portfolio through active property management, partly through work with existing tenants, by finding new tenants for vacant premises and by renegotiating existing agreements. Focusing proactively on the properties also involves meeting the tenants' changing needs by finding creative solutions and sustainable investments. For example, a tenant could be offered to move to another property in the portfolio, the conversion or extension of an existing property or to use land adjoining a property.

*We own properties
to make them better.*

being accessible, providing the service expected at the agreed time and ensuring the quality of maintenance and upkeep. It should be easy to reach the property managers and tenants should receive quick and straightforward responses.

Nyfosa conducts its management operations using both its own personnel and by purchasing external services.

Our own employees mainly work in the core areas of relationships with tenants, project management, technical management and leasing. External resources are mainly used for operations, maintenance and upkeep.

Satisfying tenant needs

Nyfosa builds long-term relationships with its tenants by ensuring that tenants are satisfied and feel secure in carrying out their operations in Nyfosa's premises, regardless of the type of property, location or use. For Nyfosa, this involves

Value-creating development

Close contact between the property management organizations and the local market is important for identifying development opportunities in the property portfolio. Nyfosa has sound knowledge of and a large contact network in many locations where it is represented. This increases the possibility



of finding new tenants and areas of use for vacant spaces, or a buyer for the property. When Nyfosa acquires properties in new locations, we ensure that we have a good overview of the market and the opportunities presented there. The starting point is adopting a creative approach whereby we study how we can contribute to adding long-term value for the tenant and increase the value of the property portfolio.

Nyfosa's property portfolio generally maintains a high level of quality, although there are some properties with potential for improvement and that require renovation. Nyfosa continuously analyses how properties can be developed, for example

by conversion and extension, a change in use or a new zoning plan. These project plans can then be realized by Nyfosa or be included as a value-creating opportunity for the next owner when the property is sold.

Nyfosa's business model does not involve performing extensive or long-term development projects that tie up large amounts of capital.

In 2018, Nyfosa invested MSEK 194 in the existing property portfolio, in which the largest project was the reconstruction of the Tyr 8 property in Uppsala that was damaged by a fire in 2017.

MAJOR INVESTMENTS IN EXISTING PROPERTIES

January–December 2018

Municipality	Property	Category	Tenant	Area, 000s of sqm	Total accrued, MSEK	Estimated investment, MSEK	Scheduled completion, year
Umeå	Tyr 8	Offices	Vattenfall	5	88	129	Q2, 2019
Södertälje	Tellus 4	Other	Åhléns	4	26	45	Q2, 2019

ADD VALUE

Nyfosa works in a variety of ways to add value for tenants and to increase the value of the property portfolio.



NYFOSA'S LARGEST TENANTS

December 31, 2018

	Rental income, MSEK	Percentage of total rental income, %	Number of leases	Average remaining term, years
Telia Sverige AB	41	3	32	3.5
Saab AB	34	3	6	9.7
Förlagssystem JAL AB	25	2	1	7.0
IF Skadeförsäkring	21	2	5	8.1
SKF Sverige AB	21	2	1	1.9
V-TAB Aröd AB	21	2	1	21.8
DSV Solutions AB	20	2	1	8.8
Municipality of Örnsköldsvik	20	2	69	4.2
Västra Götaland County Council	19	1	8	1.8
Volvo Car Corporation	18	1	8	1.1
Other	1,043	81	2,480	3.4
Total	1,285	100	2,612	4.1

Tenants and lease structure

The risk in Nyfosa's portfolio is limited due to the large number of tenants divided among 2,612 leases and with no dependence on a single large tenant. On December 31, 2018, the ten largest tenants accounted for about 19 percent of Nyfosa's rental income, divided among 132 leases. The average remaining lease term in the portfolio was 4.1 years.

Rental income and property expenses

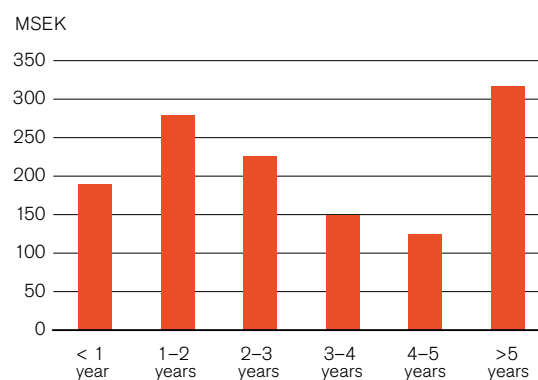
Nyfosa's rental income normally includes rent supplements, for example, for property tax, heating and electricity costs that are invoiced onward to tenants.

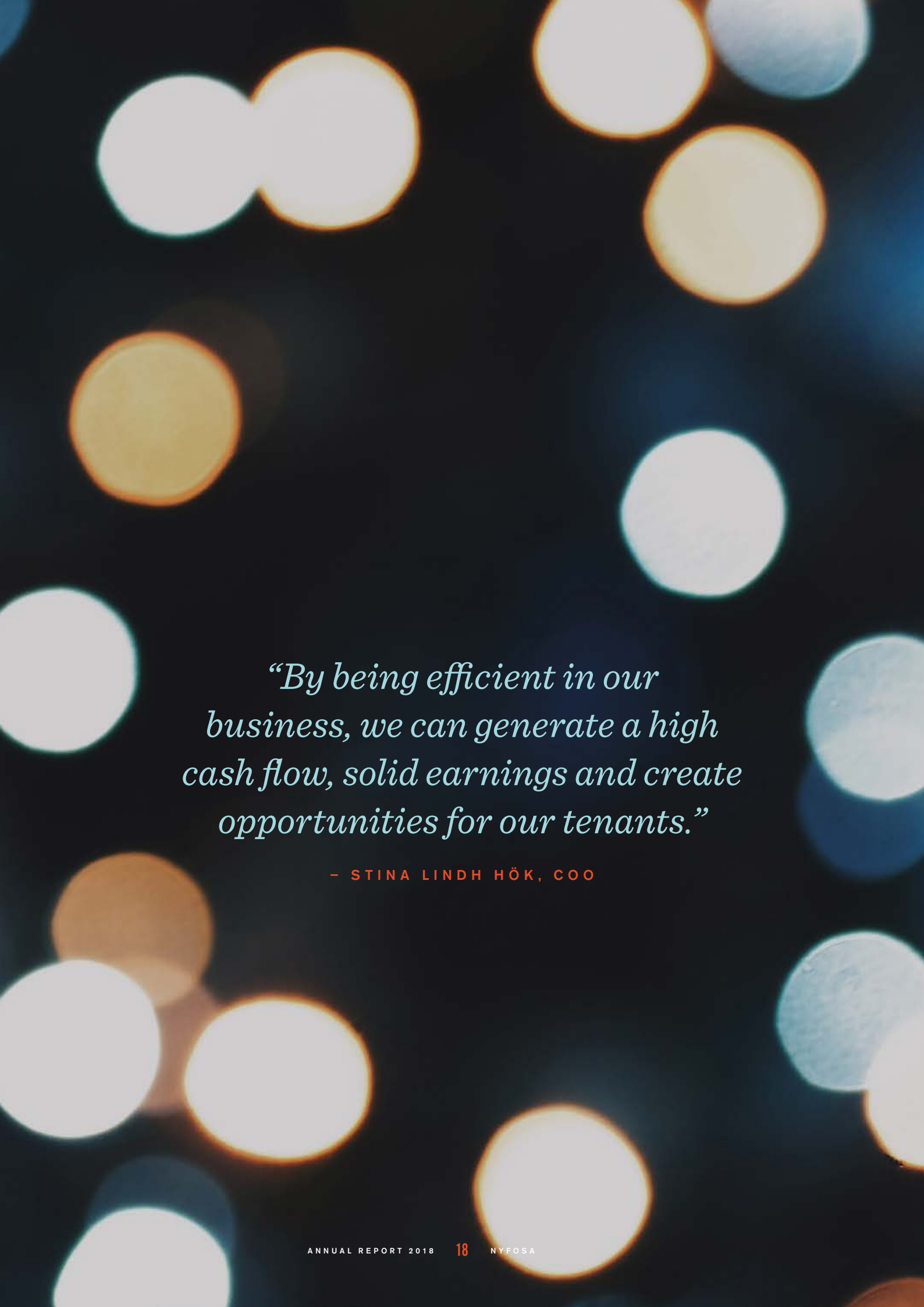
Nyfosa's largest property expenses include operating expense items that pertain to heating, water, electricity and property upkeep. Other operating expenses mainly pertain to insurance, guard services and waste management. At Nyfosa, we work continuously on energy-saving operations and maintenance measures in the property portfolio to both reduce the costs and restrict the environmental impact of Nyfosa's and its tenants' operations. Another category of property expenses that are charged to Nyfosa's operations is maintenance costs. Planned and ongoing maintenance is carried out continuously to retain the condition and standard of the properties. Property expenses also comprise the property tax imposed by the government, which currently amounts to 1.0 percent of the tax assessment value for non-residential properties and 0.5 percent for industrial properties.

Nyfosa's costs for property administration consist primarily of expenses for charging rent, leasing, project management and marketing.

LEASE MATURITY STRUCTURE

December 31, 2018





“By being efficient in our business, we can generate a high cash flow, solid earnings and create opportunities for our tenants.”

– STINA LINDH HÖK, COO

STRENGTH BASED ON BROAD GEOGRAPHIC PRESENCE

Nyfosa acquires, manages, adds value to and sells properties throughout Sweden.

The property portfolio currently comprises commercial properties, offices and warehouse/logistics properties. Most of the properties are located in high-growth municipalities and at important transportation hubs. In addition, Nyfosa owns 50 percent of the property company Söderport, which mainly owns office and industrial properties in the Stockholm and Gothenburg regions.

The geographic spread of Nyfosa's properties is highly diverse, with most properties situated in high-growth municipalities and at important transportation hubs in Sweden. A presence in large parts of the country provides Nyfosa with a broad contact network with potential tenants and property players, and thereby a key platform for identifying and carrying out property transactions. Moreover, the geographic span of the portfolio spreads risk favorably, at the same time as the company's rent and property valuation levels generally remain stable due to the location of most of the properties outside the central areas of the major cities.

Nyfosa's property portfolio

At year-end, the property portfolio comprised 177 properties with a total property value of SEK 15.6 billion and a rental

We begin with a strong portfolio of commercial properties.

value of MSEK 1,404 with a leasable area of 1,577 thousand sqm. In addition to the wholly owned property portfolio, Nyfosa owns 50 percent of the property company Söderport. Söderport's properties are not included in the tables and diagrams below but are presented separately on pages 24–25.

Earnings capacity

Given the ambition of growing rapidly, the company's earnings capacity is an important measure for presenting Nyfosa's estimated earnings. The earnings capacity is stated for a specific point in time and based on certain assumptions. It must not be confused with a forecast and only serves as a basis for gaining an impression of the company's future earnings based on the existing property portfolio. Nyfosa's expected earnings capacity increased in 2018 from MSEK 680 to MSEK 834.

TOTAL PROPERTY PORTFOLIO

177

NO. OF PROPERTIES

1,577 thousand sqm

TOTAL LEASABLE AREA

SEK 15.6 billion

PROPERTY VALUE

SEK 1.4 billion

RENTAL VALUE

92%

ECONOMIC LEASING RATE

4.1 years

AVERAGE REMAINING LEASE TERM

GROUP'S EARNINGS CAPACITY

MSEK	Dec 31, 2018	Dec 31, 2017
Rental income	1,267	984
Property expenses	-362	-263
Property administration	-32	-26
Net operating income	872	696
Central administration	-65	-36
Share in profit of joint ventures	180	132
Financial expenses	-153	-112
Profit from property management	834	680

The company's current earnings capacity on a 12-month basis on December 31, 2018 is presented above. Current earnings capacity is to be considered solely as a hypothetical instantaneous impression and is presented only for illustrative purposes. The aim is to present annualized income and expenses based on the property portfolio, borrowing costs, capital structure and organization at a given point in time. The earnings capacity does not include an assessment of future periods in respect of rents, vacancy rates, property expenses, interest rates, changes in value or other factors impacting earnings. The data does not include the possible effects of property transactions. The current earnings capacity must be considered together with other information in the year-end report. The following information is used as the basis for assessing current earnings capacity:

- annual 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 expenses 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 current size of the property portfolio;
- Nyfosa's shares of profit from property management from joint ventures before changes in value, calculated using the same method as Nyfosa;
- the assessment of earnings capacity does not assume any financial income; and
- financial expenses have been calculated on the basis of the company's average interest rate on December 31, 2018, which was 1.6 percent.

Changes in value

The properties divested in 2018 resulted in a realized change in value of MSEK 142. Most of the earnings were attributable to the Kungsängen 15:1 property in Uppsala that was vacated in the third quarter. Unrealized changes in value amounted to MSEK 658, of which MSEK 468 pertained to revaluation and MSEK 190 to income recognition of the price deduction received for deferred tax on acquisition.

Changed yield requirements and completed projects also resulted in positive effects on the value trend. The weighted yield requirement on December 31, 2018 amounted to 6.35 percent (6.40), the weighted cost of capital for the present value calculation of cash flows to 8.24 percent (8.30) and for residual value to 8.45 percent (8.50). The slightly lower yield requirement was due to lower yield requirements for primarily office properties in attractive metropolitan regions.

SENSITIVITY ANALYSIS – CHANGE IN VALUE FOR CHANGES IN VALUATION PARAMETERS

	Change, %	Dec 31, 2018, MSEK
Change in net operating income ¹	+/- 5%	+/- 529
Change in yield requirement	+/- 0.25%	+/- 639
Change in growth assumptions	+/- 0.5%	+/- 66
Change in discount rate	+/- 0.25%	+/- 488

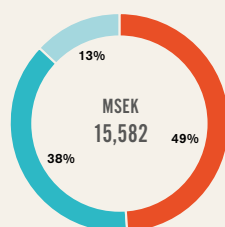
1) According to earnings capacity on the balance-sheet date.

Valuation techniques

The company obtains an external, independent property valuation every quarter to quality assure the fair value measurement of the company's properties. 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 subject property.

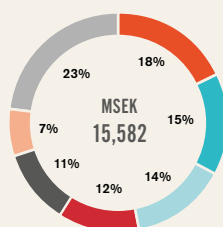
The yield requirement used in the estimate derives from sales of comparable properties. For additional information on valuation techniques, refer to Note 13 of this Annual Report.

PROPERTY VALUE BY CATEGORY



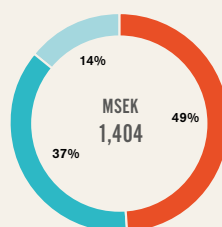
- Offices, MSEK 7,603
- Logistics/Warehouse, MSEK 6,001
- Other, MSEK 1,977

PROPERTY VALUE BY REGION¹



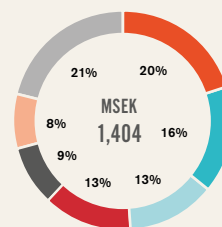
- Småland, MSEK 2,845
- Coast of Norrland, MSEK 2,427
- Greater Stockholm, MSEK 2,248
- Greater Gothenburg, MSEK 1,762
- Mälardalen, MSEK 1,654
- Greater Malmö, MSEK 1,131
- Other, MSEK 3,515

RENTAL VALUE BY CATEGORY



- Offices, MSEK 685
- Logistics/Warehouse, MSEK 518
- Other, MSEK 200

RENTAL VALUE BY REGION¹



- Småland, MSEK 276
- Coast of Norrland, MSEK 219
- Greater Gothenburg, MSEK 177
- Greater Stockholm, MSEK 188
- Mälardalen, MSEK 124
- Greater Malmö, MSEK 113
- Other, MSEK 305

¹ The division of the metropolitan regions is consistent with Statistics Sweden's definition.

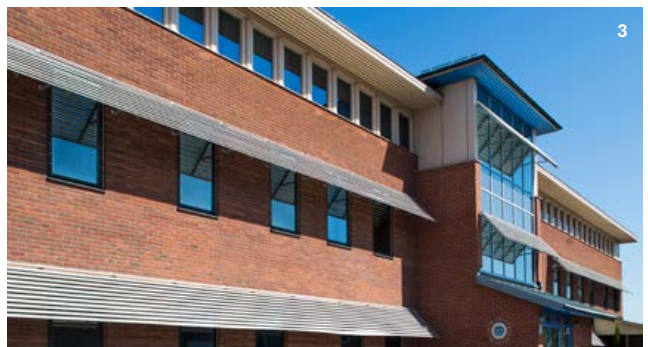
OFFICES



1. Sicklaön 358:1, Nacka



2



3

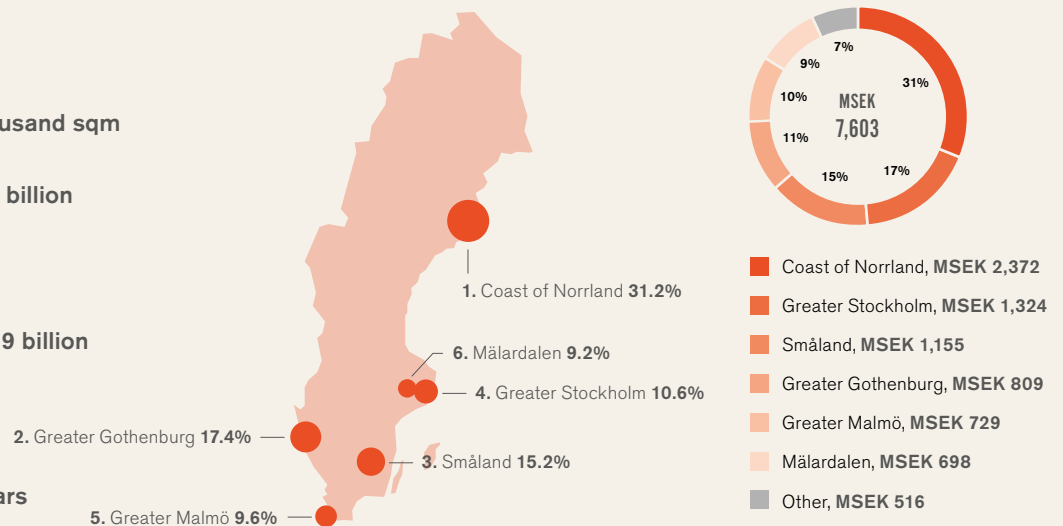
Nyfosa's office properties are mainly situated in Mölndal, Örnköldsvik, Sundsvall and Växjö. Most of the office properties are of high quality in central locations in each town. These properties are typically highly marketable, meaning that

interest from other players in acquiring this type of property is generally considerable, particularly among local property owners. Nyfosa also sees solid potential for adding value to the property portfolio and increasing the leasing rate.

KEY FIGURES FOR OFFICES

No. of properties	70
Total leasable area	568 thousand sqm
Property value	SEK 7.6 billion
Percentage of total property value	48.8%
Rental value	SEK 0.69 billion
Economic leasing rate	90.4%
Average remaining lease term	3.35 years

PROPERTY VALUE FOR OFFICES BY REGION



LOGISTICS/WAREHOUSE



1. Arendal 1:17, Gothenburg 2. Grönsta 2:52, Eskilstuna 3. Hendestorp 2:1, Jönköping

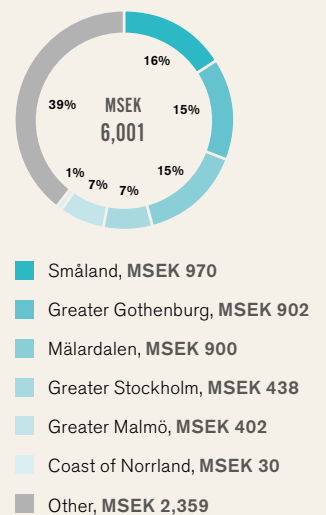
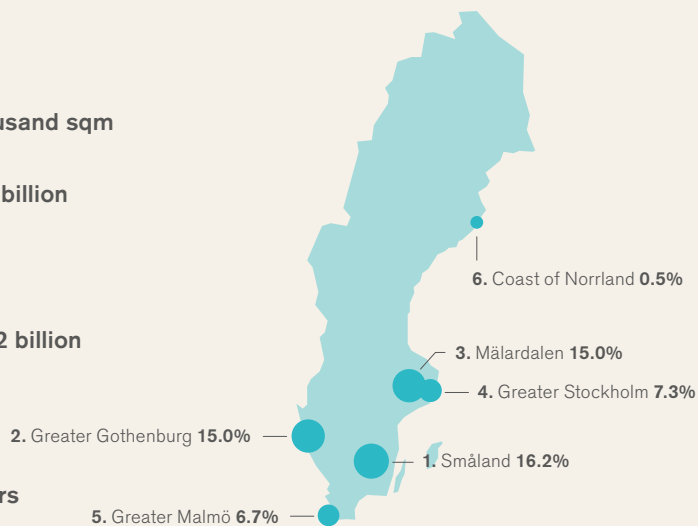
Nyfosa's logistics and warehouse properties are located in towns that are transportation hubs in Sweden, such as Eskilstuna, Landskrona, Stockholm and Borås. The properties are predominantly modern logistics buildings with a highly flexible range of applications. Modern logistics properties are optimized for logistics operations and the factors distinguishing them from older properties include

high ceilings, pillar systems that do not restrict operations and flexible loading docks and cargo ports where the height can be adjusted to accommodate different types of goods vehicles. The warehouse properties are of normal standard and Nyfosa sees high potential for adding value to the portfolio of warehouse properties.

KEY FIGURES FOR LOGISTICS/WAREHOUSE

No. of properties	71
Total leasable area	805 thousand sqm
Property value	SEK 6.0 billion
Percentage of total property value	38.5%
Rental value	SEK 0.52 billion
Economic leasing rate	93.6%
Average remaining lease term	4.77 years

PROPERTY VALUE FOR LOGISTICS/WAREHOUSE BY REGION



OTHER



1. Vindruvan, Värnamo 2. Golvläggaren 2, Värnamo 3. Dynamon 5, Linköping

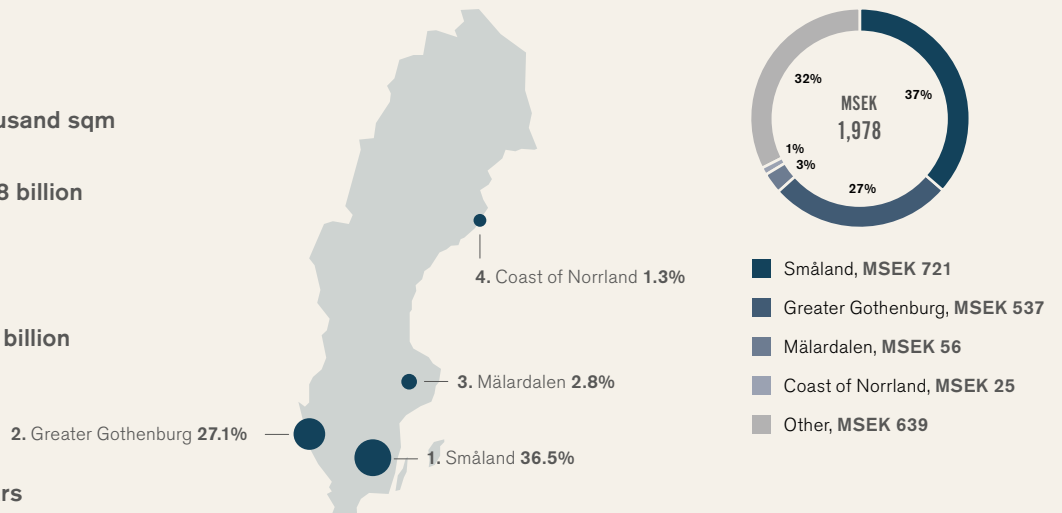
Nyfosa also owns a small number of properties in other categories, such as premises for retail activities, hotel operations and industry in towns including Värnamo, Uddevalla, Huddinge and Växjö. The properties in this category are also

located in towns where Nyfosa can capitalize on positive population growth and a local network of contacts that can generate business for the company.

KEY FIGURES FOR OTHER

No. of properties	36
Total leasable area	204 thousand sqm
Property value	SEK 1.98 billion
Percentage of total property value	12.7%
Rental value	SEK 0.2 billion
Economic leasing rate	89.9%
Average remaining lease term	4.58 years

PROPERTY VALUE FOR OTHER BY REGION



SÖDERPORT – JOINT VENTURE



Varuhissen 1, Årsta

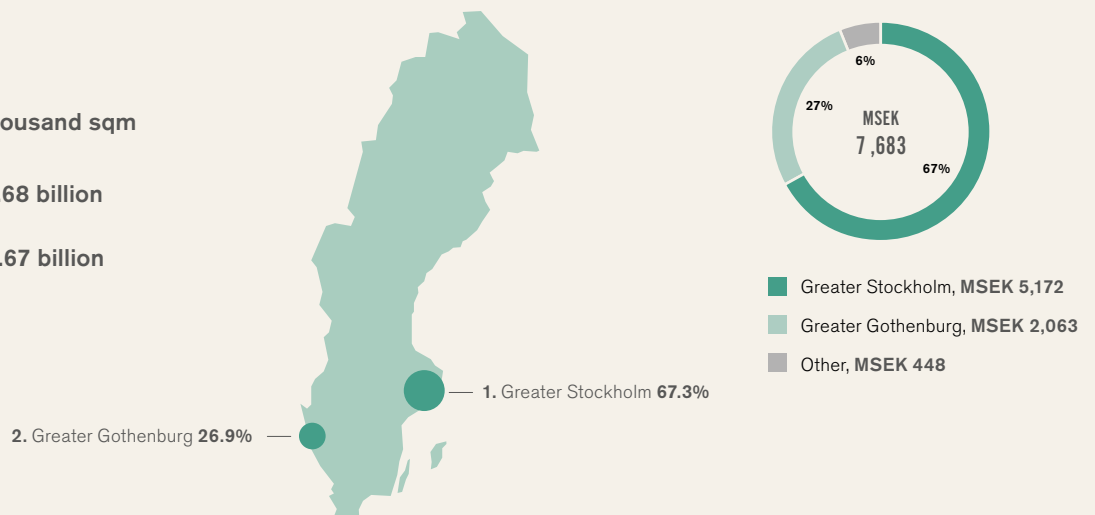
In addition to the wholly owned property portfolio, Nyfosa holds shares in the property company Söderport Holding AB. Söderport is jointly owned with property company Sagax, 50 percent holding each. Ownership is governed by shareholders' agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence. Söderport is thus a joint venture and Nyfosa's share in Söderport's profit is recognized in the Group's profit from property management.

Söderport's property portfolio primarily comprises industrial, warehouse and office properties, presenting a suitable supplement to Nyfosa's wholly owned property portfolio. The focal point of the property portfolio is in the Stockholm and Gothenburg regions. Söderport does not have its own operational organization. Instead, it procures property management and financial administration from Sagax and a small part of property management is procured from Nyfosa.

KEY FIGURES FOR SÖDERPORT

No. of properties	69
Total leasable area	686 thousand sqm
Property value	SEK 7.68 billion
Rental value	SEK 0.67 billion
Leasing rate	97.0%

PROPERTY VALUE FOR SÖDERPORT BY REGION





Ostmästaren 4, Årsta



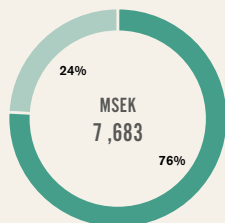
Kopparen 14, Tyresö

SÖDERPORT'S LARGEST TENANTS December 31, 2018

	Rental income, MSEK ¹	Share, %	Number of leases	Average weighted remaining lease term, years
Volvo Personvagnar AB	151	23	24	8.3
Volvo Truck Center Sweden AB	27	4	7	9.5
Bring Cargo International AB	22	3	2	2.7
Kakelspecialisten i Stockholm AB	17	3	1	2.0
Nya BrandFactory AB	15	2	2	8.3
ABB AB	14	2	4	3.0
Shiloh Industries AB	12	2	1	3.5
Opus Bilprovning AB	11	2	7	2.7
BrandFactory AB	11	2	91	0.3
K.G.M. Datadistribution AB	10	2	2	4.0
Other	355	55	1,019	3.7
Total	645	100	1,160	5.0

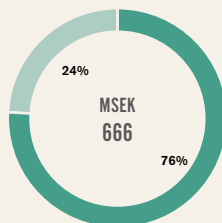
1) Rental income before rent discounts.

PROPERTY VALUE



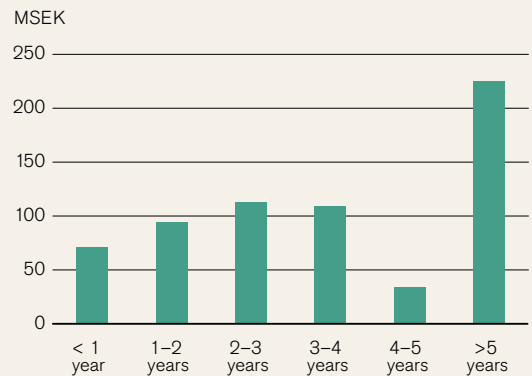
■ Industry, MSEK 5,830
■ Offices, MSEK 1,853


RENTAL VALUE



■ Industry, MSEK 504
■ Offices, MSEK 161

LEASE EXPIRY FOR SÖDERPORT





*“We think in new
and broad terms and dare
to go against the tide”*

– YLVA HULT PALMRYD, HEAD OF LEGAL

A PROPERTY OWNERSHIP FOR THE FUTURE

Nyfosa is a responsible company and a modern property owner. We continuously assess how our operations contribute to a sustainable society. Sustainability is an important core value in both our property management and transaction operations, with a focus on healthy financial results, consideration for the environment and social responsibility. We apply a systematic work method and our sustainability activities are inquisitive. It is important for us to test and try in order to learn more, find new approaches and constantly work in a smarter way.

Sustainability policy

The organization follows the Code of Conduct and the sustainability policy adopted by the Board. This policy includes the areas of human rights, labor, environment and anti-corruption and aims to safeguard and strengthen the company's sustainability efforts.

Sustainability Report

The Sustainability Report presented on pages 27–34 contains information on our work in the most significant areas for our operations: Economic Sustainability, Social Responsibility and Environmental Consideration. In addition, our business model is described on pages 6–9 and a risk description is provided on pages 36–38. For information on the Board's diversity policy, refer to the Corporate Governance Report on pages 44–51.

Nacka, March 2019

Nyfosa's Group Management

NYFOSA'S SUSTAINABILITY EFFORTS

Social Responsibility

Economic Sustainability

Environmental Consideration

2018

The demerger and listing process that resulted in the spin-off, standalone company Nyfosa AB was completed in 2018. This change was carried out to create higher shareholder value, for example, by intensifying focus on the property portfolio that Nyfosa is now building up.

PROPERTY INDUSTRY'S CODE OF CONDUCT FOR SUPPLIERS

Under the Swedish Property Federation's industry-wide Code of Conduct for Suppliers, suppliers must respect the Code of Conduct and do their utmost to satisfy the requirements in their own organization and ensure that their suppliers and sub-suppliers comply with the Code. The Swedish Property Federation's Code of Conduct is based on the assumption that the goods and services that are delivered comply with the UN Global Compact's ten principles on human rights, labor, environment and corruption.

ECONOMIC SUSTAINABILITY

By taking a long-term approach in our contact with tenants and partners, we set the conditions for lasting, value-creating relationships. The aim is for the business to generate healthy economic growth with as little impact as possible on people and the environment.

Economic growth and sustainability

Nyfosa's financial value creation benefits the company's stakeholders – tenants, employees, shareholders, suppliers, lenders and society. Nyfosa's focus on property ownership across Sweden combined with many financing opportunities means that we can help develop properties, including in smaller locations, for operations that are important to the local community and society as a whole.

Nyfosa works to ensure a long-term robust financial performance, in line with its targets and strategies, by continuously developing expertise and a business-like approach in the organization. Thanks to efficient management and development of the property portfolio, we can increase its value during our time as property owner. See the description of the business model on pages 6-9.

Business ethics and anti-corruption

Nyfosa is to act credibly, honestly and transparently in all contexts. We want our employees, business partners and other players with whom we have contact to share this opinion. We have sound knowledge of and respect competition law, environmental and occupational health and safety laws, agreements and other regulations that impact our operations.

Policy and governance

The Code of Conduct and sustainability policy adopted by the Board address the areas of business ethics and anti-corruption and aim to safeguard and strengthen the company's sustainability efforts. The sustainability policy describes the process for reporting suspicions of irregularities, for example, through a whistleblower function.

Risks and risk management

Based on our Code of Conduct and sustainability policy, we endeavor to always act credibly, honestly and transparently. We are to adhere to sound business ethics and take a long-term approach to every business relationship. This is entirely natural for us and we hope that such conduct will strengthen our relationships with existing and new tenants as well as other business partners in the property market. Confirmation that we succeeded in this in 2018 was the growth that we created in both the property portfolio and our earnings capacity, and also the improvement in the leasing rate.

2,612

LEASES

MSEK 194

INVESTMENTS FOR
THE YEAR IN EXISTING
PROPERTY PORTFOLIO

33%

INCREASE IN
EARNINGS PER SHARE
FOR THE YEAR



SOCIAL RESPONSIBILITY

Nyfosa's corporate culture is characterized by entrepreneurship, humanity and involvement. Good business ethics and trusting relations are important starting points both internally and in contacts with external parties. Health and safety are crucial areas for employees, tenants and suppliers.

Employees

Corporate culture and employees

Nyfosa offers a creative, open and stimulating work environment with a focus on inclusion and personal development. The company has decided to have a relatively small and efficient organization with short decision-making paths and where all employees have an awareness and understanding of the company's objectives and strategy. Proximity to business decisions and inclusion in business development provide the conditions for better results and higher satisfaction for the employees' own work. Based on assigning broad responsibility to employees for carrying out their duties, Nyfosa enables its employees to govern their own time to a high degree, which is of great value, particularly for nurturing an effective work situation and a good work-life balance.

Focus on expertise

For Nyfosa, a distinct focus on expertise and performance is the path to lasting business success. Nyfosa's business requires relevant experience, broad networks of contacts and a wealth of employee knowledge. Since Nyfosa's inception, we have worked actively to safeguard skills development and ensure the supply of qualified expertise at all levels of the rapidly growing property company. A key part of this is permitting employees to grow within the organization with gradually increasing responsibility.

Work environment

Nyfosa wants to promote health and create a healthy and secure work environment for all its employees. We believe that good health and a secure work environment add value

for everyone's benefit. We apply current occupational health and safety legislation and other regulations and requirements relevant to the company. Work environment efforts are to be conducted as both a natural part of day-to-day work and systematically, with the work environment regularly evaluated and approved measures implemented and reviewed. As part of efforts to prevent ill health, Nyfosa offers regular medical checkups to all employees, and all of Nyfosa's employees are covered by medical expenses insurance.

Equal opportunities and equal treatment

The conditions, rights and development opportunities of all employees must be equal for all women and men in the company. The organization has an even distribution between women and men in most areas of its operations. Of the company's total workforce of 26 employees, women account for 54 percent, while they account for 57 percent of the members of the management group. Women account for 43 percent of Nyfosa's Board members.

Tenants

Nyfosa's tenants must always be able to rely on the fact that our properties offer a work environment that is safe, accessible and healthy. Examples of important safety features include handling icicles and snow falling from roofs, fire safety and electricity audits, which are largely governed by rules and laws. Safety in and around our buildings is something that Nyfosa assigns a high priority and works continuously to develop. In respect of systematic fire safety, Nyfosa complies with all prevailing requirements from public authorities, which entails regular technical checks of fire and

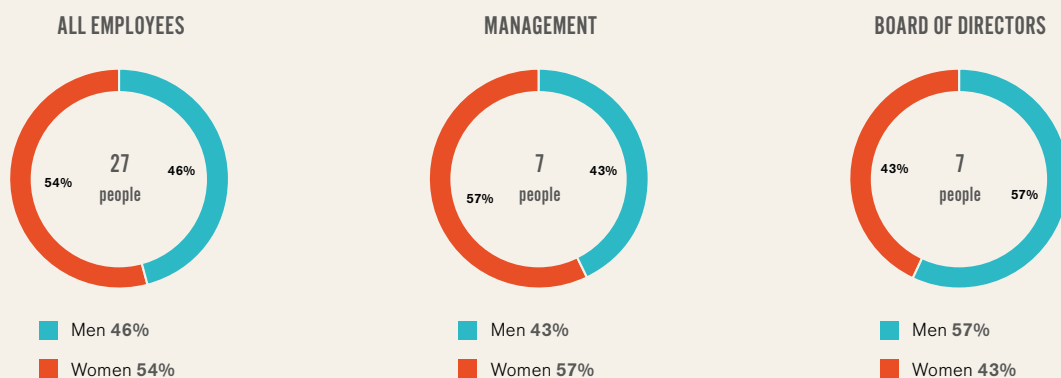
evacuation installations, as well as training and exercises. For various reasons, a need for decontamination or more widespread measures to rectify faults that could jeopardize health and safety may also arise, primarily in properties. From Nyfosa's standpoint, this primarily entails conducting systematic property management work that counters the causes of such problems. When a need for decontamination arises, Nyfosa acts according to applicable laws and regulations and efficiently rectifies the problem with minimal impact on the tenant.

Suppliers

Nyfosa acquires a large amount of materials and services from various suppliers for operation and development of the property portfolio. By rewarding suppliers in procurements who have signed the property industry's Code of Conduct, we can actively set requirements for suppliers to assume responsibility for the environmental and social conditions in their own operations.

We continuously evaluate our supplier partnerships, which includes examining compliance with the agreements and the Code of Conduct. To further ensure control over the supplier chain, Nyfosa sees an advantage in limiting the number of suppliers and primarily choosing local suppliers.

Nyfosa is to offer a safe and secure workplace for the suppliers who work in our properties in, for example, property management, refurbishment and new builds. This is ensured by establishing the requirements, in addition to laws, in contracts and through active and preventive work environment activities, that Nyfosa and the supplier can meet in this respect.





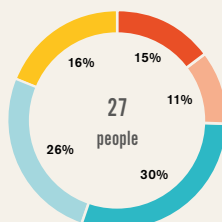
Policy and governance

The Code of Conduct and sustainability policy adopted by the Board address the areas of equal treatment, human rights and labor and aim to safeguard and strengthen the company's sustainability efforts.

Risks and risk management

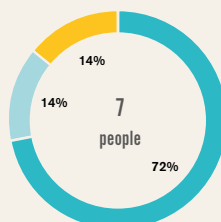
Nyfosa's future development depends to a great extent on the knowledge, experience and commitment of the employees. To ensure that all of the skills inherent in the organization are utilized optimally and for the employees to feel that they are able to develop, every individual must be judged strictly on their own merits. For this reason, Nyfosa prioritizes work on attracting employees by providing a creative, open and stimulating workplace that safeguards equal treatment.

ALL EMPLOYEES



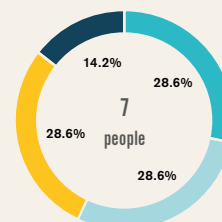
- 20-29 years of age **4 people 15%**
- 30-39 years of age **3 people 11%**
- 40-49 years of age **8 people 30%**
- 50-59 years of age **7 people 26%**
- 60-65 years of age **5 people 19%**

MANAGEMENT



- 40-49 years of age **5 people 72%**
- 50-59 years of age **1 person 14%**
- 60-65 years of age **1 person 14%**

BOARD OF DIRECTORS



- 40-49 years of age **2 people 28.6%**
- 50-59 years of age **2 people 28.6%**
- 60-65 years of age **2 people 28.6%**
- 65+ years of age **1 person 14.2%**

ENVIRONMENTAL CONSIDERATION

Nyfosa adopts a long-term approach and aims for its property portfolio to develop positively while it is held.

We strive to reduce the negative environmental impact of our properties primarily by focusing on the areas of energy, materials and waste. The foundation for success is the know-how and commitment of our employees and an aim to continuously learn about how our operations impact people and the environment.

For us, environmental consideration also involves identifying and evaluating the environmental risks associated with the property acquisitions that we carry out and managing the environmental liabilities in the existing property portfolio.

Energy consumption

The property sector is one of the society's large-scale energy consumers. Energy is used to heat or cool homes, work-

places and other buildings that people occupy and where operations are conducted. Energy is also consumed to supply the buildings with electricity and water.

Nyfosa exclusively uses renewable electricity, hydropower, through agreements with the electricity producer Vattenfall. This means that the carbon emissions per square meter from electricity consumption of our buildings is low.

Heating our premises requires the largest amount of energy and generates the highest level of carbon emissions per square meter in our buildings.

As a buyer, we are not fully able to influence the mix of energy sources used by suppliers for heating. However, we can choose to invest in alternative sources of energy, such as solar power.



In 2018, we had 318 solar panels installed on the roof of our head office in Nacka. This mainly represented an investment in basic know-how about this technology, its strengths and its weaknesses. We will continue to use the knowledge we have gained to identify buildings in our portfolio that are financially and environmentally suitable for installing solar panels.

Environmental certification

The property industry has a environmental certification system under which property owners can obtain certification for their properties. Various certifications are available in the market and becoming certified is a confirmation that a new build or refurbishment has been completed with, for example,

a sustainable and ecolabeled choice of materials or resulted in a decrease in energy consumption.

Five buildings in Nyfosa's property portfolio were awarded environmental certification when we renovated or refurbished them. We do not have an explicit aim to certify buildings when we make investments, but each investment decision is based on both financial and environmental factors.

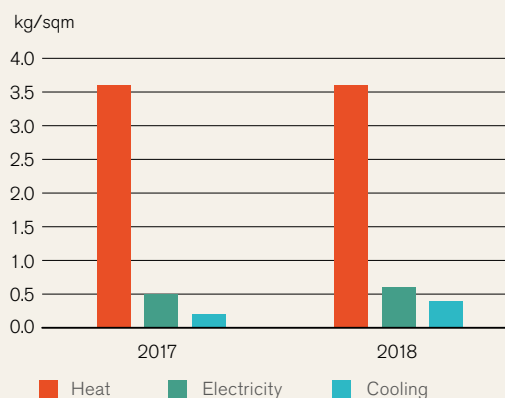
ENERGY CONSUMPTION

	2017	2018
Heat, MWh	46,412	46,271
Electricity, MWh	31,983	34,403
Cooling, MWh	640	1,249
Water, m ³ /sqm	0.48	0.44

The information in the table and graph is based on consumption and emissions for the properties that Nyfosa owned on December 31, 2018 and December 31, 2017, with available measurement data for energy consumption for each year exceeding 95 percent.

Emissions for electricity consumption are based on the environmental factor of 8.3 g/kWh according to the central electricity agreement with Vattenfall, emissions for heat consumption are based on each supplier's environmental factor according to Swed-energy's 2017 statistics and cooling emissions are based on an environmental factor of 12 g/kWh.

CARBON EMISSIONS IN KG/SQM



Work environment, materials selection and waste

We consider all factors related to work environment, materials selection and waste management in our project development, such as renovation and refurbishment. The suppliers we contract to perform work for us must undertake in their contracts that they will meet applicable work environment requirements for the workplace, and guarantee that they comply with the property industry's Code of Conduct for Suppliers and correctly handle construction waste. Nyfosa's objective is that the materials used in its business in connection with renovation and refurbishment will comply with at least Level C of the SundaHus system. Tenants of Nyfosa's properties always have the opportunity to sort their waste at easily accessible waste stations.

Green leases

In connection with new builds or tenant renegotiations, Nyfosa currently offers green leases, which are based on an agreement template issued by the Swedish Property Federation. Green leases represent a way for the tenant and the property manager to work together to achieve more sustainable properties.

Policy and governance

Nyfosa's environmental policy

To successfully conduct environmental and sustainability work, Nyfosa has formulated an environmental policy, which provides guidance in these activities. According to the environmental policy, Nyfosa is to:

- Work actively to enhance the energy efficiency of the company's buildings and premises.
- Be aware of the environmental risks and environmental liabilities associated with the properties and, when taking actions, draw up long-term sustainable solutions.
- Work with the tenants to achieve a healthy indoor environment.
- Implement environmentally compatible conversions and new builds.
- Subject our suppliers to environmental and sustainability requirements.
- Raise the level of environmental and sustainability expertise and awareness among our employees.

Risks and risk management

Properties affect the environment during construction and continuous upkeep, and also through the operations conducted in them, with energy consumption being particularly significant. Energy consumption is also a key consideration from a financial perspective, since heating costs represent a large proportion of total operating expenses. Energy efficiency is a priority area for Nyfosa and efforts are made to reduce energy consumption and carbon emissions. Acquisitions of new properties are always preceded by environmental investigations to determine the properties' environmental status.

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Nyfosa AB, corporate identity number 559131-0833

Engagement and responsibility

It is the Board of Directors who is responsible for the sustainability report for the year 2018 on pages 27–34 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 2 April 2019

KPMG AB

Mattias Johansson
Authorized Public Accountant



*“It is about taking
good risks”*

– JOHAN EJERHED, HEAD OF FINANCE

RISKS AND RISK MANAGEMENT

Nyfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Nyfosa works systematically and continuously on managing these and other risks and uncertainties. The focus is on preventing risks and evaluating how risk management can be converted into opportunities.

OPERATIONAL AND ORGANIZATIONAL RISKS

CHANGES IN VALUE OF PROPERTIES

Risk description

Nyfosa's property portfolio is recognized in the statement of financial position at fair value, and the changes in value are recognized in profit or loss. The value of the properties is affected not only by supply and demand in the market but also by a number of other factors, in part property-specific factors such as the leasing rate, rent level and operating expenses, and in part such market-specific factors as the yield requirement and the cost of capital, which are derived from comparable transactions in the property market. Deterioration in either a property or the market could cause the value of the company's properties to decline, which could have a negative impact on the Nyfosa's operations, financial position and earnings.

Risk management

- Nyfosa owns a large number of properties that are geographically diverse, which results in a balanced risk profile.
- Nyfosa's focus on commercial properties in high-growth municipalities and transport hubs in Sweden provides opportunities for leveraging favorable trends, such as a rising population and business activities in these municipalities, regardless of where they are located in Sweden.
- The market value of all of Nyfosa's investment properties is assessed every quarter by independent external appraisers. Nyfosa's properties are measured at fair value in the statement of financial position; see Note 13 for information on valuation techniques.

TRANSACTION-RELATED RISKS

Risk description

In line with its strategy, Nyfosa aims to be an opportunistic and transaction-based property company. In order to complete a property acquisition, suitable investment objects must be identified and on the market at reasonable price levels. To be able to leverage complex investment opportunities, the company must also successfully assess the market, the potential of a property or the opportunities in a geographic area where the company intends to acquire properties. Acquisitions may also be associated with risks pertaining to the seller or the acquired operations. Nyfosa's ability to sell parts of its property portfolio on favorable terms depends on, for example, the health of the property and transaction market.

Risk management

- Nyfosa occupies a strong position in the transaction market in Sweden, with extensive experience and excellent knowledge of complex portfolio transactions and risk assessment.
- With its broad geographic presence in Sweden and extensive contact network, the organization is highly knowledgeable of the market's commercial property players, which generates opportunities for acquisitions and divestments of properties.
- There is a well-defined acquisition process and extensive capacity in Nyfosa to evaluate potential business. Both tenants and the condition of the property are assessed in order to support the valuation and decision-making.

PROPERTY DEVELOPMENT

Risk description

Nyfosa invests continuously in the existing property portfolio in the form of modifications or improvements. Larger development projects may involve substantial investments, which may lead to increased credit risk if Nyfosa cannot lease the premises at a reasonable price level or divest the properties at an attractive value. Major construction, refurbishment and renovations may also be delayed and/or become more expensive than originally anticipated.

Risk management

- In connection with tenant-specific modifications, Nyfosa is able to renegotiate leases so that they are adapted to the level of investment. In conjunction with negotiations, the tenant's ability to complete an investment is always assessed.
- The property development projects that Nyfosa is involved in are conducted together with established and experienced suppliers.

EMPLOYEES AND EXPERTISE

Risk description

Nyfosa's organization is relatively small and consists largely of employees with a background in the Hemfosa Group. The company is therefore dependent on these key personnel to a certain degree, particularly as a large share of the transaction operations is based on short decision-making processes, close relationships with different market operators and in-depth knowledge of and insight into the property categories and geographic areas in which the company operates. Should Nyfosa fail to recruit and retain qualified staff and senior executives, this could have a negative impact on Nyfosa's operations, financial position and earnings.

Risk management

- Nyfosa successfully recruited additional key skills and built up its own organization when it was spun off. Nyfosa is working to gradually strengthen its organization in order to reduce dependency on specific individuals, by means of both training and additional recruitments.
- Competency needs are evaluated continuously in order to adapt the organization to prevailing requirements, and active work is conducted to promote internal manager sourcing.
- To minimize the dependence on individuals, the company has documented job descriptions and clear process maps.

TAX

Risk description

Tax is a significant cost item for property companies. Even if tenants are responsible for their share of the property taxes due at all times in the majority of Nyfosa's leases, changes to the property tax and other taxes such as corporation tax, VAT and other state levies and tax-related contributions could have a negative impact on Nyfosa's operations, financial position and earnings.

From time to time, Nyfosa has cases under review by, and ongoing dialogues with, the Swedish Tax Agency regarding individual taxation matters. The Swedish Tax Agency makes tax rulings that can be appealed and reviewed in administrative courts of appeal. The regulations governing the recognition of taxes, and the property sector's application of these accounting regulations, are also complex fields. The regulatory framework is complex, the Swedish Tax Agency's review possibilities are comprehensive and the judicial bodies' interpretation and reviews take place in many stages, which means that it can take a long time to establish the correct application of legislation in complex taxation matters, which may adversely affect Nyfosa and investors' assessments of Nyfosa. The Swedish Tax Agency's tax rulings as well as court rulings may entail that actions taken or completed transactions that were previously considered permissible according to the regulatory framework may need to be reappraised at a later juncture.

Nyfosa has tax loss carryforwards from previous years which, taken together with depreciation for tax purposes and deductions for certain property investments, entail that current taxes for previous years are only payable by the few subsidiaries for which there were no tax conditions for making Group contributions.

As explained in Note 23, one company in the Group is a party to a tax case. In the case of future audits or reviews, there is a risk that the Swedish Tax Agency could object to Nyfosa's assessment, for example, with respect to the deductibility of certain costs, opportunities for depreciation for tax purposes or the opportunity to deduct loss carryforwards from previous years. A future change in the tax situation for Nyfosa could have a negative impact on Nyfosa's operations, financial position and earnings.

Risk management

- Nyfosa carefully follows political developments and continuously monitors developments in the regulatory area to identify proposals for regulatory changes at an early stage. This monitoring ensures that Nyfosa understands the effects of any regulatory changes well in advance and that Nyfosa is well prepared should new regulations require an adaptation of internal processes to ensure compliance with the new regulations.
- Nyfosa monitors the taxation laws and practices that are in effect whenever it files tax returns. To further safeguard the quality of both tax returns and financial statements, Nyfosa continuously checks its judgments of complex tax matters with external experts. Nyfosa's assessments and calculations in the tax area are reassessed at the end of each reporting period.
- Within Nyfosa, all functions work together through clear-cut processes to satisfy regulatory requirements for continuous reporting and payment of taxes and to identify and manage tax risks.

INTERNAL PROCESSES AND CONTROLS

Risk description

Nyfosa's business operations are associated with the risk of being negatively impacted by deficient procedures, and/or that irregularities or internal or external events could cause disruptions or damage to the business. Nyfosa has decided to have a relatively small organization. While the central functions of the operations are managed internally, Nyfosa has, inter alia, outsourced parts of the day-to-day financial management to an external service provider. When more important support functions are outsourced to external providers, it is of particular importance that the company has efficient procedures to ensure the quality of the services that are delivered.

Risk management

- Nyfosa complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating a company's internal control over financial reporting, which contains the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.
- Nyfosa has policy documents/handbooks for governing internal processes in various operating areas, such as transactions, property management, accounting and insider trading.
- Processes, procedures and control functions for outsourced operations are stipulated in agreements and governing documents.
- Nyfosa's Code of Conduct contains guidelines for the conduct of employees in certain situations and includes an established whistleblowing procedure.

FINANCIAL RISKS

CREDIT RISK

Risk description

The leasing rate and level of rental income are largely dependent on the company's own actions, but are also affected by economic cycles. Lower rental income and/or lower leasing rates could have a negative impact on Nyfosa's operations, financial position and earnings. Both rent levels and the leasing rate are highly affected by overall growth in the Swedish economy but also growth at regional and local levels where Nyfosa conducts operations. The risk of loss of rent and vacancies is also related to the tenant and contractual structure. For example, a concentration of tenants to a small number of larger parties leads to increased exposure. When a vacancy occurs, this could entail costs for customizing the premises for a new tenant, and a risk that the vacancy will be long-term. If tenants fail to fully meet their commitments in accordance with the lease, this may also lead to higher vacancy rates with a resulting reduction in property value.

Risk management

- Nyfosa's property portfolio is geographically diversified, with a large number of tenants with differentiated lease tenures. In 2018, Nyfosa's ten largest tenants accounted for 19 percent of Nyfosa's total rental income, distributed among 132 leases. See the table showing the largest tenants on page 17 of this Annual Report.
- The risk of bad debts is also managed by conducting credit assessments of tenants for all new leases and continuously during the lease term. If necessary, the lease may have to be supplemented with surety, a rental deposit or a bank guarantee. All rents are paid in advance on a quarterly or monthly basis.
- A certain level of vacancies may have a positive effect, since it provides scope in the form of new leasing and flexibility in relation to existing tenants.

INTEREST-RATE RISK

Risk description

Interest-rate risk refers to the risk that changes in interest rates could affect Nyfosa's interest expenses, which represent the company's single largest cost item. In the longer term, changes in interest rates have a material impact on Nyfosa's profit and cash flow.

Risk management

- Nyfosa mainly works with floating interest rates in its loan agreements. Mainly interest-rate caps are used to reduce interest-rate risk, but occasionally these can be combined with other derivatives such as interest-rate swaps.
- Limiting interest-rate risk increases the predictability of Nyfosa's profit from property management and changes in interest-rate levels do not fully impact the Group's interest expenses.
- Interest-rate caps and swaps are entered into to adapt the company's fixed-rate periods to the decided finance policy and existing loan agreements.

FINANCING AND REFINANCING RISK

Risk description

Nyfosa's strategy is to grow through acquisitions and the company finances its business primarily through borrowing and its own cash flows.

If raising loans becomes more difficult or more expensive, this would adversely impact the company's potential to acquire properties and implement investments and projects. There is also the risk that financing cannot be obtained or renewed when the loan expires, or only at sharply higher costs. Furthermore, there is a risk that additional capital in order to meet the company's future growth ambitions cannot be acquired, or that this cannot be achieved at terms that are advantageous to Nyfosa.

Risk management

- Nyfosa works in accordance with a finance policy established by the Board, which stipulates, inter alia, general rules for the company's financing and how the risks associated with financing operations are to be limited.
- The company engages in continuous discussions with existing and prospective financiers to ensure that the necessary financing can be obtained in all situations.
- The assessment is that a stable financial position combined with a strong balance sheet and a high credit rating provides continued favorable potential for Nyfosa's ability to secure access to financing.

LIQUIDITY RISK

Risk description

Liquidity risk is the risk that the company is unable to meet its payment obligations when they are due without a significant increase in the cost of obtaining the funds. If Nyfosa's sources of financing prove to be insufficient, this could have a negative impact on the operations, financial position and earnings.

Risk management

- Nyfosa makes use of both short-term liquidity forecasts and long-term liquidity planning to predict and mitigate liquidity risk. The forecasts and the plan are updated continuously on a weekly and quarterly basis.
- In accordance with the finance policy, continuous work on refinancing the long-term loans concerned is conducted. The finance policy also addresses the matter of the investment of surplus liquidity. In addition, the Group has overdraft facilities to ensure more flexible cash management and to effectively deal with peaks and troughs in payment streams.

*“When we buy a property we
do so to improve it”*

– ANDERS HÖRNOVIST,
HEAD OF PROPERTY MANAGEMENT



FINANCING

Nyfosa's operations are financed by a combination of equity and bank loans. With its strong financial position and many financing opportunities, Nyfosa is well-equipped for growth.

Equity

At December 31, 2018, Nyfosa's equity totaled MSEK 8,392 (3,479), of which share capital was MSEK 84, equal to an equity/assets ratio of 48.3 percent (25.5).

Nyfosa implemented two new share issues and received a shareholders' contribution in 2018. The company received a total of MSEK 3,844.

Interest-bearing liabilities

Nyfosa's interest-bearing liabilities comprise bank loans that amounted to MSEK 8,240 on December 31, 2018, corresponding to a loan-to-value ratio of 52.9 percent.

The average interest rate was 1.6 percent and the fixed-rate period, including the effects of signed derivative agreements, was 1.6 years. The average loan maturity was 3.2 years. On December 31, 2018, Nyfosa also had overdraft facilities totaling MSEK 200, of which MSEK 174 was unutilized, and a revolving credit facility totaling MSEK 1,000, of which MSEK 439 was unutilized.

Change in the loan portfolio

During the year, new bank loans of MSEK 3,556 were raised to finance acquisitions of properties and refinance existing properties. A total of MSEK 561 of the liabilities

FINANCIAL RESTRICTIONS

- Long term, the equity/assets ratio is to amount to at least 25 percent
- The loan-to-value ratio should not exceed 65 percent
- The interest-coverage ratio should not fall below a multiple of two

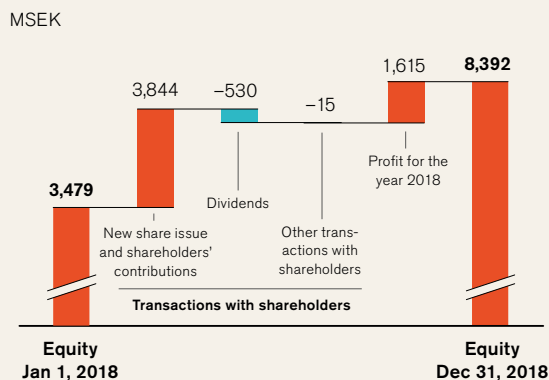
The key figures above do not represent financial objectives but rather risk limits, making it natural for Nyfosa to have a certain margin for these.

KEY FIGURES IN THE LOAN PORTFOLIO

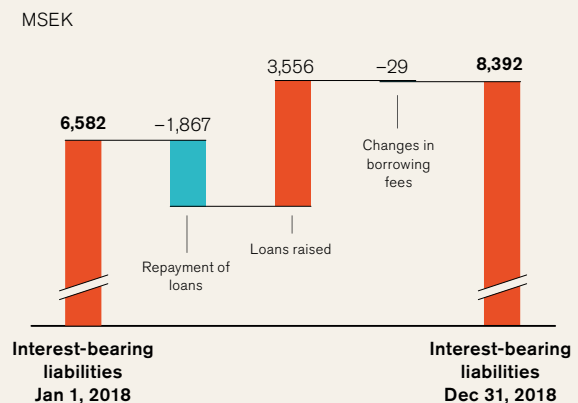
December 31, 2018

	2018	2017
Equity/assets ratio, %	48.3	25.5
Loan-to-value ratio, %	52.9	54.4
Net loan-to-value ratio, %	51.6	53.1
Interest-coverage ratio, multiple	4.9	7.0
Average interest, %	1.6	1.5
Average remaining fixed-rate period, years	1.6	1.5
Average remaining loan maturity period, years	3.2	2.2
Interest-rate hedged portion of liabilities, %	54.1	50.7
Fair value of derivatives, MSEK	9	4

CHANGES IN EQUITY IN 2018



CHANGES IN LOAN PORTFOLIO IN 2018



were settled during the year in connection with vacating properties, refinancing and making regular contractual repayments. The net increase in the loan portfolio in 2018 amounted to MSEK 1,658.

Maturity structure

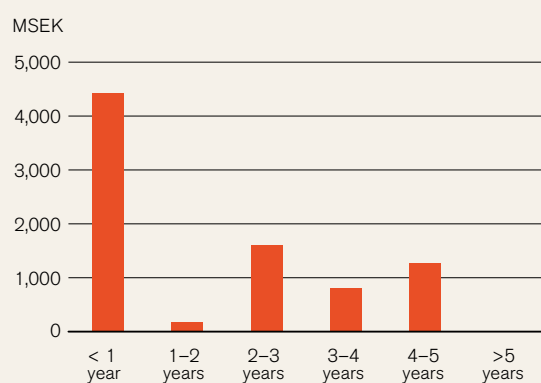
Bank loans of MSEK 858 fall due for payment during the first half of 2019. Nyfosa maintains regular dialog with mainly Nordic banks to secure its refinancing requirements. In addition to favorable opportunities for refinancing loan maturity with new bank loans and/or by issuing debt or hybrid instruments on the capital market, the company has an unutilized overdraft facility and healthy cash flows from operating activities.

Impact of changes in interest rates

Nyfosa largely works with variable interest rates in its loan agreements and manages interest-rate risk by using derivative instruments, primarily interest-rate caps at the current time. Limiting interest-rate risk increases the predictability of Nyfosa's profit from property management and changes in interest-rate levels do not fully impact the Group's interest expenses. In some cases, Nyfosa has entered into loan agreements with an interest-rate floor provision, meaning that STIBOR 3M cannot fall below zero. These loan agreements mean that Nyfosa cannot fully capitalize the low interest-rate scenario. The nominal volume of Nyfosa's outstanding interest-rate caps on December 31, 2018, including the effects of signed derivative agreements, was SEK 4.5 billion.

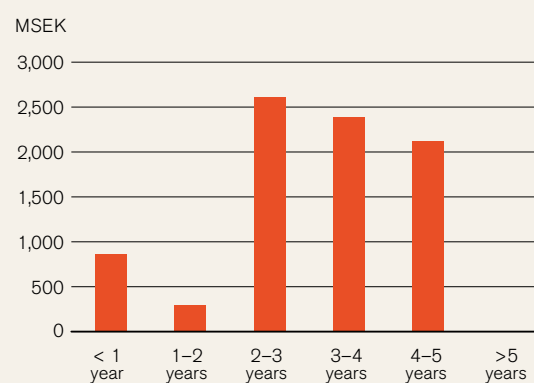
MATURITY STRUCTURE FIXED-RATE PERIODS

December 31, 2018



MATURITY STRUCTURE LOAN MATURITY

December 31, 2018



AVAILABLE LIQUIDITY

December 31, 2018

MSEK	2018	2017
Cash and cash equivalents	192	160
Unutilized overdraft facilities	174	-
Total	366	160

SENSITIVITY ANALYSIS

December 31, 2018

Earnings effect of change in average interest rate	Change, %	2018	2017
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1%	+45/0	+30/-11
Interest expenses assuming change in average interest rate ²	+/-1%	+/-83	n/a
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/-1%	+/-11	n/a

1) Taking into account derivative agreements.

2) Today's average rate, taking into account derivative agreements, increases/decreases by 1% Increase/decrease does not take into account potential effects of the derivative portfolio.

THE NYFOSA SHARE

The Nyfosa share was listed on Nasdaq Stockholm on November 23, 2018 in connection with the distribution of the company to all of the ordinary shareholders in Hemfosa. The company's market capitalization at year-end was MSEK 7,170.

Demerger process and the share

Hemfosa Fastigheter AB's Extraordinary General Meeting on 13 September 2018 resolved to distribute all shares in the wholly owned subsidiary Nyfosa, consisting of the company's commercial property portfolio, to ordinary shareholders in Hemfosa. Hemfosa's ordinary shareholders received one Nyfosa share for every ordinary share in Hemfosa owned at the record date of the distribution, November 21, 2018. The Nyfosa share has been traded on the Large Cap segment of Nasdaq Stockholm since November 23, 2018 with the ticker NYF and ISIN code SE0011426428. Each share entitles the holder to one vote.

Share price trend and volume of trading

The last price paid on December 28, 2018 was SEK 42.76. This represents an increase of about 1 percent compared with the listing date of November 23, 2018. During the same period, the Nasdaq Stockholm PI index declined 3.59 percent, while the Carnegie Real Estate Index rose 2.93 percent. A total of 39.7 million Nyfosa shares were traded for a total value of SEK 1.7 billion in 2018. An average of 1.7 million shares were traded on every day of trading. Of total trading in the Nyfosa share, 85.7 percent occurred on Nasdaq Stockholm, 10.5 on Cboe Global Markets and 3.8 percent on other exchanges.

Share capital and trend

On December 31, 2018, Nyfosa's share capital amounted to MSEK 84, distributed among 167,728,249 shares with a quotient value of SEK 0.50 per share. According to the Articles of Association, the share capital shall amount to not less than SEK 80,000,000 and not more than SEK 320,000,000, distributed among not fewer than 160,000,000 shares and not exceed 640,000,000 shares.

Warrants, convertibles or other share-based financial instruments

There are no outstanding warrants, convertibles or other share-based financial instruments issued by Nyfosa.

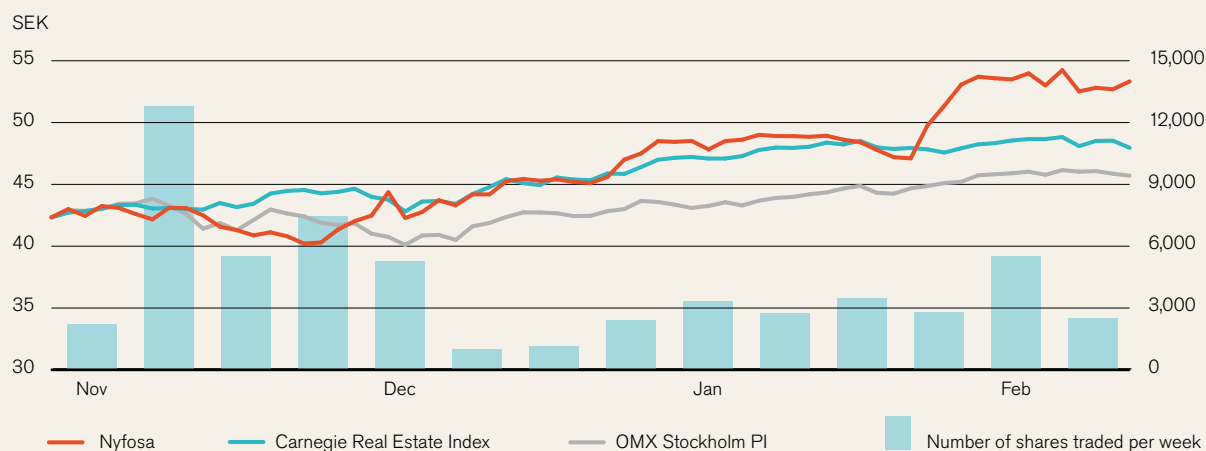
Dividend policy and dividend proposal

According to Nyfosa's dividend policy, profits generated will primarily be reinvested to leverage business opportunities and achieve the growth target of a total property value of SEK 25 billion, after which a significant portion of profit will be paid to shareholders in the form of a dividend, redemption and/or repurchase of shares. The Board proposes that the Annual General Meeting resolve that no dividends be paid to shareholders for the 2018 financial year.

Shareholder information

On December 31, 2018, Nyfosa had 19,578 shareholders, of whom Swedish shareholders comprised about 61 percent. Swedish private individuals accounted for 14 percent of the shareholdings and Swedish legal entities for approximately 47 percent. The ten largest owners jointly controlled 42 percent of the share capital and voting rights. The table below presents Nyfosa's largest shareholders on December 31, 2018, based on information from Euroclear.

SHARE PERFORMANCE



Source: Six

THE COMPANY'S SHARE CAPITAL TREND

Date	Event	Change in share capital (SEK)	Change in number of shares	Share capital after change (SEK)	Number of shares after change
October 17, 2017	New formation	n.a.	n.a.	50,000	500
May 21, 2018	Division of shares (1:200)	n.a.	+ 99,500	50,000	100,000
May 21, 2018	New share issue	+ 78,814,124.50	+ 157,628,249	78,864,124.50	157,728,249
August 21, 2018	New share issue	+ 5,000,000	+ 10,000,000	83,864,124.50	167,728,249

SPECIFICATION OF SHAREHOLDERS

December 31, 2018

Shareholders	Number of shares	Percentage share	
		Capital, %	Votes, %
Länsförsäkringar Fonder	10,571,826	6.3	6.3
Swedbank Robur Funds	10,078,819	6.0	6.0
Kåpan Pensioner Försäkringsförening	8,716,274	5.2	5.2
Handelsbanken Fonder	6,520,000	3.9	3.9
Fourth Swedish National Pension Fund	5,730,594	3.4	3.4
Vanguard	5,417,622	3.2	3.2
ICA-handlarnas Förbund	5,153,635	3.1	3.1
Norges Bank	4,774,446	2.8	2.8
AB Sagax	4,700,000	2.8	2.8
Jens Engwall	4,629,300	2.8	2.8
Total ten largest owners	66,292,516	39.5	39.5
Other shareholders	101,435,733	60.5	60.5
Total	167,728,249	100	100

Source: Euroclear

OWNERSHIP STRUCTURE BY SIZE

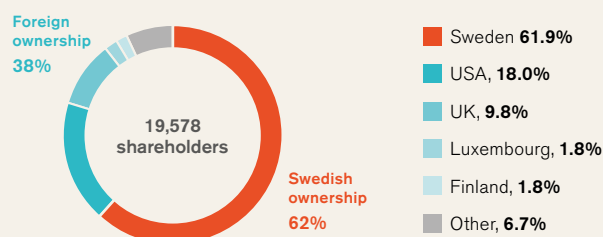
December 31, 2018

Ownership structure	No. of shareholders	Share, %
1 – 500	14,262	72.8
501 – 1,000	2,522	12.9
1,001 – 5,000	2,091	10.7
5,001 – 10,000	268	1.4
10,001 – 15,000	99	0.5
15,001 – 20,000	41	0.5
20,001 –	295	1.5
Total	19,578	100

Source: Euroclear

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDING

December 31, 2018



CORPORATE GOVERNANCE REPORT 2018

Corporate governance at Nyfosa is based on Swedish law and other generally accepted good practice in the securities market as well as internal rules and guidelines. After the shares in the company were distributed from Hemfosa and admitted to trading on Nasdaq Stockholm on November 23, 2018, Nyfosa also started to apply the Swedish Corporate Governance Code (“the Code”). Nyfosa has applied the Code without any deviations since the company was listed.

General Meetings

The General Meeting is Nyfosa’s highest decision-making body, at which the shareholders exercise their voting rights. The Swedish Companies Act (2005:551) and the Articles of Association prescribe how notice of the Annual General Meeting (AGM) and Extraordinary General Meetings are to take place and who is entitled to participate in and vote at such Meetings. In addition to laws on a shareholder’s right to participate in a General Meeting, Nyfosa’s Articles of Association stipulate that shareholders must notify their intention to attend the General Meeting five weekdays before the Meeting, and also give notification if they intend to be accompanied by an assistant. There are no restrictions on the number of votes that each shareholder may cast at the Meeting. Nyfosa’s General Meetings are held in Nacka or Stockholm. The company does not apply any special arrangements to the function of the General Meeting, either based on the provisions of the Articles of Association or any shareholders’ agreements known to the company. Resolutions adopted at a General Meeting are announced after the Meeting in a press release, and the minutes from the Meeting are published on the company’s website.

An Extraordinary General Meeting held on May 21, 2018 authorized the Board on one or more occasions for the period until the conclusion of the 2019 AGM, by applying or disapplying shareholders’ preferential rights, to decide to issue new

shares in the company, although not more than 10 percent of the total number of shares in Nyfosa on the date of the utilization of the authorization.

The share and shareholders

Information about Nyfosa shares and major shareholders is provided on pages 42–43 of this Annual Report. No shareholders, directly or indirectly, hold shares that represent one tenth or more of the votes for all shares in the company.

Nomination Committee

The Extraordinary General Meeting of Nyfosa on May 21, 2018 adopted instructions for the Nomination Committee’s composition and work within the company. According to these instructions, which apply until further notice, the Nomination Committee is to comprise the Chairman of the Board and four members appointed by the four largest shareholders in the company in terms of voting rights on July 31. However, in connection with the Nomination Committee being established for the first time after the shares of Nyfosa had been admitted to trading on Nasdaq Stockholm, and according to a resolution by the General Meeting, the four largest shareholders in the company in terms of voting rights on November 30, 2018 were entitled to appoint the members of the Nomination Committee. The chairman of the Nomination Committee is to be the member representing the largest shareholder in terms of voting rights, unless the members agree otherwise. The composition of the Nomination Committee is to be announced not later than six months before the AGM. If a Committee member leaves or major changes take place in the ownership structure, the composition of the Nomination Committee may change to reflect this. Such a change will then be announced as soon as possible. The task of the Nomination Committee is to prepare proposals on the election of Board members and auditors, remuneration of the

NYFOSA’S 2019 ANNUAL GENERAL MEETING

Nyfosa’s 2019 AGM will be held on May 9, 2019 at Vasateatern in Stockholm, Sweden. More information about the AGM (including instructions on how to notify attendance) is available at www.nyfosa.se.

Board members and auditors, the election of the Chairman of the Meeting and any necessary amendments to the instructions for the Nomination Committee. For more information about the current instructions for the Nomination Committee, visit the company's website.

Nyfosa's Nomination Committee ahead of the 2019 AGM comprises Johannes Wingborg, Länsförsäkringar Fondförvaltning AB (Chairman of the Nomination Committee), Lennart Francke, Swedbank Robur funds, Mikael Falck, Kåpan Pensioner, Thomas Ehlin, Fourth Swedish National Pension Fund and Bengt Kjell, Board Chairman of Nyfosa. The Nomination Committee applied the Code's rule 4.1 on diversity policy for its work. The aim of the diversity policy is to satisfy the importance of sufficient diversity on the Board of Directors in respect of gender, age and nationality, as well as experience, professional background and lines of business. The Board comprises three women and four men, meaning that the percentage of women is almost 43 percent, which was established to accord with the Swedish Corporate Governance Board's stated objective of about 40 percent for the least represented gender. Additional information is available in the Nomination Committee's reasoned statement regarding the Nomination Committee's proposals to the 2019 AGM.

Board of Directors

According to the Articles of Association, Nyfosa's Board of Directors is to comprise at least four and no more than ten members, with no deputy members. The Articles of Association contain no specific clauses governing the appointment or dismissal of Board members or regarding amendment of the Articles of Association. The members of the Board are elected by the AGM for the period until the end of the next AGM. The Extraordinary General Meeting held on May 7, 2018 elected Bengt Kjell, Marie Bucht Toresäter, Lisa Dominguez Flodin, Jens Engwall, Johan Ericsson, Per Lindblad and Kristina Sawjani as Board members. Bengt Kjell was also elected Chairman of the Board. For more information about Nyfosa's Board members and information about their independence in relation to the company and management, refer to page 47. No Board members are employed in the Group except Jens Engwall (who is the CEO). Information about the company's largest shareholders is provided on pages 42–43.

The Board is the company's highest administrative body and its duties are regulated by the Swedish Companies Act, the Articles of Association and the Code. The Board of Directors is thus responsible for the company's organization and the administration of the company's affairs. The Board is also charged with monitoring financial developments, ensuring the quality of financial reporting and the internal control and evaluating the operations based on the established objectives and guidelines adopted by the Board. Furthermore, the Board decides on significant investments and major changes in the Group's organization and operations. This work is based on rules of procedure adopted by the Board every year that

regulate the distribution of work and responsibilities between the Board members and CEO. The Board also adopts a delegation of authority and instructions for financial reporting, the CEO and the Board's Committees, and decides on a number of general policies for the company's operations. These include an insider policy, finance policy, IT policy, information security policy, sustainability policy, communication policy and policy on related-party transactions. All of these internal governing documents are reviewed at least once annually and also regularly updated as necessary.

The work of the Board of Directors

In addition to the statutory Board meeting, elected held immediately after the AGM, the Board meets at least six times a year (scheduled Board meetings). The dates of meetings and the main standing items on the agenda to be discussed at the scheduled meetings follow a set plan in the Board's rules of procedure. Extra Board meetings can be convened when required. Nyfosa's Board held 17 meetings during the year, two of which were statutory Board meetings. Five of these meetings were held as a one-man Board of Directors in private settings, while 12 meetings were held by the current Board elected ahead of the listing on Nasdaq Stockholm. For information about attendance at these meetings, see the table on page 46. The secretary at the Board meetings is the company's Head of Legal. Prior to each meeting, the Board members receive an agenda and written material for the items to be discussed at the meeting. The agenda ahead of each scheduled Board meeting included a number of standing items: The CEO's review of the operations, acquisitions, divestments and investments as well as financial reporting.

In 2018, besides regular Board matters, including major acquisitions, divestments and investments, the Board addressed issues related to the distribution of the company from Hemfosa and the listing of the Group. The Board also focused particularly on preparing a strategy and business plan.

Evaluation of the Board and the CEO

Once annually, in accordance with the Board of Directors' rules of procedure, the Chairman of the Board initiates an evaluation of the Board's work. In 2018, the Chairman had some separate contact with the members as part of this evaluation. The purpose of the evaluation is to assess the results of the Board's and the Committees' work, the effectiveness of the work method and how it can be improved. The evaluation also aims to identify the type of matters that the Board should be given more scope to address and the areas that could potentially require additional experience and expertise on the Board. The result of the evaluation was discussed by the Board and reported to the Nomination Committee by the Chairman. The Board also continuously evaluates the work of the CEO. An evaluation is carried out at least once a year without the CEO attending.

BOARD OF DIRECTORS



From left: Standing: Jens Engwall, Per Lindblad, Lisa Dominguez Flodin, Bengt Kjell, Marie Bucht Toresäter
Sitting: Kristina Sawjani, Johan Ericsson

Board Committees

The Board has established two committees from within its ranks: an Audit Committee and a Remuneration Committee, which both follow instructions adopted by the Board. These committees are sub-committees that prepare matters for the Board and do not have any own power of decision. The matters addressed at committee meetings are minuted and reported as necessary at the next Board meeting.

Audit Committee

The Audit Committee is to assist the Board in completing its supervisory role of audit matters. The Committee's main task is stipulated in the Companies Act. These include overseeing the company's financial reporting, risk management and the effectiveness of internal control and governance as well as maintaining contact with and evaluating the work, qualifications and independence of the external auditor.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Board member	Board meetings	Audit Committee meetings	Remuneration Committee meetings
Bengt Kjell (Chairman of the Board)	12/12	–	4/4
Marie Bucht Toresäter	12/12	2/3	–
Lisa Dominguez Flodin	12/12	3/3	–
Jens Engwall	15/17 ¹	–	–
Johan Ericsson	12/12	–	4/4
Per Lindblad	12/12	–	4/4
Kristina Sawjani	12/12	3/3	–

¹) Before the current Board comprising seven members was elected at the Extraordinary General Meeting on May 7, 2018 (prior to the listing on Nasdaq Stockholm), the company had only one Board member, Jens Engwall. In his capacity as the sole Board member, Jens Engwall held five Board meetings before the remaining Board members took office. For this reason, Jens Engwall has a higher number of total Board meetings than the remaining members.

Bengt Kjell

Chairman of the Board

Year of birth: 1954

Board member since: May 7, 2018

Education and professional experience:

Master in Business Administration, Stockholm School of Economics. Previous experience as Acting CEO (2015) and Head of Investment (2002–2010) of AB Industrivärden, CEO of AB Handel och Industri (2009–2015), senior partner and founder of Navet AB (1987–2002), Head of Corporate Finance at Securum AB (1995–1997), CEO of the Independent group (1992–1995), CFO and Deputy CEO of K.G. Knutsson AB (1984–1987) and Authorized Public Accountant at Yngve Lindells Revisionsbyrå AB (1974–1984). He also has experience from assignments as chairman of the board in inter alia Kungsleden (1996–2009) and Skånska Byggvaror (2009–2016) as well as board member of Skanska (2008–2010).

Other ongoing assignments: Chairman of the board and co-founder of Hemfosa Fastigheter AB, chairman of the board of SSAB AB, Osby Vitvaror AB and Expassum AB, deputy chairman of the board of Indutrade AB and Pandox AB, board member of AB Industrivärden, ICA Gruppen AB and Swegon Group AB.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 2,410,500 shares

Independent in relation to the company, Group Management and the company's major shareholders.

Marie Bucht Toresäter

Board member

Year of birth: 1967

Board member since: May 7, 2018

Education and professional experience:

Master in Business Administration, Uppsala University. Previous experience from senior positions at, inter alia, Headlight International AB (2015–2017), Skanska ID (2013–2015), NCC Property Development Nordic AB (2012–2013) and Newsec Advice AB (1999–2012).

Other ongoing assignments: CEO of Novi Real Estate AB and board member of MVB Holding AB.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Independent in relation to the company, Group Management and the company's major shareholders.

Lisa Dominguez Flodin

Board member

Year of birth: 1972

Board member since: May 7, 2018

Education and professional experience:

Bachelor's degree in accounting and auditing, Mid Sweden University, Östersund, and MBA, San Jose State University. CFO of Grön Bostad AB and previous experience as, inter alia, CEO of Cibus Nordic real Estate AB (publ) (2018) and board member (including member of the audit committee) of NP3 Fastigheter AB (publ) (2014–2017) as well from senior positions at Oscar Properties AB (2017), Cityhold Property AB (2012–2016) and NBP Group (2011–2012).

Other ongoing assignments: Board member of LCF Financial Services AB and Flodin Kapital AB.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Independent in relation to the company, Group Management and the company's major shareholders.

Jens Engwall

Board member and CEO

Year of birth: 1956

Board member since: November 15, 2017

Education and professional experience:

Master of Engineering, Royal Institute of Technology, Stockholm. Previous experience as the founder and CEO of Hemfosa Fastigheter AB (2009–2018), CEO of Kungsleden AB (1993–2006) and experience from the property sector through, inter alia, previous positions at Skanska AB.

Other ongoing assignments: Chairman of the board of the property company Söderport Holding AB and other board assignments in the Söderport group, board member of Bonnier Fastigheter AB and Quanta Fuel AS.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 4,627,311 shares

Not independent in relation to the company and Group Management. Independent in relation to the company's major shareholders.

Johan Ericsson

Board member

Year of birth: 1951

Board member since: May 7, 2018

Education and professional experience:

Master in Business Administration, Stockholm School of Economics. FRICS. Previous experience from senior positions and various roles in the Catella group (1993–2015).

Other ongoing assignments: CEO of Logistea AB (publ) and Klockarbäcken Property Investment AB (publ). Chairman of the board of SHH Bostad AB (publ), Aktiebolaget Oscar Robur, Konstmässan Market i Stockholm AB, Castar Europe AB, Braheberget Holding AB and Emilhus AB as well as board member of Brinova Fastigheter AB (publ).

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Independent in relation to the company, Group Management and the company's major shareholders.

Per Lindblad

Board member

Year of birth: 1962

Board member since: May 7, 2018

Education and professional experience:

Master of Science in Agriculture Economics, Swedish University of Agricultural Sciences (SLU), Uppsala. Previous experience from inter alia senior positions at SEB (2008–2017).

Other ongoing assignments: CEO of Landshypotek Bank Aktiebolag and chairman of the board of Lyckås Aktiebolag.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Independent in relation to the company, Group Management and the company's major shareholders.

Kristina Sawjani

Board member

Year of birth: 1975

Board member since: May 7, 2018

Education and professional experience:

Master of Science in Engineering Surveying, Lund Technical University. Previous experience includes senior positions at AFA Fastigheter and the Catella group as well as board member of Grön Bostad.

Other ongoing assignments: Senior Investment Manager at Folksam Fastigheter.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Independent in relation to the company, Group Management and the company's major shareholders.

The Committee is also to assist in preparing proposals for the General Meeting to resolve on the election and remuneration of auditors. The results of the Committee's work in the form of observations, recommendations and proposals for decision or action are continuously reported to the Board. The Audit Committee comprises Board members Lisa Dominguez Flodin (Chairman), Kristina Sawjani and Marie Bucht Toresäter. After it was established in May 2018, the Audit Committee held three meetings during the year at which subjects discussed included the company's internal control and quarterly reporting.

Remuneration Committee

The main tasks of the Remuneration Committee are to assist the Board by presenting proposals, providing advice and preparing matters regarding remuneration of and other terms of employment for the company's CEO and principles for remuneration of company management. Furthermore, the task of the committee is to monitor and evaluate the outcome of variable remuneration programs, and Nyfosa's compliance with the remuneration guidelines adopted by the

General Meeting. The Remuneration Committee comprises Board members Johan Eriksson, Per Lindblad and Bengt Kjell (Chair). After it was established in May 2018, the Remuneration Committee held four meetings at which subjects discussed included remuneration of senior executives, including terms of employment for the CEO and the structure of a potential incentive program.

Remuneration of Board of Directors

The Extraordinary General Meeting on May 7, 2018 resolved that until the next AGM an annual fee of SEK 160,000 was to be paid to each of the Board members who are not employed by the company and that SEK 370,000 was to be paid to the Chairman of the Board. It was also resolved that fees for Committee work amounting to SEK 50,000 were to be paid to the Chairman of the Audit Committee and SEK 25,000 to each of the other members of the Audit Committee and that fees of SEK 30,000 were to be paid to the Chairman of the Remuneration Committee and SEK 15,000 to each of the other members of the Remuneration Committee.

SENIOR EXECUTIVES



From left Standing: Jens Engwall, Stina Lindh Hök, Jenny Lindholm, Johan Ejerhed
Sitting: Ann-Sofie Lindroth, Ylva Hult Palmryd, Anders Hörnqvist

CEO and Group Management

The CEO is appointed by the Board and is responsible for the daily management of the company and the Group's activities in accordance with the Board's instructions. The CEO instruction states that the CEO is responsible for the administration of the Board and Board reporting as well as preparing matters that require a decision by the Board, for example, adopting the interim report and Annual Report, decisions on major acquisitions, sales or investments and raising large loans. The CEO has appointed a Group Management team that is responsible for different parts of the operations. Nyfosa's Group Management comprises the CEO, COO, Head of Financial Control, Head of Transactions, Head of Property Management, Head of Finance and Head of Legal. The CEO functions as chairman of Group Management and makes decisions in consultation with other members of Group Management. The work of Group Management follows an annual cycle of eight scheduled meetings. Extra meetings are convened as required.

Guidelines for remuneration of senior executives

The Extraordinary General Meeting on May 21, 2018 resolved on guidelines for the remuneration of Nyfosa's senior executives for the period until the 2019 AGM. These guidelines include the fact that Nyfosa is to apply market-based and competitive forms of remuneration that are simple, long-term and measurable. Remuneration may comprise a fixed and variable portion. The guidelines include requirements for the structure of remuneration and a cap on variable remuneration. The Board may deviate from the guidelines if there are special reasons to do so in an individual case. Such deviations are to be presented at the next AGM. For the complete guidelines, visit the company's website. The amount of remuneration paid in 2018 is presented in Note 8.

Jens Engwall

CEO and Board member

Year of birth: 1956

Education and professional experience:

Master of Engineering, Royal Institute of Technology, Stockholm. Previous experience as the founder and CEO of Hemfosa Fastigheter AB (2009–2018), CEO of Kungsleden AB (1993–2006) and experience from the property sector through, inter alia, previous positions at Skanska AB.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 4,627,311 shares

Johan Ejerhed

Head of Finance

Year of birth: 1976

Education and professional experience:

Master of Science in Engineering, International Industrial Economics (with a specialisation in finance), Linköping University. Experience of the property sector from previous positions at SEB (2004–2018), including project manager in structured real estate financing.

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Ylva Hult Palmryd

Head of Legal

Year of birth: 1976

Education and professional experience:

Bachelor of Laws, Uppsala University. Previous experience as company lawyer and Chief Legal Officer at Hemfosa (2010–2018), and previous

experience as a lawyer at the law firms Kilpatrick Townsend & Stockton (2009–2010) and Linklaters (2003–2009).

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 5,346 shares

Anders Hörnqvist

Head of Property Management

Year of birth: 1966

Education and professional experience:

Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm. Previous experience as partner of Corner Property Partners AB, property director at The Carlyle Group (2007–2013), vice president at Fabega AB (2004–2007) and head of property management at Wahlborgs AB (1997–2004).

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): –

Stina Lindh Hök

COO

Year of birth: 1973

Education and professional experience:

Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm. Previous experience as project manager and transaction manager at Hemfosa (2010–2018) and extensive experience of the property sector in various roles at Atrium Ljungberg AB (2009–2010), Leimdorfer Fastighetsmarknad AB (2006–2008) and Fabega AB (2005).

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 15,010 shares

Jenny Lindholm

Head of Transactions

Year of birth: 1978

Education and professional experience:

Master of Science in Engineering, KTH Royal Institute of Technology, Stockholm. Previous experience as project manager and acting transaction manager at Hemfosa (2014–2018) and experience of the property sector from previous positions at Catella AB (2004–2008 and 2013–2014), Niam AB (2008–2012) and Skanska AB (2002–2004).

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 3,000 shares

Ann-Sofie Lindroth

Head of Financial Control

Year of birth: 1976

Education and professional experience:

Master of Science in Business Administration, Lund University. Previous experience as controller and head of finance at Hemfosa (2012–2018) and in a previous auditor post at EY Real Estate (2004–2012).

Shareholding in the company as of Dec 31, 2018 (incl. any shares held by related parties): 7,400 shares

AUDITOR

KPMG AB

Auditor-in-Charge Mattias Johansson, born in 1973, is an Authorized Public Accountant, partner of KPMG Sweden and member of FAR (institute for the accountancy profession in Sweden).

Auditor

At the AGM on January 17, 2018, KPMG AB was elected to serve as auditor until the end of the next AGM. Auditor-in-Charge Mattias Johansson was born in 1973 and is an Authorized Public Accountant and member of FAR (institute for the accountancy profession in Sweden).

The auditor examines the Annual Report, accounts and the administration by the Board and CEO. The auditor then reports to the AGM. In addition to the audit assignment, KPMG was engaged for additional services in 2018, primarily tax advice and advisory services in connection with acquisitions (financial due diligence) and also listing-related matters and organizational issues. Such services have always, and solely, been provided insofar as they are consistent with the regulations in the Swedish Auditing Act (1999:1079) and FAR's rules of professional conduct pertaining to the objectivity and independence of auditors.

Internal control and governance

The Board's responsibility for the internal control and governance is regulated by the Companies Act, the Annual Accounts Act (1995:1554) and the Code. Information about Nyfosa's system for internal control, governance, risk management and the Board's measures to monitor the effectiveness of the internal control and governance is to be included in the company's corporate governance report. The Board, which has ultimate responsibility, is to ensure, inter alia, that Nyfosa has effective internal control and formalized procedures to ensure compliance with established principles for financial reporting, internal control and governance. The Group's Head of Financial Control is responsible for implementing and maintaining the formalized procedures.

Nyfosa's procedures and processes for internal control, governance and risk management are based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). The process has been designed to ensure adequate risk management, including reliable financial reporting in accordance with IFRS, applicable laws and regulations as well as other requirements to be applied by companies listed on Nasdaq Stockholm. This work involves the Board, Group Management and other personnel.

Control environment

Nyfosa's control environment is founded on governing documents, processes and structures that set the basis for establishing internal control and governance in the organization. The Board monitors and ensures the quality of the internal control and governance in accordance with in the Board's rules of procedure, the instructions for the CEO and the Committees and the associated delegation of authority and attestation ordinance. In addition, the Board has adopted a risk management policy that includes fundamental guidelines governing risk management, internal control and governance. These guidelines pertain to, for example, risk assessment, risk measures, control activities, action plans, evaluation and reporting. The internal control and governance activities are also presented in other governing documents, such as Nyfosa's accounting manual, sustainability policy and finance policy. These activities include regular checks and follow-ups of outcome compared with expectations and previous years, and supervision of, for example, the accounting policies applied by Nyfosa.

Since the Group's ongoing accounting activities and the preparation of the quarterly and annual accounts, etc. have been partly outsourced to an external service provider (Newsec Asset Management AB), Nyfosa's accounting manual also addresses the cooperation with this provider. The responsibility for maintaining an effective control environment and the continuous work on risk assessment and internal control and governance regarding the financial reporting is delegated to the CEO. However, the Board has ultimate responsibility. The Audit Committee is responsible for monitoring the efficiency of the company's internal control, governance and risk management regarding the financial reporting. Group Management regularly reports to the Board and the Audit Committee following established procedures. Responsibilities, authorities and governing documents comprise the control environment for Nyfosa, together with laws and regulations. All internal governing documents are regularly updated to include changes in, for example, legislation, accounting standards or listing requirements.

Risk assessment

Every year, Nyfosa's Group Management performs a risk evaluation of strategic, financial, operational and compliance risks in connection with the business planning process. The risks identified as the most material are documented in a risk list that is evaluated by Nyfosa's Group Management and a risk owner is appointed for every risk to clarify the division of responsibilities and ownership. The risk analysis also includes an assessment of the control activities established throughout the operations to manage the risks. Taking into account these existing control activities, the probability of a

risk occurring within a defined period of time is evaluated, as is its impact on established targets. The risk assessment provides insight into the consequences for the Group if no action is taken, the risk-reducing measures that are in place and the level of risk that the organization wants to achieve by taking further action. The outcome of the risk analysis and accompanying action plan is presented to the Audit Committee and Board.

Control activities

Nyfosa's control activities are established based on identified risks, with the aim of ensuring Nyfosa's internal control and governance over the company's financial reporting. Identified risks are managed by implementing well-defined key processes with integrated control activities, such as dividing and delegating responsibility, cooperation and principles for distribution of responsibility between Nyfosa and Newsec and a defined decision-making process. Nyfosa's key processes include activities and controls intended to manage and minimize identified risks. In addition to these key processes, Nyfosa's control activities comprise ongoing monitoring of financial results and financial position, company-wide controls and general IT controls.

Information and communication

Nyfosa has built an organization, procedures and systems for information and communication aimed at providing the market with relevant, reliable, correct and up-to-date information about the Group's performance and financial position and ensuring that the financial reporting is correct and effective. The internal governing documents clarify who is responsible for what, and the daily interaction between the officers concerned ensures that the necessary information and communication reaches all relevant parties. Every month, Group Management receives certain financial information about the company and its subsidiaries in respect of the development of leasing and other property management work, reviews and monitoring of ongoing and future investments and liquidity planning. The Board receives regular financial reports on the Group's financial position and earnings performance. In addition, the Board receives a report every year from Group Management on consolidated risks for the Group with an accompanying action plan, which in turn is followed up by the Board and Group Management once per year. For external disclosure of information, a communications policy has been adopted by the Board, designed to ensure that the company complies with the requirements for disseminating correct information to the market at the right time.

Monitoring

The Board continuously evaluates the information provided by Group Management. Nyfosa's financial position, investments and operating activities are normally discussed at each Board meeting and Group Management meeting. The Board is also responsible for monitoring the internal control and governance. This work includes ensuring that measures are taken to address any shortcomings, and following up proposals to address issues highlighted in connection with the external audit.

Follow-ups and separate evaluations are continuously carried out in accordance with an adopted risk management policy and accounting manual at various levels within the Group. The risk owner appointed in the risk management policy is responsible for the management of a specific risk by regularly analyzing developments, monitoring risk measures and providing status reports to management. Approved measures and risk owners are also monitored based on the Board's and Group Management's annual follow-up of the action plan, at the same time as line managers are given the opportunity to highlight relevant risk information. The risk management process is in turn evaluated once a year to identify opportunities for improvement.

Internal audit

In light of Nyfosa's operations, organizational structure and the organization of the financial reporting, the Board has not found any reason to establish a separate internal audit function. Instead, the company's Group-wide controller function has been adapted to also manage the internal control activities. The matter of establishing a separate internal audit function is discussed by the Board every year.

MULTI-YEAR OVERVIEW AND KEY FIGURES

	2018	2017	2016	2015
Income, MSEK	1,064	1,031	842	881
<i>Property expenses</i>				
Operating expenses, MSEK	-184	-146	-145	-153
Maintenance costs, MSEK	-71	-66	-79	-109
Property tax, MSEK	-46	-42	-40	-40
Property administration, MSEK	-36	-30	-35	-34
Net operating income, MSEK	728	746	544	545
Surplus ratio, %	68.4	72.4	64.6	61.8
Economic leasing rate ¹ , %	92	91	88	87
Yield ² , %	5.6	5.8	n/a	n/a
Profit from property management per share, SEK	5.47	6.04	4.30	3.82
Earnings per share, SEK	9.63	7.24	6.89	5.56
Property value, MSEK	15,582	12,090	10,017	10,197
Equity, MSEK	8,392	3,479	2,924	2,058
EPRA NAV per share, SEK	55.36	25.64	21.42	16.46
Equity per share, SEK	50.03	20.74	17.43	12.27
Return on equity, %	27.2	37.9	46.4	58.6
Equity/assets ratio, %	48.3	25.5	25.8	18.4
Loan-to-value ratio, properties, %	52.9	54.4	52.8	56.5
Net loan-to-value ratio, properties, %	51.6	53.1	50.3	55.3
Interest-coverage ratio, multiple	4.9	7.0	5.5	4.0
Cash flow from operating activities per share, SEK	7.20	2.84	3.12	3.56

1) On balance-sheet date

2) According to earnings capacity

Share-related key figures¹

	2018	2017
Profit from property management per share, SEK	5.47	6.04
Profit after tax per share, SEK	9.63	7.24
Net asset value, EPRA NAV, per share, SEK	55.36	25.64
Equity per share, SEK	50.03	20.74
Cash flow from operating activities per share, SEK	7.20	2.84

1) Share-related key figures are calculated on the number of shares on December 31, 2018, which amounted to 167,728 thousand.

Property-related key figures

	2018	2017
Rental value, MSEK	1,404	1,076
Leasable area, 000s sqm	1,577	1,136
No. of properties	177	128
Economic leasing rate, %	91.5	89.4
Remaining lease term, years	4.1	4.2
Surplus ratio ¹ , %	68.9	72.4
Yield ¹ , %	5.6	5.8

1) According to earnings capacity on the balance-sheet date.

Key financial data

	2018	2017
Return on equity, %	27.2	37.9
Equity/assets ratio, %	48.3	25.5
Loan-to-value ratio, properties, %	52.9	54.4
Net loan-to-value ratio, properties, %	51.6	53.1
Debt/equity ratio, multiple	1.0	1.9
Interest-coverage ratio (Jan 1 – Dec 31), multiple	4.9	7.0

BOARD OF DIRECTORS' REPORT

The Board of Directors and CEO of Nyfosa AB (“Nyfosa”), postal address Box 4044, SE-131 04 Nacka, Sweden and Corp. Reg. No. 559131-0833, hereby submit the Annual Report and consolidated annual accounts for the 2018 financial year.

Comparative figures presented in parentheses refer to the preceding year. The financial statements are presented in millions of Swedish kronor (MSEK), meaning that rounding differences may occur.

Operations

Nyfosa is a transaction-based and opportunistic property company in which business activities are in focus. The company's business concept is based on active participation in the Swedish transaction market combined with an investment strategy that can be flexible to the property market, meaning that it is not limited by property category, region, scope of the transaction or holding period. A flexible investment strategy and an efficient and near-to-market organization with documented transaction know-how and experience from assessing and evaluating risks provide Nyfosa with a solid foundation for creating and completing investments in properties or property portfolios that are often on the peripheral in terms of the types of investments preferred by other operators. The emphasis is on identifying value and assessing the development potential to leverage business opportunities that may lead to a portfolio of high-yielding properties, primarily commercial. Nyfosa's method of conducting property transactions and developing and adding value to properties creates a property portfolio with the potential to generate high and stable return.

Business concept

Nyfosa's mission is to be a transaction-based, opportunistic property company with strong forward momentum. Nyfosa will change in pace with the property market to always identify the best possible transactions and capitalize on business opportunities when they arise. Nyfosa will generate a sustained and high return and be cash-flow driven with the ambition to grow both its cash flow and property portfolio.

Vision

Nyfosa will identify and complete the most profitable transactions in a changing property market by identifying and developing value and getting the best out of each investment in order to maximize shareholder value. Nyfosa also aims to create added value by being the best in the property sector at complex transactions.

Organization and employees

Nyfosa has a decentralized and relatively small organization, which creates the conditions for efficient and short decision-making paths where all employees have an awareness and understanding of the company's objectives and strategies. The operational structure takes the form of Group Management, Group-wide functions and property management. In order to create flexibility that can be adapted to Nyfosa's development, the organizational structure is flat, in which the most vital functions are provided in-house. The more standardized functions are insourced from external service providers.

Group Management

Nyfosa's Group Management has extensive knowledge of the property market and long experience of conducting property transactions and value creating investments in the property portfolio. It comprises seven people: CEO, COO, Head of Legal, Head of Finance, Head of Financial Control, Head of Property Management and Head of Transactions.

Group-wide functions

Nyfosa has Group-wide functions for economy, finance, market/communication, legal issues and transactions. At year-end, a total of nine employees worked in these functions (excl. members of Group Management).

Property management

The company's head office is located in Nacka, Stockholm, with local property management offices in Västerås, Värnamo, Växjö, Gothenburg and Malmö. The average number of employees in the property management organization at year-end was 13 (excl. members of Group Management). The properties in Norrland are mainly managed by an external manager.

Employees

The number of employees in Nyfosa at year-end was 27. The percentage of women senior executives was about 57 percent.

The average number of employees in 2018 was 17 (6).

Corporate governance

A separate corporate governance report can be found on pages 44–51 of this Annual Report.

Guidelines for remuneration of and other terms of employment for senior executives

The Extraordinary General Meeting on May 21, 2018 resolved on guidelines for the remuneration of Nyfosa's senior executives for the period until the 2019 AGM.

These guidelines include the fact that Nyfosa is to apply market-based and competitive forms of remuneration that are simple, long-term and measurable. Remuneration may comprise a fixed and variable portion. The guidelines include requirements for the structure of remuneration and a cap on variable remuneration. The Board may deviate from the guidelines if there are special reasons to do so in an individual case. Such deviations are to be presented at the next AGM. For the complete guidelines, visit the company's website. The amount of remuneration paid in 2018 is presented in Note 8.

Significant risks and uncertainties

All organizations encounter uncertainty and the challenge is to determine how much uncertainty can be accepted in the company's efforts to increase value for its stakeholders. Uncertainty presents both opportunities and risks with the potential to both increase and erode value. Company-wide risk management enables management to efficiently manage uncertainty and related opportunities and risks.

Risk management is an integrated part of the business planning process at Nyfosa. Critical success factors for achieving the growth and return objectives were identified in the company's long-term business plan. The main uncertainty factor is attributable to changes in value in the property portfolio. The value of the properties is affected not only by supply and demand in the market but also by a number of other factors, in part property-specific factors such as the leasing rate, rent level and operating expenses, and in part such market-specific factors as the yield requirement and the cost of capital, which are derived from comparable transactions in the property market. Deterioration in either a property or the market could cause the value of the properties to decline, which could have a negative impact on Nyfosa's operations, financial position and earnings.

For information on financial risks and financial risk management, see Note 3.

Sustainability Report

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Nyfosa has decided to prepare the statutory sustainability report as a separate report from the Annual Report, found on pages 27–34 of this Annual Report.

Commentary on financial performance

Income

For the full-year 2018, income amounted to MSEK 1,064 (1,031), of which rental income was MSEK 1,060 (870). Rental income increased by MSEK 190, or 22 percent, year-on-year, which was primarily the result of a larger property

portfolio and contractual indexation of leases. The total leasable area on December 31, 2018 amounted to 1,577 thousand sqm (1,136) and the economic leasing rate was 92 percent (89).

Net operating income

The main property expenses included in net operating income are operating expenses, such as heating, water, electricity and property upkeep. Net operating income also includes costs for maintenance, ground rent and property tax. Property expenses amounted to MSEK 300 (254). Costs for property administration, primarily expenses for charging rent, leasing, project management and marketing, amounted to MSEK 36 (30). The increase in property portfolio and administration expenses was 19 percent, due to a larger property portfolio.

Management of the portfolio resulted in a surplus from net operating income of 68.4 percent (72.4). The lower surplus ratio was primarily due to insurance compensation that the company received in the preceding year.

Profit from property management

Costs for central administration amounted to MSEK 52 (9). The growing organization was the reason for the increase. Other operating income and expenses essentially comprise costs attributable to the demerger and listing process, a total of MSEK 44.

Profit from shares in joint ventures of MSEK 412 (380) mainly comprised Nyfosa's share of Söderport's net profit for the year.

Financial income and expenses amounted to MSEK –131 (–106). The increase was due to higher net debt. The average interest rate in the loan portfolio on December 31, 2018 was 1.6 percent (1.5).

Profit from property management excluding profit from shares in joint ventures amounted to MSEK 505 (634). The lower profit was mainly the result of the company receiving insurance compensation in 2017, and non-recurring costs during 2018 for the demerger and listing process and a larger organization.

Changes in value

The changes in value of properties amounted to MSEK 800 (376), of which unrealized changes in value totaled MSEK 658 (348). Of unrealized changes in value, MSEK 190 comprised income recognition of the price deduction received for deferred tax on acquisition. Other changes in value were mainly the result of lower yield requirements and investments made in existing properties.

Tax

The tax expense for the year amounted to MSEK 107 (180), of which MSEK 81 (145) pertained to changes in deferred tax liabilities attributable to investment properties. The effective tax rate was 6 percent (13). The deviation from the nominal tax rate of 22 percent was mainly due to the profit from

shares in joint ventures comprising profit after tax, and thus did not constitute taxable income for Nyfosa, but was also due to non-taxable capital gains on the divestment of properties via companies and valuations of loss carryforwards.

Equity

Equity amounted to MSEK 8,392 on the balance-sheet date, of which share capital amounted to MSEK 84. A shareholders' contribution of MSEK 3,760 was received from Hemfosa during the year and new share issues provided the company with an additional MSEK 84.

Interest-bearing liabilities

On the balance-sheet date, Nyfosa had interest-bearing liabilities of MSEK 8,240, corresponding to a loan-to-value ratio of 52.9 percent. These liabilities comprise bank loans with an average interest rate of 1.6 percent. The average fixed-rate period, including the effects of signed derivative agreements, was 1.6 years and the average loan maturity was 3.2 years. On the balance-sheet date, Nyfosa also had overdraft facilities totaling MSEK 200, of which MSEK 26 had been utilized, and a revolving credit facility totaling MSEK 1,000, of which MSEK 561 had been utilized.

Cash flow

The operating activities contributed a positive cash flow of MSEK 1,207 during the year. Taking possession of and vacating properties, both directly and indirectly via companies, impacted cash flow from investing activities by a net MSEK -2,509. Dividends on participations in joint ventures

amounted to MSEK 200. Cash flow from financing activities contributed a positive MSEK 1,329, due to refinancing of liabilities to Hemfosa Fastigheter, repayments in connection with vacating properties and loans raised when taking possession of properties.

Parent Company

In connection with the establishment of the Nyfosa Group, the Parent Company acquired, through its subsidiary Nyfosa Holding AB, 122 companies from the Hemfosa Fastigheter Group and the shares in Söderport Holding AB.

In 2018, Nyfosa AB received capital contributions of MSEK 3,844 from Hemfosa Fastigheter AB in the form of new share issues and unconditional shareholders' contributions.

The Parent Company established Group-wide functions for Nyfosa during the year for which the subsidiaries were invoiced with fees for central and property administrative services of MSEK 22 (-). In addition, earnings were charged with expenses totaling MSEK 44 in connection with the demerger and listing process.

The share

The Nyfosa share is listed on the Large Cap segment of Nasdaq Stockholm. At year-end, the share capital amounted to MSEK 84 (0). The number of shares on the balance-sheet date amounted to 167,728,249 with a quotient value of SEK 0.50 each (1.00). Each share entitles the holder to one vote. The number of shareholders on the balance-sheet date was 19,578. For a list of the largest shareholders, refer to the section "The share" on pages 42-43 of this Annual Report.

Share capital trend	Date	Change in number of shares	Quotient value, SEK	Change in share capital (MSEK)
New formation	October 17, 2017	500	1.00	0
Division of shares	May 21, 2018	99,500	-	0
New share issue	May 21, 2018	157,628,249	0.50	79
New share issue	August 21, 2018	10,000,000	0.50	5
Total		167,728,249	0.50	84

Expectations concerning future development

Nyfosa does not provide a forecast on its future financial performance. In 2019, the company will continue its focused work on attaining the set target of annual growth in earnings and the property value of 20 percent.

The Board's proposed appropriation of profit

The following funds in the Parent Company Nyfosa AB are available for distribution by the Annual General Meeting (amounts in SEK).

Unrestricted equity, SEK	2018-12-31
Retained earnings	3,760,300,000
Profit for the year	503,063,251
Total unrestricted equity	4,263,363,251
The following funds are available for distribution by the AGM	
To be carried forward	4,263,363,251
Total	4,263,363,251

For information regarding the company's earnings and financial position, refer to the following financial statements and the accompanying notes to the accounts.

CONSOLIDATED STATEMENT OF PROFIT/LOSS

MSEK	Note	2018	2017
Rental income	5	1,060	870
Other property income	6	4	161
Total income		1,064	1,031
Property expenses			
Operating expenses		-184	-146
Maintenance costs		-71	-66
Property tax		-46	-42
Property administration	21	-37	-30
Net operating income	7	728	746
Central administration	7, 8, 9, 21	-52	-9
Other operating income and expenses	7	-39	2
Share in profit of joint ventures	14	412	380
Financial income	10	1	0
Financial expenses	10	-132	-106
Profit from property management		918	1,013
Changes in value of properties, realized	13	142	28
Changes in value of properties, unrealized	13	658	348
Changes in value of financial instruments, unrealized		4	6
Profit before tax		1,722	1,394
Current tax	11	-26	-35
Deferred tax	11	-81	-145
Profit for the year		1,615	1,215
Statement of profit/loss and other comprehensive income			
Profit for the year		1,615	1,215
Other comprehensive income			
Items that have or could be transferred to profit for the period		-	-
Comprehensive income for the year		1,615	1,215
Profit for the year attributable to:			
Parent Company shareholders		1,615	1,215
Comprehensive income for the year attributable to:			
Parent Company shareholders		1,615	1,215
Earnings per share for the year before and after dilution, SEK	12	9.63	7.24

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Non-current assets			
Investment properties	13	15,582	12,090
Shares/participations in joint ventures	14	1,520	1,315
Derivatives	3	9	4
Other assets		1	1
Total non-current assets		17,113	13,410
Current assets			
Rent receivables		15	2
Current receivables	15	35	59
Cash and cash equivalents	16	192	160
Total current assets		242	222
TOTAL ASSETS		17,355	13,632
EQUITY AND LIABILITIES			
Equity			
Share capital	27	84	0
Other contributed capital		3,760	–
Retained earnings including profit for the year		4,548	3,479
Total equity		8,392	3,479
Liabilities			
<i>Non-current liabilities</i>			
Non-current interest-bearing liabilities	17	7,305	3,617
Other non-current liabilities		10	4
Derivatives	3	–	–
Deferred tax liabilities	18	452	404
<i>Total non-current liabilities</i>		<i>7,767</i>	<i>4,025</i>
<i>Current liabilities</i>			
Current interest-bearing liabilities	17, 21	935	2,965
Other current liabilities	19, 21	262	3,162
<i>Total current liabilities</i>		<i>1,196</i>	<i>6,128</i>
Total liabilities		8,963	10,153
TOTAL EQUITY AND LIABILITIES		17,355	13,632

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital	Other contributed capital	Retained earnings incl. profit for the year	Total equity
Opening equity, Jan 1, 2017	–	–	2,924	2,924
Transactions with the Group's shareholders				
Contributions from and distributions to shareholders				
Registered share capital	0	–	–	0
Dividends paid	–	–	–370	–370
Other transactions with shareholders	–	–	–290	–290
Total transactions with the Group's shareholders	0	–	–660	–660
Profit for the year	–	–	1,215	1,215
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	–	–	1,215	1,215
Closing equity, Dec 31, 2017	0	–	3,479	3,479
Opening equity, Jan 1, 2018	0	–	3,479	3,479
Transactions with the Group's shareholders				
Contributions from and distributions to shareholders				
New share issue and shareholders' contributions	84	3,760	–	3,844
Dividends paid	–	–	–530	–530
Other transactions with shareholders	–	–	–15	–15
Total transactions with the Group's shareholders	84	3,760	–545	3,299
Profit for the year	–	–	1,615	1,615
Other comprehensive income for the year	–	–	–	–
Comprehensive income for the year	–	–	1,615	1,615
Closing equity, Dec 31, 2018	84	3,760	4,548	8,392

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	2018	2017
Operating activities			
Profit from property management		918	1,013
Adjustments for non-cash items	22	-412	-379
Tax paid		-4	-5
		502	629
Increase (-)/decrease (+) in operating receivables		43	-19
Increase (+)/decrease (-) in operating liabilities		662	-133
Cash flow from operating activities		1,207	477
Investing activities			
Direct and indirect acquisitions of investment properties	22	-3,721	-1,735
Direct and indirect divestments of investment properties	22	1,212	307
Investments in existing investment properties		-194	-260
Dividend from joint ventures		200	100
Other		-1	-3
Cash flow from investing activities		-2,504	-1,591
Financing activities			
New share issue		84	-
Loans raised	22	3,530	1,979
Repayment of loans	22	-2,262	-958
Other		-23	-
Cash flow from financing activities		1,329	1,021
Cash flow for the year		32	-93
Cash and cash equivalents at the beginning of the year		160	253
Cash and cash equivalents at the end of the period		192	160

PARENT COMPANY STATEMENT OF PROFIT/LOSS

MSEK	Note	2018	Oct 27, 2017 - Dec 31, 2017
Net sales		22	-
Other external costs	9	-64	-
Personnel costs	8	-22	-
Loss before financial income and expenses		-64	-
Profit from participations in Group companies	10	500	-
Interest income and similar income items		1	-
Interest expenses and similar expense items		-1	-
Profit before appropriations		436	-
Appropriations			
Group contributions paid/received		68	-
Profit before tax		504	-
Current tax	11	-1	-
Profit for the year		503	-

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

MSEK	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Financial non-current assets			
Shares in Group companies	24	0	0
Non-current receivables from Group companies		90	–
Participations in joint ventures	14	412	–
Total financial non-current assets		502	0
Total non-current assets		502	0
Current receivables from Group companies		6,367	–
Other current receivables		6	–
Cash and bank balances		4	0
Total current assets		6,377	0
TOTAL ASSETS		6,879	0
EQUITY AND LIABILITIES			
Restricted equity			
Share capital	27	84	0
Unrestricted equity			
Retained earnings		3,760	–
Profit for the year		503	–
Equity		4,347	0
Liabilities			
Other non-current liabilities		1	–
Total non-current liabilities		1	–
Current liabilities to Group companies		2,460	0
Other current liabilities		72	–
Total current liabilities		2,532	0
Total liabilities		2,533	0
TOTAL EQUITY AND LIABILITIES		6,879	0

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

MSEK	Restricted equity	Unrestricted equity	Total equity
	Share capital	Retained earnings incl. profit for the year	
Transactions with the company's shareholders			
Paid in share capital	0	–	0
Total transactions with the company's shareholders	0	–	0
Profit for the year Oct 27 - Dec 31, 2017			
Closing equity, Dec 31, 2017	0	–	0
Opening equity, Jan 1, 2018			
Transactions with the company's shareholders			
New share issue	84	–	84
Shareholders' contributions	–	3,760	3,760
Total transactions with the company's shareholders	84	3,760	3,844
Profit for the year Jan–Dec 2018			
Closing equity, Dec 31, 2018	84	4,263	4,347

PARENT COMPANY STATEMENT OF CASH FLOWS

MSEK	Note	2018	2017
Operating activities			
Profit before appropriations		436	–
Adjustments for non-cash items	22	–500	–
Income tax paid		–	–
Cash flow from operating activities before changes in working capital		–64	–
Cash flow from changes in working capital			
Change in operating receivables		–6	–
Change in operating liabilities		72	–
Cash flow from operating activities		2	–
Investing activities			
Acquisition of participations in joint ventures		–412	–
Deposits and lending to Group companies		330	–
Cash flow from investing activities		–82	–
Financing activities			
Paid in share capital		–	0
New share issue		84	–
Cash flow from financing activities		84	0
Cash flow for the year		4	0
Cash and cash equivalents at the beginning of the year		0	–
Cash and cash equivalents at the end of the year		4	0

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

GENERAL INFORMATION

Nyfosa AB, Corporate Registration Number 559131-0833, is a public limited liability company with its registered office in Nacka. The company's share has been traded on the Large Cap segment of Nasdaq Stockholm since November 23, 2018. The Annual Report and consolidated financial statement were approved for issue by the Board of Directors and the CEO on March 28, 2019. The consolidated statement of profit/loss, statement of profit/loss and other comprehensive income and statement of financial position as well as the Parent Company statement of profit/loss and statement of financial position will be adopted at the Annual General Meeting on May 9, 2019.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

Compliance with standards and legislation

The consolidated financial statement have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied. The Parent Company applies the same accounting policies as the Group except for the cases stated below in the section "Parent Company accounting policies."

Accounting policies for the combined financial statements

Nyfosa AB was registered with the Swedish Companies Registration Office on October 27, 2017 and was dormant until December 2017. Nyfosa AB acquired 122 companies (indirectly) at carrying amount from various subsidiaries of Hemfosa Fastigheter AB between December 2017 and May 2018. The acquired companies are primarily property-owning companies, but also holding companies. Since the operations have not historically formed a Group according to the IFRS definition, there are no consolidated financial statements for the periods prior to May 2018. Accordingly, the historical financial information for the periods prior to December 31, 2017 have been prepared as combined financial statements for Nyfosa AB and its subsidiaries. The accounting policies for the combined financial statements are presented in Note 2 Significant accounting policies on page F-37 of the prospectus "Admission to trading of the shares in Nyfosa AB on Nasdaq Stockholm."

Measurement basis applied to the preparation of the financial statements

Assets and liabilities are recognized at historical cost, except for fixed-income derivative instruments and investment properties that are measured at fair value.

Functional currency and reporting currency

The functional currency is Swedish kronor (SEK), which is also the reporting currency. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest million.

Judgements and estimates in the financial statements

The preparation of the financial statements in accordance with IFRS requires that company management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, income and expenses recognized. The actual outcome may deviate from these judgements and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. Judgements made by company management in the application of IFRS that have a significant impact on the financial statements and estimates made that may entail significant adjustments in the following year's financial statements are described in more detail in Note 23.

Significant accounting policies applied

The accounting policies described below were applied consistently to all periods presented in the consolidated financial statements. The Group's accounting policies were also consistently applied by the Group's companies.

Changed accounting policies

IFRS 9 Financial Instruments establishes new policies for the classification of financial assets and hedge accounting and also introduces an impairment model for receivables based on expected credit losses instead of occurred losses. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group does not apply hedge accounting. Following an analysis, credit risks in the statement of financial position are deemed to be very small since receivables mainly comprise rent receivables for advance payments, meaning that the new standard had a marginal impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers replaced existing IFRSs governing revenue recognition on 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 effects on the consolidated financial statements comprise extended disclosure requirements in the form of dividing income into rental income and other income.

New IFRS that have not yet been applied

Effective 2019, IFRS 16 Leases replaces existing IFRSs related to the recognition of leases, such as IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease and SIC 15 Operating Leases—Incentives. The Group has decided not to implement IFRS 16 prospectively. Nyfosa will apply the modified retrospective approach.

The new standard encompasses rules for both lessors and lessees. Nyfosa's income is primarily generated from rental income and is thus subject to the IFRS 16 rules for lessors. The rules for lessors are largely unchanged and the classification between operating and finance leases is retained. IFRS 16 materially changes reporting for lessees. The standard changes the previous distribution between finance and operating leases and a finance lease liability and corresponding right-of-use asset is to be recognized for all leases. An expense for depreciation of the asset and an interest expense attributable to the finance lease liability are recognized in profit or loss instead of being continuously expenses as paid lease payments. Based on the information available, the Group estimates that it will recognize right-of-use assets of MSEK 75, current lease liabilities

of MSEK 2 and non-current lease liabilities MSEK 73, which will reduce equity by a net MSEK 0 as per January 1, 2019.

Other new and amended IFRS with advance application are not expected to have any material impact on the company's financial statements.

Classification etc.

Non-current assets and non-current liabilities essentially comprise amounts expected to be recovered or paid more than 12 months after the balance-sheet date. Virtually all significant current assets and current liabilities in the Parent Company and Group consist of amounts expected to be recovered or paid within 12 months of the balance-sheet date.

Operating segment reporting

Nyfosa's operations comprise one operating segment, that is to say, the operations comprise a business that generates income and expenses and whose operating profit is regularly assessed by the company's chief operating decision maker as a basis for monitoring earnings and allocating resources.

Consolidation principles

Subsidiaries

Subsidiaries are companies that are under the controlling influence of Nyfosa. Controlling influence is achieved when Nyfosa has control over the investment object, is exposed or entitled to a variable return from its holding in the company and can exercise control over the investment to influence the return. When assessing whether controlling influence exists, potential vote-carrying shares are taken into account, as is whether the company has de facto control. Acquisitions of companies can be classified either as business combinations or as asset purchases according to IFRS 3. This is an individual assessment that is made for each individual acquisition. Should the corporate acquisition essentially only comprise property(ies) and not significant processes, the acquisition is classified as an asset purchase. Other corporate acquisitions are classified as business combinations and thus include strategic processes associated with the operation. In the case of an asset purchase, deferred tax attributable to the property acquisition is not recognized. Instead, a possible discount for non-tax-deductible cost reduces the property's cost. During subsequent measurement of an acquired property at fair value, the tax discount will be replaced in full or in part by a recognized change in value of the property. When selling an asset subject to a tax discount, a negative change in value will arise, which matches in full or in part the tax discount provided. Acquisitions conducted to date have been assessed as constituting asset purchases. When acquisitions of subsidiaries entail an acquisition of net assets that do not constitute an operation, the cost is allocated to the individual identifiable assets and liabilities based on their fair value on the acquisition date. Transaction costs are added to the cost of the acquired net assets. Non-controlling interests arise if the acquisition is not for 100 percent of the subsidiary. Non-controlling interests can be recognized in two ways. These two alternatives are recognizing the non-controlling interests' proportionate share of net assets or measuring the non-controlling interests at fair value, meaning that the non-controlling interests have a share of goodwill. The choice between the two options for recognizing non-controlling interests is made on a case-by-case basis.

Acquisitions of non-controlling interests

Acquisitions from non-controlling interests are recognized as a transaction in equity, meaning between the Parent Company shareholders and non-controlling interests. Accordingly, goodwill does not arise in these transactions. Changes in non-controlling interests are based on their proportionate share of net assets.

Sales to non-controlling interests

Sales to non-controlling interests, whereby the controlling influence remains, are recognized as a transaction in equity, meaning between the Parent Company shareholders and non-controlling interests. The difference between the proceeds received and the non-controlling interests' proportionate share of net assets of the acquiree is recognized under retained earnings.

Joint ventures

For accounting purposes, joint ventures are defined as companies in which the Group has common control through cooperation agreements with one or more partners, whereby the Group is entitled to the net assets rather than a direct right to assets and commitments pertaining to liabilities. In the consolidated financial statements, holdings in joint ventures are consolidated in accordance with the equity method. The equity method entails that the carrying amount of the share in joint ventures recognized in the consolidated financial statements corresponds to the Group's share of the joint ventures' equity as well as consolidated goodwill and any other remaining consolidated surpluses or deficits. The Group's share of the profit of joint ventures adjusted for any depreciation/amortization, impairment and dissolution of acquired surpluses or deficits is recognized in the Group's profit for the year as "Share in profit of joint ventures." These shares in profit less dividends received from joint ventures comprise the main change in the carrying amount of participations in joint ventures. The Group's share of other comprehensive income in joint ventures is recognized on a separate line in the Group's other comprehensive income. Any differences arising from the acquisition between the cost of the holding and the owner company's share of the net fair value of the joint venture's identifiable assets and liabilities are recognized in accordance with the same policies as for acquisitions of subsidiaries. Transaction costs that arise are included in cost. When the Group's share of recognized losses in joint ventures exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against non-current financial balances without collateral, which in terms of the economic significance comprise part of the owner company's net investment in joint ventures. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in joint ventures. The equity method is applied until the date on which the significant influence ceases.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expenses, and unrealized gains or losses arising from transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared. Unrealized gains arising from transactions with joint ventures are eliminated to the extent corresponding to the Group's participating interest in the company. Unrealized losses are eliminated in the same manner as unrealized gains, but only insofar as no impairment is required.

Rental income

Rental income encompass all types of rental income including such additions as property tax, heating, etc. Rental income is recognized straight line in profit or loss based on the conditions of the agreement. The total cost for rent discounts provided are recognized as a decrease in rental income straight line over the lease term. Leases are classified as operating leases.

Other property income

Other property income comprises onward invoiced costs, insurance compensation received and damages.

Gains/losses from property sales

Gains/losses from the sale of properties and shares and participations in property-owning companies are recognized under the heading "Changes in value of properties, realized" and correspond to the difference between the obtained selling price less selling expenses and the most recent carrying amount, plus investments implemented following the latest value date. Income from property sales is recognized on the date of taking possession, unless the risks and benefits have been transferred to the buyer on an earlier occasion. If the risks and benefits have been transferred, the property sale is recognized at the earlier date. In assessing the date of revenue recognition, agreements between the parties governing risks and benefits, as well as involvement in ongoing management, are taken into account.

Circumstances beyond the control of the seller and/or buyer that could affect completion of the transaction are also taken into consideration. Any provisions for such items as non-invoiced selling expenses or other remaining costs attributable to the transaction conducted are made on the sales date.

Other operating income

Other operating income refers to income from secondary activities in the normal business operations such as capital gains on tangible assets, exchange-rate gains on receivables and operating liabilities.

Leases

Leases under which the lessor accounts for essentially all risks and benefits associated with ownership are classified as operating leases. All leases attributable to investment properties are to be considered operating leases. Refer to the policy on income for information on recognition of these leases. Expenses attributable to operating leases are recognized in profit or loss straight line over the leasing term. Discounts received when an agreement is signed are recognized in profit or loss as a decrease in lease payments straight line over the term of the lease. Variable fees are expensed in the periods in which they arise. The Group does not have any finance leases in which the Group is lessor.

Financial income and expenses

Financial income comprises interest income on invested funds. Interest income is recognized at the rate in which it is earned. Financial expenses refer to interest, fees and other expenses arising when Nyfosa takes up interest-bearing liabilities. Financial expenses are charged to profit or loss for the period to which they are attributable. Derivatives are utilized to financially hedge the risks of interest-rate exposure to which the Group is exposed. Interest payments regarding fixed-income derivatives are recognized as interest expenses in the period to which they refer. Other changes in the fair value of fixed-income derivatives are recognized on a separate line in profit or loss.

Taxes

Income tax comprises current tax and deferred tax. Income tax is recognized in profit or loss except when the underlying transaction is recognized in other comprehensive income or in equity.

Current tax is tax that is to be paid or received in the current year, with the application of the tax rates that have been decided or are decided in practice on the balance-sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not recognized for differences arising on initial reporting of assets and liabilities that are not business combinations that, at the time of the transaction, affect neither recognized nor taxable earnings. Temporary differences attributable to participations in subsidiaries and joint ventures that are not expected to be reversed in the foreseeable future are also not taken into consideration. The valuation

of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date. Deferred tax assets on deductible temporary differences and loss carryforwards are only recognized to the extent that it is likely that it will be possible to utilize these. Changes in the deferred tax asset/tax liability are recognized in profit or loss as deferred tax. Deferred tax assets and tax liabilities are offset where they relate to income tax levied by the same authority and where the Group intends to settle the tax in a net amount.

Financial instruments

Financial instruments recognized in the statement of financial position include such assets as cash and cash equivalents, rent and accounts receivables and derivatives. Liabilities include accounts payable, loans and notes payable, as well as derivatives.

Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to it in accordance with the instrument's contractual conditions. A receivable is recognized when the Group has performed and a contractual obligation for the counterparty to pay exists, even if an invoice has not been sent. Accounts receivable are recognized in the statement of financial position when an invoice has been sent. A liability is recognized when the counterparty has performed and a contractual obligation for the company to pay exists, even if an invoice has not yet been received. Accounts payable are recognized when the invoice has been received. A financial asset is derecognized from the statement of financial position when the rights in the contract are realized, have matured or the company loses control over them. The same applies to portions of a financial asset. A financial liability is derecognized from the statement of financial position when the obligation in the contract is met or eliminated in another manner. The same applies to a portion of a financial liability. A financial asset and a financial liability are offset and recognized in a net amount in the statement of financial position only when a legal right exists to offset the amounts and there is an intention to settle the item in a net amount or to simultaneously realize the asset and settle the liability. Acquisitions and divestments of financial assets are recognized on the date of transaction, meaning the date on which the company undertakes to acquire or divest the asset.

Classification and measurement

Financial instruments, which are not derivatives, are initially recognized at cost, corresponding to the fair value of the instrument plus transaction costs. Derivatives are initially measured at fair value without additions or deductions for transaction costs; transaction costs are recognized in profit or loss. A financial instrument is classified upon initial recognition based on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured following initial recognition, as described below.

Financial assets measured at amortized cost

This category primarily includes cash and cash equivalents, rent receivables and other receivables. The business model comprises generating value by receiving contractual payments. Measurement is carried out at amortized cost by applying the effective interest method. The Group applies the simplified approach to credit loss reserves (loss allowance), which are continuously assessed based on past history, current factors and forward-looking factors. The loss allowance totals an insignificant amount due to the short terms of the receivables.

Financial liabilities measured at amortized cost

Financial liabilities in this category primarily refer to loans, accounts payable and other liabilities. Other financial liabilities are measured at amortized cost by applying the effective interest method. Interest expenses and exchange-rate gains and losses are recognized in profit or loss.

Financial assets and liabilities measured at fair value through profit or loss

Derivative instruments are measured at fair value through profit or loss. Hedge accounting is not applied to fixed-income derivatives.

Tangible assets

Tangible assets comprise equipment that has been recognized at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to transport the asset to the correct site and to prepare it for the manner intended by the acquisition. Depreciation takes place straight line over the estimated useful life of the asset. The estimated useful lives are: Equipment 5–10 years. The asset is depreciated from the acquisition date. The useful life is the period during which the asset is expected to be available for use in the Group.

Investment properties

Investment properties are properties held for the purpose of receiving rental income or an increase in value or a combination of the two. Properties under construction and conversion intended to be used as investment properties when the work is completed are also classified as investment properties.

Measurement

Investment properties are initially recognized at cost, which includes expenses directly attributable to the acquisition such as expenses for land registration and taking out mortgage deeds. Investment properties are measured at fair value in the statement of financial position. Fair value is based on the valuations of independent appraisers with recognized qualifications and satisfactory expertise in the valuation of properties of this type and in the relevant locations. All properties are valued every quarter. The properties are also inspected if they have not been visited by the appraisers for the last two years. Fair value is based on market value, which is the amount estimated to be received in a transaction at the time of valuation between knowledgeable parties who are independent of each other and who have an interest in the transaction being carried out after customary marketing in which both parties are assumed to have acted with insight, common sense and without coercion. Additional expenses are capitalized only when it is probable that the Group will receive future financial benefits associated with the asset and the expenses can be reliably determined. Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete for their intended use or sale are included in cost. For the Nyfosa Group, this is mainly the case in conjunction with the construction of or major conversion projects for investment properties. Borrowing costs are calculated based on the financial requirements of the project and the Group's borrowing costs. Borrowing costs comprise interest and other expenses arising when a company borrows money. Other repair and maintenance costs are expensed in the period in which they occur. Both unrealized and realized changes in value are recognized in profit or loss, after profit from property management. Rental income and income from property sales are recognized in accordance with the policies described in the section on revenue recognition. A description of the measurement method applied, material input data in value measurements and the level in the fair value hierarchy that applies to the various components of the property portfolio is presented in Note 13.

Impairment

The recognized assets are impairment tested on every balance-sheet date. IAS 36 is applied to the impairment of assets that are not financial assets which are recognized in accordance with IFRS 9, deferred tax assets or investment properties which are measured at fair value (IAS 40). For the exempted assets above, the carrying amount is assessed according to the relevant standard.

Dividends

Dividends are recognized as a liability after the Annual General Meeting has approved the dividend.

Employee benefits**Defined-contribution pension plans**

The Nyfosa Group has only defined-contribution pension plans. Defined-contribution pension plans are those plans in which the company's obligation is limited to the contributions the company undertakes to pay. In such cases, the amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets may be insufficient for the expected remuneration). The company's obligations regarding contributions to defined-contribution plans are recognized as an expense in profit and loss at the rate in which they are earned by employees performing services for the company during a period.

Short-term remuneration

Short-term remuneration such as salaries to employees is calculated without discounting and is recognized as an expense when the related services are received. A provision is recognized for the anticipated cost of bonus payments and when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and when the obligation can be reliably calculated.

Severance pay

A liability and expenses for severance pay are recognized at the earliest of the following times:

- When the company can no longer withdraw the offer of such remuneration
- When the company recognizes restructuring expenses that are within the scope of IAS 37 and encompass employee benefits.

When remuneration is provided to employees due to the employee having accepted an offer of remuneration in exchange for terminating employment, the time at which the company can no longer withdraw the offer of remuneration is the earliest of the following times:

- When the employee accepts the offer, meaning signs a contract.
- When a limit to the company's ability to withdraw the offer comes into effect.

Provisions

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision. A provision is recognized in the statement of financial position when there is an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provision is posted in an amount that represents the best estimate of what will be required to settle the existing obligation on the balance-sheet date. Where the effect of when a payment is made is significant, provisions are

NOTE 2 cont.

calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

A contingent liability is recognized when there is a possible commitment originating from events that have occurred and whose occurrence will be confirmed only by one or several uncertain future events or when there is a commitment that is not recognized as a liability or provision because it is probable that an outflow of resources will be required.

Parent Company accounting policies

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The statements issued by the Financial Reporting Board for listed companies were also applied. RFR 2 entails that, in the Annual Report for the legal entity, the Parent Company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Swedish Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. The recommendation states the exemptions from and the additions to IFRS that are to be made.

Differences between the Group's and the Parent Company's accounting policies

The differences between the Group's and the Parent Company's accounting policies are described below.

Future changes to accounting policies

Unless otherwise stated below, the Parent Company's accounting policies were changed in 2018 in accordance with what is stated above for the Group.

Classification and presentation format

The Parent Company statement of profit/loss and statement of financial position have been prepared in accordance with the format stated in the Annual Accounts Act, while the consolidated statement

of profit/loss, statement of profit/loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences compared with the consolidated financial statements that appear in the Parent Company's statement of profit/loss and statement of financial position primarily relate to the recognition of non-current assets and equity.

Subsidiaries

Participations in subsidiaries are recognized in the Parent Company according to the cost method. This means that transaction costs are included in the carrying amount for holdings in subsidiaries. Conditional purchase considerations are measured based on the probability of the purchase consideration being paid. Any changes to the provision/receivable adjust the cost.

Borrowing costs

In the Parent Company, borrowing costs are charged to profit or loss for the period to which they are attributable.

Group contributions

Group contributions that the Parent Company receives from subsidiaries or pays to subsidiaries are recognized as appropriations in the statement of profit/loss.

Financial guarantees

The Parent Company's financial guarantees primarily comprise guarantees for subsidiaries. Financial guarantees entail that the company has a commitment to reimburse the holder of a debt instrument for losses incurred by the holder due to a named debtor not making payment when due according to the contractual terms. The Parent Company applies an exception rule, compared with the IFRS 9 rules, for the recognition of financial guarantees, as approved by the Financial Reporting Board. This exception rule refers to financial guarantees issued for subsidiaries. The Parent Company recognizes financial guarantees as provisions in the statement of financial position when the company has a commitment for which payment will probably be required to settle it.

NOTE 3

FINANCIAL RISKS AND RISK MANAGEMENT

The Group is exposed to various financial risks through its business activities. These are market, liquidity and credit risk attributable to financial instruments.

The company's finance policy states the mandate and guidelines for managing financial risks and capital management.

In order to minimize interest-rate and funding risks, the bullet points below act as guidelines for Nyfosa's finance policy:

- The company's total loan-to-value ratio may not exceed 65 percent
- The company's interest-payment capacity may not be lower than an interest-coverage multiple of 2
- The company must have at least four main creditors
- Not more than 25 percent of the loan liability may fall due for renegotiation during the same 12-month period
- The average term for the loans may not be shorter than 1.5 years.

The basis for the company's choice of strategy for managing interest-rate risk comprises the choice of an interest-rate maturity strategy for the loans combined with a selection of derivative instruments to alter the interest-rate risk.

The financial risk limitations are continuously monitored by quarterly reports to the Board.

Surplus liquidity is to be invested in low-risk liquid assets until such time as the funds can be used for investments. Liquidity is only to be used for accelerated amortization if no investments or acquisitions are planned for the foreseeable future.

None of the companies in the Group itself are under any external capital requirements.

Interest-rate risk

Variations in market interest rates have a material impact on Nyfosa's earnings, meaning that managing interest-rate risk is a key part of the finance department's work.

For Nyfosa, interest-rate risk primarily pertains to the risk of excessively high interest expenses and thus lower earnings due to market interest rates. Interest-rate risk refers to the risk of choosing too high a percentage of fixed interest-rate periods in a scenario of falling rates or sustained low variable rates

The basis for the company's choice of strategy for managing interest-rate risk comprises the choice of an interest-rate maturity strategy for the loans combined with a selection of derivative instruments to alter the interest-rate risk.

The maturity structure of the loan portfolio, including derivative instruments, is to be a balance between short and long fixed-rate periods. Expected interest expenses and risks as well as the company's prospects and financial trend are assessed in order to determine the strategy for managing interest-rate risk. The strategy chosen is to be described in the normal portfolio.

The normal portfolio is the maturity structure of the fixed-rate periods that has been chosen as a benchmark, taking into consideration the company's economic and financial position and risk appetite. The finance function continuously monitors the outcome of the company's actual loan portfolio in relation to the normal portfolio. The normal portfolio and intervals for maximum deviations and interest-rate risk mandates are stipulated in the finance policy.

Derivative instruments

In its risk management, Nyfosa may use derivative instruments linked to the underlying loan portfolio. Derivative instruments are used only as a tool for risk management.

The derivatives comprise interest-rate caps recognized as the present value of the expected flows during the remaining maturity of the position. The estimated flows are calculated by viewing the strike level and forward rates of 3-month STIBOR and their volatility. If the forward rates (or the volatility) decline, the value of the derivative will decrease.

MSEK	Change	2018	2017
Interest expenses assuming changed interest rates with current fixed-interest periods ¹	+/-1%	+ 45 / 0	+ 30 /-11
Interest expenses assuming change in average interest rate ²	+/-1%	+/-83	n/a
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/-1%	+/-11	n/a

1) Taking into account derivative agreements.

2) Today's average rate, taking into account derivative agreements, increases/decreases by 1 percent. Increase/decrease does not take into account eventual effects of the derivative portfolio.

Fixed-rate periods

MSEK	Dec 31, 2018				Dec 31, 2017			
	Overdraft facilities ¹	Interest-rate cap	Amount	Share, %	Overdraft facilities ¹	Interest-rate cap	Amount	Share, %
<1 year	8,290	-3,867	4,423	53	6,595	-2,242	4,353	66
1-2 years	0	182	182	2	0	788	788	12
2-3 years	0	1,610	1,610	19	7	0	7	0
3-4 years	0	800	800	10	0	445	445	7
>4 years	0	1,275	1,275	15	0	1,009	1,009	15
Total	8,290	0	8,290	100	6,602	0	6,602	100

1) The loans comprise undiscounted amounts. The interest-bearing liabilities in the statement of financial position include arrangement fees.

Liquidity and refinancing risk

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term to honor the Group's payment obligations. The finance department provides short-term liquidity forecasts on a week-by-week basis and also long-term rolling 12-month liquidity forecasts. The forecasts are updated continuously on a weekly and quarterly basis.

The Group has overdraft facilities to ensure flexible cash management and to effectively deal with peaks and troughs in payment streams.

Refinancing risk is the risk that financing or refinancing of the company's liabilities or operations cannot be obtained to the same extent or can only be obtained at a significantly higher cost. According to the finance policy, existing and prospective financiers are engaged in continuous discussions to ensure that the necessary financing can be obtained in all situations.

Maturity structure, interest-bearing liabilities

MSEK	Dec 31, 2018			Dec 31, 2017		
	Loan maturity	Share, %	Interest, loans	Loan maturity	Share, %	Interest, loans
<1 year	858	10	131	2,901	44	87
1-2 years	298	4	122	1,239	19	52
2-3 years	2,616	32	93	21	0	42
3-4 years	2,393	29	66	981	15	37
>4 years	2,125	26	26	1,461	22	23
Total	8,290^{1,2}	100	439	6,602	100	240

1) The loans comprise undiscounted amounts. The interest-bearing liabilities in the statement of financial position include arrangement fees.

2) Refers to final payment of outstanding principal loan amounts on the balance-sheet date, not including ongoing repayments.

NOTE 3 cont.**Credit risk**

Credit risk is the risk that a counterparty may be unable to fulfill its commitments, thus resulting in a loss. Nyfosa has a large number of leases and manages credit risk by applying the procedure of demanding advance payments from tenants and cash and cash equivalents only being deposited in accounts with Nordic banks and credit institutions that have a credit rating of at least A- (S&P) or A3 (Moody's).

Items in the statement of financial position corresponding to the amount of credit risk

	Dec 31, 2018	Dec 31, 2017
MSEK		
Rent receivables	15	2
Current receivables	16	40
Cash and cash equivalents	192	160
Total	223	202

Offsetting of financial instruments

To limit counterparty risk, Nyfosa has entered into standardized netting agreements (ISDA agreements) with all derivative counterparties, which entails that in the event of the counterparty becoming insolvent or another incident arising Nyfosa can offset outstanding derivatives with positive and negative values.

	Financial assets		Financial liabilities	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
MSEK				
Carrying amount in the statement of financial position	9	4	-	0
Amount encompassed by netting	-	-	-	-
Amount after netting	9	4	-	0

NOTE 4**OPERATING SEGMENTS**

Nyfosa's operations comprise one operating segment, that is to say, Nyfosa's operations comprise a business that generates income and expenses and whose operating profit is regularly assessed by

the company's management and Board as a basis for monitoring earnings and allocating resources. No one tenant accounts for more than 10 percent of rental income.

NOTE 5**LEASES**

Nyfosa leases out its investment properties under operating leases. The average remaining lease term at year-end 2018 was 4.1 years (4.2). Leases expiring during the year ahead are expected to be

renegotiated at corresponding rent levels. Contractual rental income expires as shown in the table below.

Maturity structure of contractual leases

Year of expiry	Dec 31, 2018			Dec 31, 2017		
	Contractual annual rent	Share, %	No. of leases	Contractual annual rent	Share, %	No. of leases
<1 year	189	15	1,141	131	14	785
1-2 years	279	22	606	187	19	378
2-3 years	226	18	428	234	24	391
3-4 years	149	12	287	124	13	178
4-5 years	124	10	68	60	6	85
>5 years	317	25	82	225	23	70
Total	1,285	100	2,612¹⁾	961	100	1,887

1) Including a total of 888 leases for garages and parking spaces.

Contractual future rental income from existing leases

	Dec 31, 2018	Dec 31, 2017
MSEK		
Contractual income due for payment within one year	1,105	929
Contractual income due for payment between one and five years	2,339	1,904
Contractual income due for payment after five years	1,103	1,143

The Group's rental income includes service income of MSEK 70 (33), corresponding to 6.6 percent (3.8) of rental income.

NOTE 6

OTHER PROPERTY INCOME

Other property income comprises onward invoiced costs, insurance compensation received and damages. Income for 2017 includes a large insurance compensation item.

NOTE 7

OPERATING EXPENSES SPECIFIED BY COST TYPE

MSEK	2018	2017
Operating expenses	184	146
Maintenance costs	71	66
Property tax	46	42
Other external costs	61	33
Personnel costs	27	5
Listing costs	44	–
Total operating expenses	432	292

Ground rent

Ground rent pertains to the annual fee that the owner of a building on municipally owned land has to pay to the municipality. The charge for these leaseholds is currently calculated so that the municipality receives real interest on the estimated market value. The ground rent is allocated over time and is renegotiated at intervals of ten to 20 years. Nyfosa has 16 site leasehold agreements, of which six will be renegotiated within the next five years. Ground rent costs in 2018 totaled MSEK 4 (2).

Agreed ground rent

MSEK	2018	2017
Within one year	5	2
Between one and five years	20	9
Longer than five years	9	5
Total	34	16

NOTE 8

EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Group

MSEK	2018	2017
Management		
Salaries and other remuneration, etc.	10	–
Pension costs, defined-contribution plans	1	–
Social security contributions	3	–
Of which, CEO		
Salaries and other remuneration, etc.	2	–
Pension costs, defined-contribution plans	0	–
Social security contributions	1	–
Other employees		
Salaries and other remuneration, etc.	8	3
Pension costs, defined-contribution plans	1	0
Social security contributions	3	1
Total costs for employee benefits	27	4

Average number of employees

Average number of employees	2018	2017
Average number of employees	23	6
Of whom, women	11	3.5
Percentage of women	48%	58%

Parent Company

MSEK	2018	2017
Management		
Salaries and other remuneration, etc.	10	–
Pension costs, defined-contribution plans	1	–
Social security contributions	3	–
Of which, CEO		
Salaries and other remuneration, etc.	2	–
Pension costs, defined-contribution plans	0	–
Social security contributions	1	–
Other employees		
Salaries and other remuneration, etc.	6	–
Pension costs, defined-contribution plans	0	–
Social security contributions	2	–
Total costs for employee benefits	22	–

Average number of employees, Parent Company

Average number of employees	2018	2017
Average number of employees	17	–
Of whom, women	9	–
Percentage of women	53%	–

NOTE 8 cont.

Salaries and other remuneration of senior executives

Parent Company

(SEK thousand)	Basic salary/ Board fee		Variable remuneration		Pension costs		Other remuneration		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Bengt Kjell <i>Chairman of the Board</i> Remuneration from Parent Company	267	–	–	–	–	–	–	–	267	–
Jens Engwall <i>Board member and CEO</i> Remuneration from Parent Company	984	–	1,200	–	369	–	34	–	2,587 ¹	–
Lisa Dominguez Flodin <i>Board member</i> Remuneration from Parent Company	140	–	–	–	–	–	–	–	140	–
Marie Bucht Toresäter <i>Board member</i> Remuneration from Parent Company	123	–	–	–	–	–	–	–	123	–
Johan Ericsson <i>Board member</i> Remuneration from Parent Company	117	–	–	–	–	–	–	–	117	–
Per Lindblad <i>Board member</i> Remuneration from Parent Company	117	–	–	–	–	–	–	–	117	–
Kristina Sawjani <i>Board member</i> Remuneration from Parent Company	123	–	–	–	–	–	–	–	123	–
Other senior executives (6 (–) individuals) Remuneration from Parent Company	3,639	–	2,620	–	628	–	170	–	7,057 ²	–
Total	5,510	–	3,820	–	997	–	204	–	10,531	–

1) Remuneration of the CEO refers to remuneration for September 1 – December 31, 2018.

2) Nyfosa's management team was established in 2018 and its members were recruited gradually.

NOTE 9

FEES AND REMUNERATION
OF AUDITORS

MSEK	2018	2017
Audit assignment	3	2
Auditing activities in addition to audit assignment	1	–
Tax consultancy	2	–
Other consultancy services	7	–
Total fees and remuneration of auditors	13	2

Audit assignments are defined as the statutory auditing of the annual report and consolidated financial statement, as well as the administration of the Board of Directors and the CEO, and the audit and other review conducted in accordance with contracts or agreements.

This includes other assignments that are the responsibility of the company's auditors, as well as guidance and assistance occasioned by observations made in conjunction with such reviews or the completion of such other work assignments. Other consultancy services refers to consultancy services in connection with the IPO.

NOTE 10

FINANCIAL INCOME AND EXPENSES

Group

MSEK	2018	2017
Financial income	1	0
Interest expenses	–117	–106
Other financial expenses	–15	0
Financial expenses	–132	–106
Net	–131	–106

Parent Company

MSEK	2018	2017
Dividend from Group companies	500	–
Profit from participations in Group companies	500	–

NOTE 11

INCOME TAX

The nominal corporate tax rate in Sweden in 2018 was 22 percent. The table below shows the sub-items resulting in the effective tax rate in Nyfosa.

Group

Reconciliation of effective tax, MSEK	2018		2017	
Profit before tax		1,722		1,394
Tax according to applicable tax rate for Parent Company	-22.0%	-379	-22.0%	-307
Non-deductible costs	-0.9%	-15	-0.1%	-1
Tax-exempt income	6.0%	104	3.6%	50
Profit from shares in joint ventures	5.3%	91	6.0%	84
Capitalization of loss carryforwards not capitalized in prior years	3.1%	54	0.0%	0
Tax attributable to prior years	0.0%	-1	-0.3%	-4
Effect of changed tax rate	2.1%	36	-	-
Other	0.2%	3	-0.1%	-2
Recognized effective tax	-6.2%	-107	-12.9%	-180

Current tax expense	2018	2017
Current tax expense	-26	-31
Adjustment of tax attributable to prior years	-1	-4
Current tax expense	-26	-35

Deferred tax expense	2018	2017
Deferred tax attributable to investment properties	-137	-141
Effect of changed tax rate for investment properties	53	-
Deferred tax attributable to derivatives	-1	-1
Deferred tax income attributable to the capitalized tax value of loss carryforwards during the year	65	0
Deferred tax expense due to utilization of previously capitalized loss carryforwards	-43	-3
Effect of changed tax rate for loss carryforwards	-17	-
Total deferred tax expense	-81	-145
Total recognized tax	-107	-180

Parent Company

Reconciliation of effective tax	2018		2017	
Profit before tax		504		-
Tax according to applicable tax rate for Parent Company	-22.0%	-111	-	-
Non-deductible costs	0%	0	-	-
Tax-exempt income	21.8%	110	-	-
Recognized effective tax	-0.2%	-1	-	-

NOTE 12

EARNINGS PER SHARE

The calculation of earnings per share is based on profit for the year divided by the average number of shares outstanding. Nyfosa AB was registered with the Swedish Companies Registration Office on October 27, 2017 and thus did not have share capital for the entire comparative period. Since the number of shares up until November 6, 2018 has risen to 167,728,249 according to a resolution by the General Meeting, Nyfosa AB has chosen to use this number of shares for all periods presented.

	2018	2017
Profit for the year attributable to Parent Company shareholders, MSEK	1,615	1,215
Average weighted number of shares, millions	168	168
Earnings per share before and after dilution, SEK	9.63	7.24

There is no dilution.

NOTE 13

INVESTMENT PROPERTIES

Investment properties are recognized according to the fair value method. The table below shows the change in value in each financial year.

Changes in value of investment properties

MSEK	Total	
	Dec 31, 2018	Dec 31, 2017
Fair value at the beginning of the year	12,090	10,017
Cost of investment properties, asset purchase	3,729	1,745
Investments in existing properties	194	260
Divestment of investment properties	-1,230	-307
Realized changes in value of divested properties	142	28
Unrealized changes in value of properties	658	348
Fair value at the end of the year	15,582	12,090

Realized and unrealized changes in value are recognized after profit from property management in profit or loss. The measurement of fair value for all investment properties is classified at Level 3 of the fair value hierarchy.

Determining fair value

The fair value of investment properties has been assessed by external, independent property appraisers, with relevant, professional qualifications and experience in the field as well as in the category of the properties that were appraised. The independent appraisers provide the fair value of the Group's portfolio of investment properties during each quarter.

Valuation techniques

The value of the properties has been assessed based on a market-adapted cash-flow estimate. The yield requirement used in the estimate derives from sales of comparable properties. The valuation was performed based on a combined location-price method, using reported benchmark purchases and the yield method, meaning a transaction-based method.

NOTE 13 cont.

Significant factors when selecting required returns include an assessment of the object's future rent trend, changes in value and any development potential as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow forecast is prepared that extends at least five years into the future. The expected receipts match the terms of prevailing leases. For vacant spaces, an estimate is performed by individually assessing each property.

The expected disbursements are estimated on the basis of historical property expenses.

The inflation assumption in the valuation models on December 31, 2018 was 2.0 percent (2.0) for 2019 and the years ahead. The valuation is based on a present-value calculation of the estimated cash flow and the present value of the market value at the end of the calculation period. Ongoing projects have been measured according to the same policy but less the remaining investment.

	Fair value, MSEK		Net operating income, MSEK		Yield, %		Interval, yield requirement, %		Discount rate for cash flow, %		Discount rate for residual value, %	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Office	7,603	7,098	416	398	5.5	5.6	4.65–8.00	4.8–8.0	5.2–10.2	5.0–10.2	6.7–10.2	6.8–10.2
Logistics/ Warehouse	6,001	3,377	353	212	5.9	6.3	5.60–9.00	5.8–8.7	5.5–11.2	5.5–10.9	7.7–11.2	7.9–10.9
Other	1,978	1,615	103	86	5.2	5.3	5.48–8.50	5.5–8.5	7.6–10.7	7.6–10.7	7.6–10.7	7.6–10.7
Total	15,582	12,090	872	696	5.6	5.8	6.35	6.40	8.24	8.30	8.45	8.50

Sensitivity analysis – impact on fair value

	Change	Earnings effect, MSEK	
		2018	2017
Change in net operating income	+/- 5%	+/- 529	+/- 422
Change in yield requirement	+/- 0.25%	+/- 639	+/- 475
Change in growth assumptions	+/- 0.5%	+/- 66	+/- 53
Change in discount rate	+/- 0.25%	+/- 488	+/- 367

Impact on profit for the period apart from changes in value

MSEK	2018	2017
Rental income	1,060	870
Direct costs for investment properties that generated rental income during the period	-274	-230
Direct costs for investment properties that did not generate rental income during the period	-26	-24

NOTE 14

PARTICIPATIONS IN JOINT VENTURES

Nyfosa owns 50 percent of the shares in the property company Söderport Holding AB. Söderport is jointly owned with AB Sagax (50 percent holding each), and ownership is governed by shareholders' agreements giving both owners equal power of decision, meaning

that neither partner has a controlling influence. The holding is a joint venture and Nyfosa's share in profit of Söderport is recognized in the Group's profit from property management.

MSEK	Söderport		Gästgivaregatan		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Carrying amount at the beginning of the year	1,294	1,009	21	26	1,315	1,035
Dividends received	-200	-100	-	-	-200	-100
Share in profit of joint ventures	426	385	-14	-5	412	380
Classification etc.	-	-	-7	-	-7	0
Carrying amount at end of the year	1,520	1,294	0	21	1,520	1,315

Söderport Holding AB

Söderport's property portfolio primarily comprises industrial, warehouse and office properties, presenting a suitable supplement to Nyfosa's wholly owned property portfolio. Söderport owns 69 properties with a total property value of SEK 7.7 billion. The focal point of the property portfolio is in the Stockholm and Gothenburg regions. Söderport does not have its own operational organization. Instead, it procures property management and financial administration from Sagax. A small part of property management is procured from Nyfosa.

The total rental value for Söderport's property portfolio is estimated to amount to MSEK 666. Leases have an average remaining term of 4.8 years. The total leasable area amounted to 686 thousand sqm, of which 662 thousand sqm was leased, corresponding to 96.5 percent. The economic leasing rate was 97.0 percent.

NOTE 14 cont.

Söderport Holding AB

MSEK	2018	2017
Rental income	585	548
Net operating income	441	419
Net interest income	-156	-162
Profit from property management	340	262
Changes in value, properties	621	560
Changes in value, derivatives	56	91
Tax	-164	-144
Profit	854	769
<i>of which, Nyfosa's share</i>	427	385
	Dec 31, 2018	Dec 31, 2017
Investment properties	7,683	6,603
Current assets	96	104
Equity	3,041	2,587
<i>of which, Nyfosa's share</i>	1,520	1,294
Non-current liabilities	4,823	4,144
<i>of which, deferred tax liabilities</i>	679	515
<i>of which, derivatives</i>	222	328
Current liabilities	189	188
No. of properties	69	69
Leasable area, 000s of sqm	686	650

Parent Company

MSEK	Dec 31, 2018	Dec 31, 2017
Accumulated cost		
Acquisitions	412	-
Carrying amount at the end of the year	412	-

NOTE 15

CURRENT RECEIVABLES

MSEK	Dec 31, 2018	Dec 31, 2017
Current receivables	16	40
Prepaid expenses and accrued income	20	19
Total current receivables	35	59

NOTE 16

CASH AND CASH EQUIVALENTS

MSEK	Dec 31, 2018	Dec 31, 2017
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	192	160

NOTE 17

INTEREST-BEARING LIABILITIES

MSEK	Dec 31, 2018	Dec 31, 2017
Loans from credit institutions	8,290	5,150
Loans from related parties	-	1,447
Vendor's mortgages	-	7
Total interest-bearing liabilities	8,290	6,604
<i>Of which, current interest-bearing liabilities</i>	935	2,965
Less opening charges for raising new loans	-50	-21
Total interest-bearing liabilities	8,240	6,583

Nyfosa has pledged assets for all loans in the form of property mortgages. In addition, the majority of the Group's credit agreements with creditors contain covenants concerning either a specific loan-to-value ratio and/or a specific interest-coverage ratio. Certain credit agreements contain covenants that pertain solely to the company raising the loan and its subsidiaries, while other credit agreements include covenants linked to the Nyfosa Group's earnings and/or financial position. The Group met the covenants included in the loan agreements for 2018 and 2017.

MSEK	Dec 31, 2018	Dec 31, 2017
Net loan-to-value ratio, %	51.6	53.1
Remaining fixed-rate period	1.6 years	1.3 years
Remaining term for loans	3.2 years	2.3 years

NOTE 18

DEFERRED TAX LIABILITIES/ASSETS

Nyfosa recognized deferred tax liabilities in 2018 totaling a net MSEK 452 (404). The amount is the net of deferred tax assets attributable to valued tax loss carryforwards and deferred tax liabilities attributable to temporary differences between carrying amounts and taxable values of the investment properties.

Deferred tax is recognized for temporary differences between the tax values and the accounting values. The deferred tax that existed in connection with asset purchases is, however, not to be recognized in the statement of financial position on the acquisition date according to applicable rules, known as the initial recognition exemption.

The residual value of investment properties for tax purposes totaled MSEK 6,982 (5,261) on December 31, 2018.

NOTE 18 cont.

MSEK	Dec 31, 2018	Dec 31, 2017
Deferred tax assets		
<i>Loss carryforwards</i>		
At the beginning of the year	267	268
Recognized in profit or loss	11	-3
Acquired and divested assets	27	2
At the end of the year	304	267
<i>Derivatives</i>		
At the beginning of the year	-1	1
Recognized in profit or loss	-1	-1
At the end of the year	-2	-1
Deferred tax liabilities		
<i>Properties</i>		
At the beginning of the year	-670	-530
Recognized in profit or loss	-90	-141
Other	6	1
At the end of the year	-754	-670
Deferred tax liabilities, net		
At the beginning of the year	-404	-261
Recognized in profit or loss	-81	-145
Acquired and divested assets	27	2
Other	6	1
At the end of the year	-452	-404

NOTE 19

OTHER CURRENT LIABILITIES

MSEK	Dec 31, 2018	Dec 31, 2017
Accrued financial expenses	20	9
Prepaid rental income	153	159
Other accrued expenses and prepaid income	57	5
Accounts payable	11	22
Current liabilities to related parties, refer also to Note 21	-	2,967
Other current liabilities	20	0
Total other current liabilities	262	3,162

NOTE 20

FINANCIAL ASSETS AND LIABILITIES – BY CATEGORY AND FAIR VALUE

MSEK	Financial assets/ liabilities measured at fair value through profit or loss		Financial assets measured at amortized cost		Financial liabilities measured at amortized cost		Total carrying amount	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Derivatives	9	4	-	-	-	-	9	4
Rent receivables	-	-	15	2	-	-	15	2
Current receivables	-	-	35	23	-	-	35	23
Cash and cash equivalents	-	-	192	160	-	-	192	160
Total financial assets	9	4	242	185	-	-	251	189
Liabilities to credit institutions	-	-	-	-	8,240	5,150	8,240	5,150
Interest-bearing liabilities to related parties	-	-	-	-	-	1,447	-	1,447
Other liabilities to related parties	-	-	-	-	-	2,967	-	2,967
Derivatives	-	0	-	-	-	-	-	0
Accounts payable	-	-	-	-	11	22	11	22
Other liabilities	-	-	-	-	10	41	10	41
Total financial liabilities	-	0	-	-	8,261	9,627	8,261	9,627

The carrying amount of all financial instruments is a reasonable estimate of the fair value. This is because receivables and liabilities that are interest-bearing have short fixed-rate periods and, on the balance-sheet date, the level of interest rates, including margins, for the loans matched the terms in the loan agreements. Receivables and liabilities that do not bear interest have short maturities.

NOTE 21

RELATED-PARTY TRANSACTIONS

Nyfosa was part of the Hemfosa Fastigheter Group until November 23, 2018 and had extensive transactions with the rest of Hemfosa during this period, mainly related to financing activities, but also property management operations. The pricing of these transactions followed the principles applied in Hemfosa, which correspond to market-based terms. There has been no related-party relationship between Nyfosa and Hemfosa since November 23, 2018.

MSEK	2018	2017
Transactions with Hemfosa Fastigheter		
Costs for property administration	11	11
Costs for central administration	5	9
Financial expenses	19	16
	Dec 31, 2018	Dec 31, 2017
Current interest-bearing liabilities	-	-1,447
Other current liabilities	-	-2,967

MSEK	2018	2017
Dividends paid	-530	-370
Dividend from joint ventures	-200	-100
Net Group contributions	-	-137
Other	-	-53

Related-party transactions

The Group owns participations in joint ventures, refer to Note 14. Nyfosa is responsible for property management in Gothenburg and at seven smaller locations on behalf of Söderport. Property management fees are based on market terms. Nyfosa's fee amounts to MSEK 2 per year. The Group had no receivables from joint ventures on December 31, 2018.

In September, Nyfosa signed an agreement with Corner PP AB (C.P.P. AB) for the purchase of property-management services. Nyfosa's Head of Property Management owns 60 percent of C.P.P. AB. The agreement, which encompasses management of Nyfosa's property portfolio in northern Sweden, was signed based on market terms for MSEK 3 per year. The validity of the agreement is limited, starting on October 15, 2018 and expiring on June 30, 2019, with the option for Nyfosa to extend the agreement if a permanent solution for property management is not in place when the agreement expires.

NOTE 22

SPECIFICATIONS FOR THE STATEMENT OF CASH FLOWS

Group

MSEK	2018	2017
Adjustments for non-cash items for operating activities		
Share in profit of joint ventures	-412	-379
Total non-cash items for operating activities	-412	-379

Direct and indirect acquisitions of investment properties

MSEK	2018	2017
<i>Assets and liabilities acquired</i>		
Investment properties	3,721	1,745
Loss carryforwards	27	-
Operating receivables	32	2
Cash and cash equivalents	16	5
Total assets	3,796	1,752
Deferred tax liabilities	1	-
Current operating liabilities	59	12
Total liabilities	60	12
Purchase consideration paid	3,737	1,740
Impact on cash and cash equivalents	3,721	1,735

Direct and indirect divestments of investment properties

MSEK	2018	2017
<i>Assets and liabilities acquired</i>		
Investment properties	1,230	-
Operating receivables	1	-
Cash and cash equivalents	7	-
Total assets	1,237	-
Deferred tax liabilities	0	-
Current operating liabilities	19	-
Total liabilities	19	-
Purchase consideration received	1,218	-
Impact on cash and cash equivalents	1,212	-

Reconciliation of liabilities deriving from financing activities

Changes in loan portfolio, MSEK	2018	2017
Liabilities at the beginning of the period	6,978	5,292
Amortization	-2,262	-958
Loans raised	3,516	2,474
Other ¹	8	170
Liabilities at the end of the period	8,240	6,978²

1) The item of "Other" does not affect cash flow.

2) In addition to interest-bearing liabilities according to Note 17, this item includes a short-term loan from related parties of 395.

Parent Company

MSEK	2018	2017
Adjustments for non-cash items for operating activities		
Dividend from subsidiaries	500	-
Total non-cash items for operating activities	500	-

NOTE 23

SIGNIFICANT ESTIMATES AND ASSESSMENTS

Measurement of investment properties

For significant assumptions and assessments affecting the measurement of Nyfosa's investment properties, refer to Note 13. Nyfosa's property portfolio is recognized in the statement of financial position at fair value, and the changes in value are recognized in profit or loss. The fair value is based on internal valuations that are performed continuously and the properties are also valued every quarter by an external independent appraiser. The value of the properties is affected not only by supply and demand in the market but also by a number of other factors, in part property-specific factors such as the leasing rate, rent level and operating expenses, and in part such market-specific factors as the yield requirement and the cost of capital, which are derived from comparable transactions in the property market. Deterioration in either a property or the market could cause the value of the company's properties to decline, which could have a negative impact on the Nyfosa's operations, financial position and earnings.

Valuations require assessments of and assumptions about future cash flows and determination of the discount factor (yield requirement). An uncertainty interval of +/- 5–10 percent is usually applied to property valuations to reflect the uncertainty of assumptions and assessments made.

Measurement of loss carryforwards

The regulatory framework governing taxation of the type of business operated by Nyfosa is complex and comprehensive in terms of both income tax and VAT/property taxation. Moreover, interpretation and application of these regulations by courts of law can change over time. Changes in these regulations, or in their interpretation by judicial bodies, could impact Nyfosa's earnings and position either positively or negatively. From time to time, Nyfosa has cases under review by, and ongoing dialogs with, the Swedish Tax Agency

regarding individual taxation matters. The Tax Agency makes tax rulings that can be appealed and reviewed in administrative courts of appeal. The regulations governing the recognition of taxes, and the property sector's application of these accounting regulations, are also complex. The regulatory framework is complex, the Tax Agency's review possibilities are comprehensive and the judicial bodies' interpretation and reviews take place in many stages, which means that it can take a long time to establish the correct application of legislation in complex taxation matters. This may entail that actions taken or completed transactions that were previously considered permissible according to the regulatory framework may need to be reappraised at a later juncture. Nyfosa monitors the taxation laws and practices that are in effect whenever it files tax returns. Nyfosa's assessments and calculations in the tax area, and the accounting of these matters, are reassessed at the end of each reporting period.

Nyfosa had loss carryforwards from prior years. The Tax Agency decided in a review decision in 2018 not to grant the company full deductions for these loss carryforwards. The loss carryforwards that are the subject of these proceedings have been valued at MSEK 250 in this report, corresponding to 20.6 percent of the total disputed loss carryforwards of MSEK 1,215. Nyfosa has not reserved this amount since Nyfosa believes that it is overwhelmingly probable that the deduction claimed will be granted following a court ruling.

Classification of acquisitions

The IFRS 3 accounting standard states that acquisitions must be classified as business combinations or asset purchases. An individual assessment of the character of the acquisition is required for each individual transaction. Nyfosa's corporate acquisitions in 2018 encompass only properties and no material processes, which is why the transactions are deemed to be asset purchases.

NOTE 24

SHARES IN GROUP COMPANIES

SEK thousand	Dec 31, 2018	Dec 31, 2017
Accumulated cost		
At the beginning of the year	50	–
Acquisitions	–	50
Carrying amount at the end of the year	50	50

Holdings in subsidiaries

Nyfosa AB's directly and indirectly owned subsidiaries are presented below.

Directly owned subsidiaries

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Share, %	Carrying amount, SEK thousand Dec 31, 2018
Nyfosa Holding AB	559134–9443	Nacka	500	100	50

Indirectly owned companies

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Share, %
Hemfosa NYAB 4 AB	559138-6775	Nacka	1,000	100
Hemfosa Trollhättan Teti AB	556866-8098	Stockholm	500	100
Nyfosa Administratören AB	556742-4618	Nacka	100,000	100
Nyfosa Antennhuset AB	556742-5946	Nacka	100,000	100
Nyfosa Arendal 1:17 Fastighets AB	556715-8174	Nacka	1,000	100
Nyfosa Armaturen 1 Fastighets AB	556372-6933	Stockholm	1,000	100
Nyfosa Axethuset AB	556742-6027	Nacka	100,000	100
Nyfosa Bagaren 10 Fastighets AB	556738-6270	Stockholm	1,000	100
Nyfosa Blocket 1 AB	556742-5938	Nacka	100,000	100
Nyfosa Blåbäret 4 Fastighets AB	556874-5011	Stockholm	50,000	100
Nyfosa Bromsen 7 Fastighets AB	559110-6140	Nacka	500	100
Nyfosa Bromsregulatorn AB	556742-5953	Nacka	100,000	100
Nyfosa Bryggeriet 2 Fastighets AB	559111-6404	Nacka	500	100
Nyfosa BTCS First Shopping AB	556689-1007	Kungälv	1,000	100
Nyfosa Böthuset AB	556742-3537	Nacka	100,000	100
Nyfosa Cementhuset 10 AB	556742-4576	Nacka	100,000	100
Nyfosa Cementhuset 11 AB	556742-4584	Nacka	100,000	100
Nyfosa Cementhuset 4 AB	556742-7363	Nacka	100,000	100
Nyfosa Cementhuset 5 AB	556742-5573	Nacka	100,000	100
Nyfosa Cementhuset 7 AB	556742-4642	Nacka	100,000	100
Nyfosa Cementhuset 9 AB	556742-5961	Nacka	100,000	100
Nyfosa Cementhuset AB	556742-3511	Nacka	100,000	100
Nyfosa Centrum 20:1 Fastighets AB	556670-3509	Nacka	1,000	100
Nyfosa Danmarks Säby 10:2 Fastighets AB	556983-3709	Stockholm	500	100
Nyfosa Danvikscenter Fastighets AB	556822-0684	Stockholm	500	100
Nyfosa Dynamon 5 Fastighets AB	556949-0716	Nacka	50,000	100
Nyfosa Eldaren 1 Fastighets AB	559106-8043	Nacka	500	100
Nyfosa Eldaren 1 HoldCo AB	559138-8615	Nacka	500	100
Nyfosa Eldaren 8 Fastighets AB	559083-6200	Nacka	500	100
Nyfosa Farsta I AB	556678-5530	Nacka	1,000	100
Nyfosa Fastighetsaktiebolaget Asienhuset	556742-5995	Nacka	100,000	100
Nyfosa Fastighetsaktiebolaget Brudbuketten	556742-3495	Nacka	100,000	100
Nyfosa Fastighetsaktiebolaget Gröna Lagret	556490-8191	Nacka	50,000	100
Nyfosa Fastighetsaktiebolaget Sprintern	556742-7736	Nacka	100,000	100
Nyfosa Fastighetsaktiebolaget Storbådan	556742-3479	Nacka	100,000	100
Nyfosa Fastighetsaktiebolaget Träskruven	556742-5532	Nacka	100,000	100
Nyfosa Fastighetsaktiebolaget Valbrevet	556742-6019	Nacka	100,000	100
Nyfosa Filen 2 Fastighets AB	556818-4443	Stockholm	500	100
Nyfosa Flundran 4 Fastighets AB	556713-1866	Stockholm	1,000	100
Nyfosa Filen 7 Fastighets AB	556818-4450	Stockholm	500	100
Nyfosa Frukfastigheten AB	556742-4592	Nacka	100,000	100
Nyfosa Försäljaren 9 Fastighets AB	556866-8072	Stockholm	500	100
Nyfosa Gamlestaden 2:8 Fastighets AB	556866-3842	Stockholm	500	100
Nyfosa Gillet 1 Fastighets AB	556881-0583	Stockholm	500	100
Nyfosa Gjutaren 3 Fastighets AB	559110-6231	Nacka	500	100
Nyfosa Glödlampan 3 Fastighets AB	559083-6226	Nacka	500	100
Nyfosa Golvläggaren 2 Fastighets AB	556561-0788	Stockholm	1,000	100
Nyfosa Grävmaskinen 1 Fastighets AB	556937-3896	Stockholm	500	100
Nyfosa Grävmaskinen 1 HoldCo AB	559138-8540	Nacka	500	100
Nyfosa Grönsta 2:52 Fastighets AB	556822-4983	Stockholm	500	100
Nyfosa Gyldenlöve 16 Fastighets AB	556549-9620	Nacka	1,000	100
Nyfosa Gävle Norr 12:5 Fastighets AB	556866-3776	Stockholm	500	100
Nyfosa Handformaren 2 Fastighets AB	559099-8174	Nacka	50,000	100
Nyfosa Hantverkaren 1 AB	556742-7686	Nacka	100,000	100
Nyfosa Hedenstorp 2:1 Fastighets AB	556869-5125	Stockholm	500	100

NOTE 24 cont.

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Share, %
Nyfosa Holmögadhuset 3 AB	556742-3446	Nacka	100,000	100
Nyfosa Holmögadhuset 4 AB	556742-3453	Nacka	100,000	100
Nyfosa Håltås 1:18 Fastighets AB	556748-0537	Stockholm	1,000	100
Nyfosa i Värnamo Fastigheter AB	556101-5107	Stockholm	80,000	100
Nyfosa i Växjö Fastigheter AB	556192-5305	Stockholm	1,000	100
Nyfosa Industrihuset 17 AB	556742-7009	Nacka	100,000	100
Nyfosa i-parken i Lund Aktiebolag	556263-8394	Nacka	550,000	100
Nyfosa Iput Förvaltning AB	556862-9876	Stockholm	500	100
Nyfosa Jordbrohuset AB	556742-5599	Nacka	100,000	100
Nyfosa Jungfrun 11 Fastighets AB	556911-2914	Stockholm	500	100
Nyfosa Klingberget 6 Fastighets AB	559122-1501	Nacka	500	100
Nyfosa Knarranäs 8 Fastighets AB	559083-6002	Nacka	500	100
Nyfosa Koch 7 Fastighets AB	556519-3108	Nacka	21,000	100
Nyfosa Kraften 4 Fastighets AB	559110-6215	Nacka	500	100
Nyfosa Kraften 4 HoldCo AB	559138-8532	Nacka	500	100
Nyfosa Kronfastigheter AB	556950-1744	Nacka	50,000	100
Nyfosa Kronfastigheter Holding AB	556950-1736	Nacka	50,000	100
Nyfosa Krukskärvan AB	556742-3503	Nacka	100,000	100
Nyfosa Källsta 1:5 Fastighets AB	556688-8045	Stockholm	1,000	100
Nyfosa Lagunen Fastighets AB	556176-1874	Stockholm	50,000	100
Nyfosa Lejonet 11 Fastighets AB	556942-6413	Stockholm	500	100
Nyfosa Linden 1 Fastighets AB	556827-3493	Stockholm	500	100
Nyfosa Luleå Fastighets AB	556672-2632	Stockholm	1,000	100
Nyfosa Malax 3 Fastighets AB	559083-5996	Nacka	500	100
Nyfosa Mattläggaren 1 Fastighets AB	556743-8022	Stockholm	1,000	100
Nyfosa Möllebacken 15 AB	559138-8466	Nacka	500	100
Nyfosa Nedre Gruvriset 33:278 Fastighets AB	556983-3642	Stockholm	500	100
Nyfosa Nord HoldCo AB	556929-8440	Stockholm	500	100
Nyfosa Norden AB	556710-6892	Stockholm	5,000,000	100
Nyfosa Norr 25:5 Fastighets AB	559080-3234	Nacka	50,000	100
Nyfosa Norrmalm 4:6 Fastighets AB	556653-2247	Nacka	1,000	100
Nyfosa NYAB 10 AB	559168-5770	Stockholm	50,000	100
Nyfosa NYAB 11 AB	559168-5796	Stockholm	50,000	100
Nyfosa NYAB 12 AB	559168-5812	Stockholm	50,000	100
Nyfosa NYAB 13 AB	559168-5838	Stockholm	50,000	100
Nyfosa NYAB 14 AB	559168-5762	Stockholm	50,000	100
Nyfosa NYAB 6 AB	559168-5853	Stockholm	50,000	100
Nyfosa NYAB 7 AB	559168-5879	Stockholm	50,000	100
Nyfosa NYAB 8 AB	559168-5804	Stockholm	50,000	100
Nyfosa NYAB 9 AB	559168-5820	Stockholm	50,000	100
Nyfosa Plåtslagaren 1 Fastighets AB	556720-6510	Stockholm	1,000	100
Nyfosa Property AB	559042-7307	Nacka	50,000	100
Nyfosa Prästgårdsängen 2 Fastighets AB	559079-8459	Nacka	50,000	100
Nyfosa Riksdalern 3 Fastighets AB	556858-5458	Stockholm	50,000	100
Nyfosa Rosenbuketten AB	556742-7652	Nacka	100,000	100
Nyfosa Rudan 6 Fastighets AB	556954-1542	Nacka	1,000	100
Nyfosa Rydterminalen AB	556679-8723	Nacka	1,000	100
Nyfosa Rydterminalen III AB	556696-6841	Nacka	1,000	100
Nyfosa Saturnus 7 Handelsbolag	969687-0279	Västerås	1,000	100
Nyfosa Sjöbocka AB	556652-3501	Nacka	1,000	100
Nyfosa Skruven 3 Fastighets AB	556866-8312	Stockholm	500	100
Nyfosa Småland Fastighets AB	556818-4666	Stockholm	500	100
Nyfosa Smörbollshuset AB	556742-3461	Nacka	100,000	100
Nyfosa Snickaren 12 Fastighets AB	556974-7875	Stockholm	500	100
Nyfosa Snödroppen 2 Fastighets AB	556866-3966	Stockholm	500	100

NOTE 24 cont.

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Share, %
Nyfosa Speditionshuset 1 AB	556742-4568	Nacka	100,000	100
Nyfosa Stensholm 1:754 Fastighets AB	556971-2929	Nacka	500	100
Nyfosa Stensholm 1:755 Fastighets AB	556971-2895	Nacka	500	100
Nyfosa Stranden AB	556942-4640	Nacka	100	100
Nyfosa Sundsvall Fastighets AB	556676-6415	Stockholm	1,000	100
Nyfosa Svartmunken 2 Handelsbolag	916552-7582	Nacka	1,000	100
Nyfosa Svavelhuset AB	556742-3487	Nacka	100,000	100
Nyfosa Svea Real Holding AB	559168-5911	Stockholm	50,000	100
Nyfosa SveaReal AB	556736-5415	Nacka	1,100,000	100
Nyfosa Sågen 2 AB	559138-8425	Nacka	500	100
Nyfosa Sågen 6 AB	559138-8433	Nacka	500	100
Nyfosa Sågklingan 10 Fastighets AB	556906-5757	Stockholm	500	100
Nyfosa Sämjehuset AB	556742-7678	Nacka	100,000	100
Nyfosa Söder 18:19 Fastighets AB	556545-7024	Nacka	1,000	100
Nyfosa Takläggaren 4 Fastighets AB	556378-6267	Stockholm	2,000	100
Nyfosa Takläggaren 8 Fastighets AB	556625-5658	Stockholm	1,000	100
Nyfosa Tellus 4 Fastighets AB	556925-8741	Nacka	500	100
Nyfosa Tellus 4 HoldCo AB	556925-8808	Nacka	500	100
Nyfosa Terminalen 1 Fastighets AB	556782-8420	Stockholm	100,000	100
Nyfosa Tetis AB	556847-5825	Stockholm	11,700,000	100
Nyfosa Torbornahögen 3 Fastighets AB	556796-5909	Stockholm	1,000	100
Nyfosa Torlunda 1.278 Kommanditbolag	916624-6232	Stockholm	500	100
Nyfosa Torlunda 1:278 HoldCo AB	556983-3634	Nacka	1,000	100
Nyfosa Trasten 12 Fastighets AB	556866-3909	Stockholm	500	100
Nyfosa Tulpanen 3 Fastighets AB	556866-3917	Stockholm	500	100
Nyfosa Tunnan 1 Fastighets AB	556938-3994	Stockholm	500	100
Nyfosa Tyska Bryggaregården AB	559138-8458	Nacka	500	100
Nyfosa Uddevalla I AB	556694-7841	Nacka	1,000	100
Nyfosa Umeå Fastighets AB	556676-6423	Stockholm	1,000	100
Nyfosa Unaman 8 Fastighets AB	556911-2906	Stockholm	500	100
Nyfosa Valhalla 1:6 Fastighets AB	556983-3626	Stockholm	500	100
Nyfosa Wera AB	556987-3945	Stockholm	500	100
Nyfosa Wera HoldCo 1 AB	559132-9734	Nacka	500	100
Nyfosa Wera HoldCo 2 AB	559132-9742	Nacka	500	100
Nyfosa Wera HoldCo 3 AB	559138-8524	Nacka	50,000	100
Nyfosa Wera HoldCo 4 AB	559138-8516	Nacka	500	100
Nyfosa Wera HoldCo 5 AB	559138-8581	Nacka	50,000	100
Nyfosa Verkstaden 8 AB	559138-8441	Nacka	500	100
Nyfosa Verkstadshuset 6 AB	556742-7710	Nacka	100,000	100
Nyfosa VXJ HoldCo AB	556942-6504	Stockholm	500	100
Nyfosa Vågenhuset AB	556742-7264	Nacka	100,000	100
Nyfosa Ånsta 20:262 Fastighets AB	556704-3368	Stockholm	1,000	100
Nyfosa Årsta 68:4 Fastighets AB	556803-3525	Stockholm	500	100
Nyfosa Örja 1:21 Fastighets AB	556796-5917	Nacka	1,000	100
Trollhättan Kugghjulet 2 AB	559138-6874	Nacka	1,000	100

NOTE 25

PLEGDED ASSETS AND CONTINGENT LIABILITIES

Nyfosa regularly pledges assets for its external liabilities include pledges of properties, pledges of shares as well as pledges in internal promissory notes.

MSEK	2018	2017
Pledged assets		
Property mortgages	10,132	8,132
Participations in Group companies	2,937	2,164
Contingent liabilities		
Sureties for liabilities in joint ventures	–	30

NOTE 26

EQUITY

Share capital trend	Date	Change in number of shares	Quotient value, SEK	Change in share capital (MSEK)
New formation	October 17, 2017	500	1.00	0
Division of shares	May 21, 2018	99,500	–	0
New share issue	May 21, 2018	157,628,249	0.5	79
New share issue	August 21, 2018	10,000,000	0.5	5
Total		167,728,249	0.5	84

Each share entitles the holder to one vote.

Dividends

Nyfosa's dividend policy is that profits in the company will primarily be reinvested to leverage business opportunities and achieve the growth target of a total property value of SEK 25 billion. Thereafter, a significant portion of profit will be paid to shareholders in the form of a dividend, redemption and/or repurchase of shares. The Board proposes that the Annual General Meeting resolve that no dividends be paid to shareholders for the 2018 financial year.

The Board's proposed appropriation of profit

	Dec 31, 2018
Unrestricted equity, MSEK	
Retained earnings	3,760
Profit for the year	503
Total unrestricted equity	4,263
The following funds are available for distribution by the Annual General Meeting	
To be carried forward	4,263
Total	4,263

NOTE 27

SIGNIFICANT EVENTS AFTER THE BALANCE-SHEET DATE

After year-end, Nyfosa's joint venture, Söderport, divested a part-owned property in Torslanda. The sale generated a positive earnings effect of MSEK 50 for Söderport. The liquidity effect amounted to MSEK 170.

THE BOARD'S ASSURANCE

The Board of Directors and CEO give their assurance that the Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements have been prepared in accordance with the international accounting standards stipulated in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

The Annual Report and the consolidated financial statements provide a true and fair view of the Parent Company's and the Group's financial position and earnings. The Board of Directors' Report for the Parent Company and the Group provides a fair review of the performance of the Parent Company's and the Group's operations, financial position and earnings, and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

Nacka, March 28, 2019
Nyfosa AB
(Corp. Reg. No. 559131-0833)

Bengt Kjell
Chairman of the Board

Marie Bucht Toresäter
Board member

Lisa Dominguez Flodin
Board member

Jens Engwall
Board member and CEO

Johan Ericsson
Board member

Per Lindblad
Board member

Kristina Sawjani
Board member

Our audit report was submitted on April 2, 2019
KPMG AB

Mattias Johansson
Authorized Public Accountant

AUDITOR'S REPORT

To the General Meeting of the shareholders of Nyfosa AB, corp. id 559131-0833

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Nyfosa AB for the year 2018, except for the corporate governance statement on pages 44–51. The annual accounts and consolidated accounts of the company are included on pages 44–51 and 53–83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 44–51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its Parent Company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of Investment property

See Note 2 Significant accounting policies, Note 13 Investment property and Note 23 Important estimates and judgments on pages 67, 73–74 and 78 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Investment properties are held at fair value in the Groups financial statements. The carrying value of these properties is 15 588 MSEK as per 31 December 2018, which represents 90% of to the Groups total assets.

The fair value of Investment properties as per 31 December 2018 has been determined based on valuations carried out by independent valuers.

Given investment properties significant share of the Groups total assets and the significant judgment and estimates required in the valuation process, valuation of Investment properties is a Key Audit Matter.

The risk is that the carrying value of Investment properties could be over- or underestimated and that deviations would directly influence profit for the year.

Response in the audit

We have evaluated if the valuation methodology used is reasonable by comparing it to our experience of how other real estate companies and independent third party valuers work and which assumptions that are normal when valuing comparable objects.

We have assessed the competence and independence of third party valuers used and we have read the engagement letters of the independent third party valuers with the aim to evaluate if there were contractual terms that could influence scope or focus of the independent third party valuers' engagement.

We have tested the controls established by the company to ensure that input data provided to the independent third party valuers are accurate and complete.

We have, on a sample basis, tested individual valuations. When doing so, we made use of available current market data from external sources, especially for yields, discount rates, rents and vacancies used.

We have checked the accuracy of disclosures on Investment properties given by the company in notes 2, 13 and 23 in the annual report, especially concerning elements of judgement and applied key assumptions

Acquisitions and disposals of property

See Note 2 Significant accounting policies, Note 13 Investment property and Note 23 Important estimates and judgments on pages 67, 73–74 and 78 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

Nyfosa's total investment in properties in 2018 amounted to MSEK 4,117 of which MSEK 3,918 were acquisitions. Disposals amounted to MSEK 1,237.

The risks in relation to acquisitions and disposals primarily relates to the period in which a transaction is recognized, and if specific conditions in the specific transactions have not properly accounted for, which could have significant impact on the Group's reported profit and financial position.

Response in the audit

We have evaluated the processes for acquisitions and disposals of properties. For significant transactions, we have examined contracts, evaluating the period of recognition, agreed the purchase price and, where applicable, evaluated that any specific conditions have been accounted for properly.

We have evaluated the accuracy of the disclosures related to transactions given by the company in note 2, 13 and 23.

Valuation of deferred tax assets

See Note 2 Significant accounting policies, Note 11 Income taxes and Note 18 Deferred tax liabilities/assets and Note 23 Important estimates and judgments on pages 66, 73, 75–76 and 78 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group reported deferred tax assets of MSEK 305 related to tax loss carried forwards, expected to offset future profits.

The accounting of deferred tax assets is based on management's assumptions of the size and timing of future taxable profits as well as interpretation of tax regulations. The value of the deferred tax assets may vary significantly if other assumptions than those used by the company is applied when forecasting future profits and evaluating the possibility to use the tax loss carry forward.

The risk is that the carrying value of the deferred tax assets are over- or understated and that every adjustment of the value will have a direct impact on the reported profit and effective tax rate.

Response in the audit

Our audit procedures within in this area included evaluation of policies applied and the integrity of the Group's model to forecast future taxable profits. We compared key inputs (such as rental income, operating costs, property management costs and investments) in the calculation to earnings capacity and we have considered the Group's ability to previously achieve these plans.

We have involved KPMG's tax specialists when evaluating the Group's assessments and interpretations of tax regulations and the reasonableness in the Group's assumptions of the ability to offset tax loss carry forwards against future profits.

We also evaluated if the disclosures in note 18 and 23 fulfills the requisits in related accounting standard.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–43 and 88–96. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nyfosa AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the Parent Company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 44–51 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Nyfosa AB by the general meeting of the shareholders on 17 January 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2017.

Stockholm 2 April 2019

KPMG AB

Mattias Johansson
Authorized Public Accountant

PROPERTY LISTING

OFFICE

Property	Sub-category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Centrum 20:1	Office	Källgatan 6	Enköping	1981	1981	3,947	
Marås 1:12	Office	Maråsliden	Gnosjö	1930, 1964		1,140	
Norr 12:5	Office	Nygatan 13	Gävle	1978	1978	15,848	
Norr 25:5	Office	Drottninggatan 29	Gävle	1929, 1950, 2003		7,717	
Söder 18:19	Office	Källgränd 4	Gävle	1964	1996	4,869	
Gamlestaden 2:8	Office	Hornsgatan 1	Gothenburg	1963	1966	20,882	
Klingberget 6	Office	Brogatan 1	Halmstad	1929/1960	1970/ 1980	10,929	
Rudan 6	Office	Bredgatan 1	Halmstad	1950	1950	820	
Svartmunken 2	Office	Karl Xi:s Väg 61	Halmstad	1986	1986	5,108	
Asien 20	Office	Verkstadsgatan 2	Helsingborg	1972, 1989		2,548	
Köpingetrakten 1	Office	Trintegatan 9	Helsingborg	1990, 2005		905	
Stensholm 1:754	Office	Stensholmsvägen 20	Jönköping	2017	2017	8,500	
Möllebacken 15	Office	Högbergsgatan 3	Karlskrona	1929	1969	7,201	
Tyska Bryggaregården 6	Office	Saltsjöbadsvägen 1a	Karlskrona	1929/2001	1929, 1993, 2001	6,847	
Grävmaskinen 1	Office	Lastvägen 18	Kiruna	1991	1998	3,419	
Skruven 3	Office	Bultgatan 40B	Kungälv	1990	1991	8,041	
Mården 11	Office	Magasinsgatan 6	Luleå	1950	1985	9,735	
Plogan 4	Office	Depåvägen 6Ba	Luleå	1966	2008	3,456	
Hunnerup 1	Office	Sankt Lars Väg 41	Lund	1920		21,840	
Brudbuketten 10	Office	Russgatan 6	Malmö	1988		750	
Brudbuketten 13	Office	Derbyvägen 20	Malmö	1988		1,063	
Bryggeriet 2	Office	Jespersgatan 23	Malmö	1972	1978	25,750	
Böttö 5	Office	Öckerögatan 2	Malmö	1964	1980	11,666	
Rosenbuketten 4	Office	Höjagatan 1	Malmö	1987, 1990		4,322	
Sämjan 2	Office	Rolfsgatan 5	Malmö	1850–1950		9,437	
Vårsången 7	Office	Gånglättsvägen 87	Malmö	1960, 1963		1,544	L
Snödroppen 2	Office	Flöjelbergsgatan 1C	Mölnadal	1961	1993	25,939	
Tulpanen 3	Office	Bergfotsgatan 2	Mölnadal	1960	1998	56,072	
Sicklaön 358:1	Office	Hästholmsvägen 26	Nacka	1987	1987	16,682	
Glödlampan 3	Office	Ranhammarsvägen 3	Stockholm	2002		2,259	
Knarrarnäs 8	Office	Knarrarnäsgatan 13	Stockholm	1990		3,087	L
Malax 3	Office	Raseborgsgatan 9	Stockholm	1988		6,658	L
Prästgårdsängen 2	Office	Solberga Ångsväg 1	Stockholm	1986		6,551	L
Granlo 3:220	Office	Kalmarvägen 48	Sundsvall	1960	1993	539	
Högom 3:178	Office	Mejselvägen 9	Sundsvall	1970	2002	5,148	
Köpstaden 24	Office	Bultgatan 14	Sundsvall	1986	2011	1,420	
Köpstaden 25	Office	Bultgatan 10B	Sundsvall	1975	2002	9,314	
Köpstaden 26	Office	Bultgatan 8	Sundsvall	1965	1998	1,855	
Ljusta 7:2	Office	Antennvägen 2	Sundsvall	1980	2013	9,035	
Norrmalm 4:6	Office	Heffnersvägen 22	Sundsvall	1970	1991	1,974	L
Saturnus 7	Office	Bankgatan 13	Sundsvall	1912	2014	9,202	
Öskaret 10	Office	Skepparegatan 3	Sundsvall	1989	2004	10,440	
Formen 1	Office	Formvägen 5	Umeå	1986	2004	7,513	
Tyr 8	Office	Storgatan 69	Umeå	1997, 2013	2014	8,411	
Bodarna 2	Office	Myntgatan 10	Värnamo	1934, 1991		1,773	
Bokbindaren 20	Office	Västbovägen 56	Värnamo	1975	1991	2,561	
Gamla Gåsen 4	Office	Myntgatan	Värnamo	1907		200	
Gillet 1	Office	Flanaden 3 A	Värnamo	1974	2003	5,228	
Lejonet 11	Office	Lasarettsgatan 1 B	Värnamo	1961, 1987	2005	5,035	

Property	Sub-category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Plattläggaren 1	Office	Silkesvägen 18	Värnamo	1989, 2013		1,798	
Rågen 1	Office	Expovägen 6	Värnamo	1965, 1990	2011	4,828	
Vindruvan 15	Office	Storgatsbacken 12	Värnamo	1989		1,990	
Värnamo 14:11	Office	Jönköpingsvägen 41	Värnamo	1917, 1940, 1966	2012	4,030	
Sågen 2	Office	Ängsgårdsgatan 4	Västerås	1992	1992	3,353	
Sågen 6	Office	Ängsgårdsgatan 12	Västerås	1987	1987	5,945	
Sågklingan 10	Office	Ängsgårdsgatan 13	Västerås	1990	1990	1,709	
Verkstaden 6	Office	Glödargränd 1	Västerås	1899	2005–2006	16,420	
Verkstaden 8	Office	Östra Ringvägen 2	Västerås	1936	1951, 1977	20,008	
Bagaren 10	Office	Ljungadalsgatan 2	Växjö	1987	2009–2015	29,928	
Båken 1	Office	Systratorpsvägen 16	Växjö	1983	1983	1,496	
Garvaren 4	Office	Hjalmar Petris Väg 32	Växjö	1981	2010	2,570	
Glasmästaren 1	Office	Arabygatan 80	Växjö	1966	2005	6,199	
Illern 5	Office	Isbjörnsvägen 11	Växjö	1987	2014	2,146	
Plåtslagaren 4	Office	Verkstadsgatan 5	Växjö	1967/1988	2013	5,602	
Sotaren 4	Office	Arabygatan 82	Växjö	1992	1992	2,979	
Svea 8	Office	Lineborgsplan 3	Växjö	1982	2014	2,160	
Unaman 8	Office	Kungsgatan 3	Växjö	1969	2009	5,609	
Ödman 15	Office	Storgatan 29	Växjö	1972	2015	4,321	
Handformaren 2	Office	Sjögatan 4a	Örnsköldsvik	1967/1969	1998	16,596	
Kraften 4	Office	Sjögatan 1a	Örnsköldsvik	1967–1969 and 1958/1965–1967	2008/2009, 2016 and 2008–2009	11,716	
Strandkajen 7	Office	Järnväggsgatan 3	Örnsköldsvik	1991, 1993	1991, 1993	28,684	

WAREHOUSE/LOGISTICS

Property	Sub-category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Bockasjö 1	Warehouse	Bockasjögatan 12	Borås	1987		23,841	
Rydahög 1	Warehouse	Almenäsvägen 7	Borås	1962	2006	39,652	
Rydaslätt 1	Warehouse	Almenäsvägen 16	Borås	1986		15,682	
Träskruven 1	Warehouse	Sandlidsgatan 6	Borås	1973		15,524	
Hantverkaren 1, Botkyrka	Warehouse	Segersbyvägen	Botkyrka	1974		10,630	L
Grönsta 2:52	Warehouse	Svista Lagerväg 8	Eskilstuna	2006	2006	13,780	
Källsta 1:5	Warehouse	Bolindervägen 12	Eskilstuna	1999	1999	34,258	
Torlunda 1:278	Warehouse	Abramsons Väg 2	Eskilstuna	1990/2007		15,814	L
Valhalla 1:6	Warehouse	Bredängsgatan 55	Eskilstuna	1976, 1984, 1991, 2009	1976, 1984, 1991, 2009	9,016	
Eldaren 1	Warehouse	Energigatan 6	Falköping	2018		5,148	
Nedre Gruvriset 33:278	Warehouse	Tunavägen 90	Falun	2011	2011	44,312	
Arendal 1:17	Warehouse	Synnerödsvägen 2	Gothenburg	2011	2011	20,548	
Jordbromalm 6:16	Warehouse	Lagervägen 28	Haninge	1977, 2003		7,186	
Jordbromalm 6:60	Warehouse	Rörvägen 4	Haninge	1983		6,605	
Åby 1:152	Warehouse	Rörvägen 62	Haninge	1989, 1991, 2003		4,255	
Dolken 3	Warehouse	Mörsaregatan 12	Helsingborg	1995		3,845	

Property	Sub-category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Jupiter 12	Warehouse	Grenadsjergatan 8	Helsingborg	1978		1,442	
Kniven 9	Warehouse	Mörsaregatan 21	Helsingborg	1988	2004,2015/2016	7,583	
Revolvren 1	Warehouse	Mörsaregatan 25	Helsingborg	1988	2008	3,360	
Torbornahögen 3	Warehouse	Stenbrovågen 15	Helsingborg	1989		12,839	
Håltås 1:18	Warehouse	Kurirvågen 1	Härbyda	2010	2010	13,316	
Hedenstorp 2:1	Warehouse	Mogölsvågen 14	Jönköping	2011	2011	9,000	
Stensholm 1:755	Warehouse	Stensholmsvågen 20	Jönköping	2015		3,100	
Regnvinden 14	Warehouse	Regnvindsgatan 8	Karlstad	1999		9,129	
Försäljaren 9	Warehouse	Filaregatan 19B	Kungälv	1974	1974	8,525	
Bromsregulatorn 1	Warehouse	Instrumentgatan 15	Landskrona	1968		33,524	
Örja 1:21	Warehouse	Österleden	Landskrona	2012		53,663	
Axet 1	Warehouse	Skogsvaktarevågen 2	Lidköping	1962	2000	22,655	
Antennen 10	Warehouse	Alkagatan 2	Linköping	1948		7,375	
Glasberget 5	Warehouse	Roxtorpsgatan 13	Linköping	1974	1985	8,400	
Navhålet 2	Warehouse	Låsblecksgatan 3	Linköping	1991, 1922		7,513	
Eggegrund 6	Warehouse	Hemsögatan 10	Malmö	1983		7,586	
Holmögadd 3	Warehouse	Bjurögatan 26	Malmö	1970	2000, 2009	11,360	
Holmögadd 4	Warehouse	Flintränegatan 24	Malmö	1970, 1999		14,165	
Krukskärvan 3	Warehouse	Flintyxegatan 10	Malmö	1979		7,585	L
Speditionen 1	Warehouse	Lodgatan 19	Malmö	1993		5,189	L
Storbådan 2	Warehouse	Ulvögatan 10	Malmö	1972, 1992		3,248	
Storbådan 4	Warehouse	Hemsögatan 18	Malmö	1974, 1990, 2011		2,590	
Storbådan 5	Warehouse	Hemsögatan 14	Malmö	1978, 1992		12,606	
Svinbådan 4	Warehouse	Tärnögatan 1	Malmö	1961, 1992	2012	1,597	
Svinbådan 5	Warehouse	Tärnögatan 3	Malmö	1963	2010	2,656	
Vågen 8	Warehouse	Vintergatan 1	Motala	1969		12,194	
Industrien 17	Warehouse	Exportgatan 28	Norrköping	1965		5,863	
Tråden 11	Warehouse	Malmgatan 5	Norrköping	1967		19,772	
Blåbäret 4	Warehouse	Sörviksvågen 11	Oskarshamn	1964	1964	15,234	
Administratören 1	Warehouse	Partihandlarvågen 2	Stockholm	1993		2,961	L
Frukthallen 1	Warehouse	Uppköparvågen 2	Stockholm	1967		7,075	L
Particentralen 1	Warehouse	Brunnbyvågen 15	Stockholm	1962		2,488	L
Particentralen 2	Warehouse	Brunnbyvågen 11	Stockholm	1962		2,766	L
Particentralen 5	Warehouse	Partihandlarvågen 1	Stockholm	1983		1,229	L
Particentralen 6	Warehouse	Brunnbyvågen 7	Stockholm	1962		2,442	L
Partihallen 1	Warehouse	Uppköparvågen 1	Stockholm	1968		20,491	L
Hantverkaren 1	Warehouse	Hantverkarsvågen 1	Södertälje	1974		9,776	L
Tunnan 1	Warehouse	Turbovågen 11	Trollhättan	2002	2002	17,533	
Danmarks-Säby 10:2	Warehouse	Åkaregatan 8	Uppsala	2013	2013	9,793	
Plåtslagaren 1	Warehouse	Åläkragatan 4	Vimmerby	2008	2009	10,259	
Armaturen 1	Warehouse	Armaturgatan 2	Värnamo	1987		18,370	
Rödspättan 1	Warehouse	Runemovågen 10	Värnamo	1973		4,705	
Rödspättan 4	Warehouse	Runemovågen 4	Värnamo	1980	2000	2,960	
Sandskäddan 4	Warehouse	Margretelundsvågen 9	Värnamo	1982		2,780	
Sjötungan 3	Warehouse	Margretelundsvågen 6	Värnamo	1989		2,570	
Takläggaren 4	Warehouse	Rörläggarevågen 8	Värnamo	1991	2000	9,067	
Yxan 4	Warehouse	Fabriksgatan 10-12	Värnamo	1975, 2006, 2008		5,595	
Yxan 6	Warehouse	Fabriksgatan 4	Värnamo	1978, 1990, 2009		1,477	
Energien 7	Warehouse	Omformargatan 18	Västerås	1990	2013	3,444	
Snickaren 12	Warehouse	Smedjegatan 10	Växjö	1976/1989	2001	24,010	
Terminalen 1	Warehouse	Öjaby Nylanda 1	Växjö	2010	2010	21,662	
Ånsta 20:262	Warehouse	Lastgatan 2	Örebro	2006	2006	15,976	
Bromsen 7	Warehouse	Bromsvågen 1a	Örnsköldsvik	1971	1971	4,160	
Gjutaren 3	Warehouse	Sjögatan 5a	Örnsköldsvik	1962	1962	5,308	
Sprinten 1	Warehouse	Trådvågen 6	Östersund	1974		2,928	

OTHER

Property	Sub-category	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Trasten 12	Retail	Stora Torget 4B	Filipstad	1980	1980	1,891	
Filen 5	Retail	Mårtensgatan 23A	Gislaved	1973	1973	1,643	
Pentagonen 1	Retail	Smista Allé 3	Huddinge	2008		11,945	
Hultåsa 1:18	Land	Lindenvägen 1	Hultsfred			0	
Riksdalern 3	Retail	Ullebergsleden 10	Karlstad	2001	2001	6,723	
Dynamon 5	Retail	Nygatan 19	Linköping	1969	1969	4,159	
Valbrevet 1	Retail	Norrmalmsvägen 11	Linköping	1983, 1997		1,650	
Gänget 14	Retail	Fabriksgatan 7	Ljungby	1974	1974	2,639	
Transistorn 1	Industry	Svedjevägen 12	Skellefteå	1968	1985	9,320	
Elementet 8	Retail	Ulvsundavägen 108	Stockholm	1938, 2002		6,876	
Tellus 4	Retail	Köpmangatan 5, Gästgivaregatan 14 etc.	Södertälje	1968, 1998	1968	12,616	
Drivhjulet 3	Industry	Kardanvägen 65	Trollhättan	1989	1999	1,680	
Kugghjulet 2	Industry	Kardanvägen 66	Trollhättan	1980	1991	1,500	
Gyldenlöve 16	Retail	Kilbäcksgatan 11	Uddevalla	1953	1985	8,458	
Koch 7	Retail	Kungsgatan 8	Uddevalla	1977	1984	8,980	
Årsta 68:4	Hotel	Fyrislundsgatan 81	Uppsala	1985	1985	3,014	
Almen 9	Retail	Malmövägen 12	Värnamo	1957	2009	12,018	
Bleckslagaren 1	Land	Repslagarevägen 5A	Värnamo			0	
Filen 2	Retail	Fabriksgatan 3	Värnamo	1966, 1997, 2000	1989, 2003	4,915	
Flundran 4	Industry	Runemovägen 1A	Värnamo	1963, 1992, 2008		11,416	
Golvläggaren 2	Retail	Silkesvägen 30	Värnamo	1991, 2008, 2010		11,164	
Jungfrun 11	Retail	Köpmansgatan 3	Värnamo	1950, 2000	2000	4,970	
Karpen 3	Retail	Jönköpingsvägen 105	Värnamo	1956, 1990		2,670	
Linden 1	Retail	Växjövägen 24 A	Värnamo	1960, 1989, 2012		6,319	
Ljuset 8	Retail	Nydalavägen 1	Värnamo	2003		2,600	
Mattläggaren 1	Industry	Silkesvägen 24	Värnamo	1997	2000	2,700	
Mattläggaren 2	Retail	Silkesvägen 26	Värnamo	1991, 2008	2012	3,133	
Posten 4	Industry	Postgatan 3	Värnamo	1929, 1940, 1968	1989, 2015	4,174	
Takläggaren 8	Industry	Silkesvägen 43	Värnamo	1999	2008	6,995	
Vindruvan 4	Retail	Storgatsbacken 16 A	Värnamo	1982	2001	4,001	
Värnamo 14:86	Land	Myntgatan	Värnamo			0	
Fläkten 7	Industry	Lantmannavägen 3	Växjö	1963	1993	8,483	
Isbjörnen 4	Industry	Isbjörnsvägen 6	Växjö	1993	2014	10,933	
Rimfrosten 1	Retail	Solängsvägen 2	Växjö	1972	2008	8,650	
Sjömärket 3	Industry	Annavägen 3	Växjö	1989	2000	9,495	

JOINT VENTURES - JOINTLY OWNED WITH SAGAX

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Vindbryggan 3	Industry	Borgens Gata 20	Alingsås	1990	1990	1,439	
Botvidsgymnasiet 3	Logistics, warehouse and industry	Fågelviksvägen 9, 9A-M	Botkyrka	1991	1991	56,308	
Mejeriet 17	Land	Tingshusgatan 10A	Filipstad			0	
Mejeriet 18	Land	Tingshusgatan 10B	Filipstad			0	
Kobbegården 6:249		Datavägen 27	Gothenburg			8,283	
Sörred 8:6 VAK	Office	Gunnar Engellaus väg 4	Gothenburg	1967		41,611	
Sörred 8:6 VH	Office/exhibition	Gunnar Engellaus väg 2	Gothenburg	1968		2,965	
Sörred 8:6 PA/PB	Office	Personalvägen 19-17	Gothenburg	1967		4,402	
Sörred 8:6 VCI	Office	Karossvägen 2	Gothenburg	1988		6,695	
Sörred 8:6 VAKV	Office	Äckrornavägen 4	Gothenburg	2001		4,960	
Sörred 8:6 CH	Office	Sörredsvägen	Gothenburg	1985		1,176	
Sörred 8:6 PVV	Office	Gunnar Engellaus väg 20/ Röra byväg 25	Gothenburg	1986		11,046	
Sörred 8:10 TLA/TLB	Warehouse/office	Pressvägen	Gothenburg	1964		23,243	
Sörred 7:33 RV/RV-D	Office	Assar Gabrielssons väg 1	Gothenburg	1971	1971	2,706	
Sörred 7:32 SAA/SAB	Office/warehouse	Gustav Larssons väg 12-26	Gothenburg	1966	1966	12,934	
Östergårde 31:1 BV5	Workshop/office	Örnkullans väg 2	Gothenburg	1986		7,175	
Sörred 8:6 CH-D	Office	Gullkullen	Gothenburg	2017	2017	0	
Sörred 7:31 PVD-D	Parking lot	Volvo Jakobs väg 17	Gothenburg	2017	2017	0	
Jordbromalm 6:23	Production	Dåntorpsvägen 11	Haninge	1980	2008	1,776	
Jordbromalm 1:11	Logistics, warehouse and industry	Jordbrotorpsvägen 2	Haninge	1964	1975	900	
Köpingehill 1	Industry	Trintegatan 2	Helsingborg	1991	1991	7,125	
Linjen 1	Logistics, warehouse and industry	Pyramidbacken 3	Huddinge	1989	1989	2,150	
Oxen 11	Industry	Västra Drottninggatan 40	Kumla	1972, 1978	1973, 1983	2,451	
Armaturen 10	Industry	Granlidsvägen 3	Kungsör	1945, 1967, 1999	1945, 1967, 1999	11,288	
Kamaxeln 6	Industry	Truckgatan 20	Kungälv	1976	1976	1,942	
Haken 15	Warehouse/production	Vinkelgatan 1	Malmö	1968	1973	7,187	
Görla 8:60	Industry	Görlavägen 1	Norrtälje			2,900	
Görla 9:40	Logistics, warehouse and industry	Abborrvägen 4	Norrtälje	2009	2014	870	
Holje 116:116	Warehouse	Västra Storgatan 2B	Olofström	1949	1970	51,631	
Ratten 18	Warehouse	Primovägen 1	Oskarshamn	1986	1986	1,615	
Snickeriet 4	Warehouse	Be-Ge:S Väg 20	Oskarshamn	1976	1980, 1981	5,939	
Snickeriet 14	Warehouse/office	Förrådgatan 6	Oskarshamn	1978, 2002	1978, 2002	2,198	
Öjebyn 119:1	Industry	Skylvägen 1	Piteå	1968, 1976	1968, 1976	19,816	
Åttersta 6:28	Industry	Bultvägen 1	Sandviken	1941, 1951, 1972	1941, 1951, 1966, 1972	11,695	
Murängen 2	Industry	Hammarbyvägen 4	Sandviken	1971, 1978, 1986, 1990	1976, 1978, 1986, 1990	9,553	
Märsta 14:1	Industry	Industrigatan 2	Sigtuna	1967	1967, 1980	3,261	
Märsta 15:6	Logistics, warehouse and industry	Industrigatan 10	Sigtuna	1972	1972	1,056	
Nattskiftet 6	Logistics, warehouse and industry	Elektravägen 5	Stockholm	1951	1951	5,714	
Arbetsbasen 2	Logistics, warehouse and industry	Elektravägen 64	Stockholm	1945	1965	1,797	
Dikesrenen 11	Logistics, warehouse and industry	Vretenborgsvägen 15	Stockholm	1947	1970	2,001	
Vreten 24	Logistics, warehouse and industry	Vretenborgsvägen 6	Stockholm	1945, 1974	1974	1,870	
Vreten 23	Logistics, warehouse and industry	Vretenborgsvägen 8	Stockholm	1984	1984	1,590	

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Lagret 1	Logistics, warehouse and industry	Upplagsvägen 13, 15, 17, 31, 17, 19	Stockholm	1969	1969	8,860	
Lagerhuset 3	Logistics, warehouse and industry	Upplagsvägen 21-27, 25B-C, 27A-B	Stockholm	1929, 1954, 1985	1954	10,662	
Hällsättra 4	Logistics, warehouse and industry	Stensättravägen 9, 9A-B	Stockholm	1975	1985	13,820	
Ostmästaren 3	Logistics, warehouse and industry	Ostmästargränd 6-12, 8A	Stockholm	1982, 1983	1983	19,582	
Ostmästaren 4	Logistics, warehouse and industry	Byängsgränd 4-16, Ostmästargränd 1-3	Stockholm	1983	1985	37,261	
Ostmästaren 5	Office	Ostmästargränd 5, 11-13	Stockholm	1990	1990	10,212	
Ostmästaren 6	Office	Byängsgränd 20-22	Stockholm	1991	1991	8,515	
Varuhissen 1	Logistics, warehouse and industry	Upplagsvägen 1-5	Stockholm	1987, 1999	1990	14,944	
Asea 3	Logistics, warehouse and industry	Västberga Allé 60, Västbergavägen 43	Stockholm	1929, 1994	1980	61,663	
Ostmästaren 1	Logistics, warehouse and industry	Ostmästargränd 2	Stockholm	1980	1980	15,287	
Varubalen 3	Warehouse/office	Upplagsvägen 10A	Stockholm	1964	1964	10,494	
Mörtö 9	Warehouse/office	Fryksdalsbacken 38	Stockholm	1978	1983	3,297	
Tjockö 1	Industry	Fryksdalsbacken 40	Stockholm	1980	1980	11,491	
Görväln 2	Industry	Bränningevägen 10	Stockholm	1963	1963	7,279	
Västberga Gård 2	Retail	Västberga Gårdsväg 36	Stockholm	1970	1970	4,178	
Solkraften 17, 18	Industry	Vattenkraftsvägen 8	Stockholm	1989, 1991	1989, 1991	2,001	
Filmkameran 3	Logistics, warehouse and industry	Bilprovningen	Stockholm	1970	1970	3,261	
Förrådet 5	Logistics, warehouse and industry	Skattegårdsvägen 122	Stockholm	1970	1974	2,175	
Stensättra 2	Logistics, warehouse and industry	Strömsättravägen 14	Stockholm	1970	1981	650	
Maden 6	Office	Madenvägen 11	Sundbyberg-Rissne	2002	2002	1,403	
Traktorn 1	Industry	Morabergsvägen 21, Åkerivägen 2	Södertälje	1971	1971	4,154	
Grävmaskinen 11	Logistics, warehouse and industry	Morabergsvägen 3	Södertälje	1970	1970	1,711	
Bagaren 9	Industry	Radiovägen 7	Tyresö	1984, 1990	1984, 1990	2,300	
Fotografen 1	Industry	Mediavägen 1	Tyresö	1976	1976	3,948	
Kopparen 14	Industry	Vintervägen 8	Tyresö	1963, 1979, 1980, 1988, 1999	1963, 1979, 1980, 1988, 1999	9,985	
Kopparen 8	Industry	Vintervägen 4	Tyresö	1970	1970, 2001	3,847	
Kopparen 9	Industry	Björkbacksvägen 6	Tyresö	1978	1978	2,343	
Olhamra 1:82	Logistics, warehouse and industry	Okvistavägen 30	Vallentuna	2005	2005	1,258	
Runö 7:109	Office/industry	Rallarvägen 7	Österåker	1986	1986	1,498	
Runö 7:124	Industry	Rallarvägen 9	Österåker	1990	1990	1,992	
Runö 7:111	Office	Rallarvägen 10	Österåker	1986	1990	1,435	
Runö 7:129	Office	Rallarvägen 39	Österåker	2004	2004	410	
Runö 7:133	Office	Rallarvägen 45	Österåker	1989	1989	1,845	
Runö 7:164	Warehouse/office	Näsvägen 19	Österåker	2008	2008	1,450	

GLOSSARY

Debt/equity ratio*

Interest-bearing liabilities as a percentage of equity.

Purpose: The debt/equity ratio is a measure of financial risk that shows the company's capital structure and sensitivity to movements in interest rates.

Economic leasing rate

Rental income before rent discounts as a percentage of the rental value at the end of the period.

Purpose: The performance measure facilitates the assessment of rental income in relation to the total value of the leased and unleased floor space.

Equity/assets ratio*

Equity as a percentage of total assets.

Purpose: To show how large a share of the company's assets is financed by equity and has been included to enable investors to be able to assess the company's capital structure

Equity per share

Equity in relation to the number of shares at the end of the period.

Purpose: The performance measure shows how large a share of the company's recognized equity each share represents.

Fair value of properties

The recognized property value according to the statement of financial position at the end of the period.

Purpose: The performance measure facilitates better understanding of the value development in the property portfolio and the company's statement of financial position.

Interest-coverage ratio*

Profit from property management before financial income and expenses, depreciation/amortization and shares in profit in joint ventures as a percentage of financial income and expenses.

Purpose: The interest-coverage ratio is a measure of financial risk that shows how many times the company can pay its interest charges with its profit from operational activities.

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 interest-rate risk.

Leasable area

The total premises area that can potentially be leased.

Purpose: Shows the total area that the company can potentially lease.

Loan-to-value ratio, properties*

Interest-bearing liabilities at the end of the period in relation to the value of the properties (in the statement of financial position).

Purpose: The loan-to-value ratio is a measure of risk that indicates the degree to which the operation is encumbered with interest-bearing liabilities. The performance measure provides comparability with other property companies.

Net asset value (EPRA NAV)*

Equity plus derivatives and deferred tax liabilities according to the statement of financial position.

Purpose: To show the fair value of net assets from a long-term perspective. Accordingly, assets and liabilities in the statement of financial position that are not adjudged to be realized, such as the fair value of derivatives and deferred taxes, are excluded. The corresponding items in the company's shares in joint ventures are also excluded from the performance measure.

Net loan-to-value ratio, properties*

The net of interest-bearing liabilities and cash and cash equivalents at the end of the period as a percentage of the fair value of the properties in the statement of financial position.

Purpose: The net loan-to-value ratio is a measure of financial risk that indicates the degree to which the operation is encumbered with interest-bearing liabilities, but taking into account bank balances. The performance measure provides comparability with other property companies.

Net operating income*

Net operating income comprises the income and expense 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.

Purpose: The measure is used to provide comparability with other property companies, but also to illustrate operational performance.

No. of properties

Properties held under title or site leasehold.

Purpose: The performance measure provides a greater understanding of the development of the property portfolio.

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 measure 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.

Property

Properties held under title or site leasehold.

Rental income

Rents charged including supplements for heating and property tax.

Rental value

Rental income before rent discounts for leased areas and assessed market rent for the vacant floor space.

Purpose: The performance measure facilitates assessment of the total potential rental income since the assessed market rent for vacant floor space is added to the rental income charged.

Return on equity

Profit/loss for the most recent 12-month period in relation to average equity during the same period

Purpose: The performance measure shows the return generated on the capital attributable to shareholders.

Surplus ratio*

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

Purpose: The surplus ratio shows the percentage of each Swedish krona earned that the company can keep. The performance measure is an indication of efficiency that is comparable over time and among property companies.

Vacancy rent

Assessed market rent for vacant floor space.

Purpose: The performance measure states the potential rental income when all floor space is fully leased.

Yield*

Net operating income according to earnings capacity in relation to the fair value of the properties on the balance-sheet date.

Purpose: The performance measure indicates the yield from operational activities in relation to the properties' value.

*Refers to an alternative performance measure according to the European Securities and Markets Authority (ESMA).

INFORMATION TO SHAREHOLDERS REGARDING THE ANNUAL GENERAL MEETING

Annual General Meeting

The Annual General Meeting of Nyfosa AB will be held on Thursday May 9, 2019 at 3.00 pm at Vasateatern, Vasagatan 19, in Stockholm. Registration begins at 2.00 pm.

Right to attend and notification to the company

Anyone wishing to attend the meeting must be entered as a shareholder in the share register kept by Euroclear Sweden AB as of Friday May 3, 2019, give notice to the company of their intention to attend no later than Friday May 3, 2019.

Notification of attendance may be given in writing to the company at the address Nyfosa AB, Annual General Meeting 2019, c/o Euroclear Sweden AB, PO Box 191, 101 23 Stockholm, Sweden, by telephone on +46 (0)8 401 43 01 weekdays between 10.00 am and 4.00 pm or on the company's website: www.nyfosa.se. When giving notification please state your name or company name, personal ID or company registration number, address and daytime telephone number. The registration procedure described above also applies to registration for any advisors.

Nominee registered shares, proxy and process of personal data

To be entitled to attend the meeting, holders of nominee registered shares must instruct the nominee to have the shares registered in the holder's own name, so that the holder is entered in the share register kept by Euroclear Sweden AB as of Friday May 3, 2019. Registration in this way may be temporary.

Anyone who does not attend the meeting in person may exercise their right at the meeting via a proxy in possession of a signed and dated proxy form. Proxy forms are available on the company's website: www.nyfosa.se. The proxy form may also be obtained from the company or be ordered by telephone using the number above. If the proxy is issued by a legal person, a copy of its registration certificate or equivalent document of authorisation must be attached. The proxy must have been issued within the past year unless a longer period of validity is specified on the proxy form, subject to a maximum of five years. To facilitate entry to the meeting, proxy forms, registration certificates and other documents of authorisation must be received by the company in good time before the meeting.

For information on how your personal data is processed, please visit <https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>.

Notice

Notice to the Annual General Meeting will be made in the form of an advertisement in Swedish Official Gazette and with an advertisement in Svenska Dagbladet informing that notification has been made. The notice will also be announced as a press release and be available on the company's website. Documentation that is to be presented at the Annual General Meeting will be made available on the company's website at least three weeks prior to the meeting.

FINANCIAL CALENDAR

2019 Annual General Meeting	May 9, 2019
Interim Report for January 1 – March 31, 2019	May 9, 2019
Interim Report for January 1 – June 30, 2019	July 15, 2019
Interim Report for January 1 – September 30, 2019	October 23, 2019



CONTACT INFORMATION

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