

## Year-End Report 2016

### Summary, January-December 2016

- » Rental income amounted to SEK 2,189 million (SEK 1,988 million corresponding period previous year).
- » Profit from property management amounted to SEK 1,111 million (959).
- » Changes in value of properties amounted to SEK 2,072 million (581) and changes in value of derivatives amounted to SEK -208 million (140).
- » Profit after tax amounted to SEK 2,343 million (1,350).
- » Market value of investment properties amounted to SEK 33,629 million (26,502).
- » During the period, 49 properties (20) were acquired for a total price of SEK 3,362 million (1,154) and 11 properties (16) were divested for a total value of SEK 61 million (853).

### Significant events during the fourth quarter

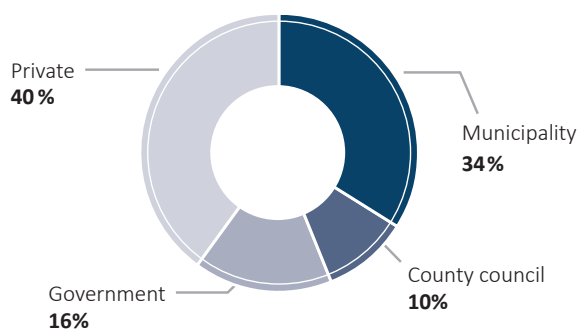
- » Leases for seven schools comprising a total of 27,000 sqm were renewed with the tenant AcadeMedia. The lease duration is between 10 and 15 years.
- » Four properties were acquired in Finland, including the Academill university property in Vaasa, for approximately SEK 550 million.
- » A property portfolio comprising 35 properties in various locations across Sweden was divested for approximately SEK 1.5 billion. Possession of the properties will be transferred in April 2017.
- » In Germany, four nursing homes located in growing cities were acquired for approximately SEK 385 million. Possession of the properties will be taken in the first quarter 2017.
- » Efficiency of property management enhanced through outsourcing of the technical operation of the entire Swedish property portfolio on a regional basis.

### Hemsö in brief\*

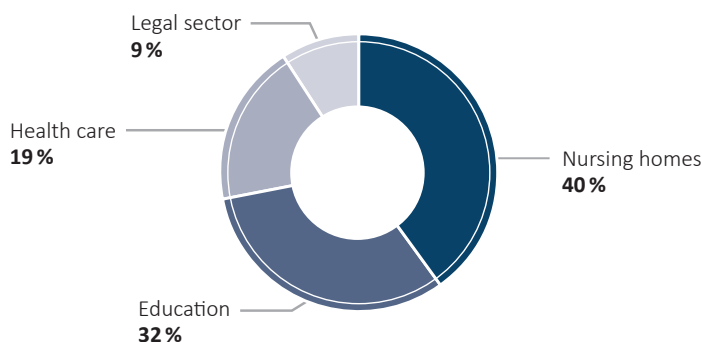
	Jan-Dec 2016	Jan-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
Rental income, SEK million	2,189	1,988	565	505
Profit from property management, SEK million	1,111	959	284	225
Profit after tax, SEK million	2,344	1,350	1,747	555
Loan-to-value ratio, %	64.0	65.2	64.0	65.2
Interest-coverage ratio, times	4.1	3.6	4.2	3.3
Market value of investment properties, SEK million	33,629	26,502	33,629	26,502
Surplus ratio, %	75.0	73.8	73.6	71.8
Economic occupancy rate, %	97.0	96.2	96.9	96.6
Lettable area, tsqm	1,638	1,499	1,638	1,499

\*Definitions and explanation of key figures are available at [hemso.se/en/financial-information/definitions/](http://hemso.se/en/financial-information/definitions/)

### Contracted annual rent per customer category, %



### Contracted annual rent per property category, %



## CEO comment

When we closed the chapter on the fourth quarter of 2016, I had been at Hemsö for two months. This period was both exciting and eventful. We delivered our strongest earnings to date and continued to streamline and improve the quality of our property portfolio. For example, we acquired our first property for the legal sector in Finland and a portfolio of school properties from Nacka Municipality. We also entered into an agreement to divest 35 small properties that are not in line with our long-term portfolio strategy. These properties comprise offices, smaller health care and educational properties or are situated in locations where our local presence is not sufficiently strong to enable us to manage them efficiently.

The divestment will provide additional capital for new acquisitions and investments in new development projects and refurbishments. Over the years, Hemsö has gained solid experience and expertise in developing nursing homes and schools. We are currently developing four new schools and eight nursing homes. All of these developments were fully leased prior to construction start.

We always strive to achieve customer focus and efficient asset management to ensure that the needs of our tenants are catered for in the best possible manner. Hence, we have also implemented a number of organisational changes. In addition to merging our Technology & Service and Asset Management units, we also outsourced the technical operation of all properties in each individual region. Furthermore, we signed a framework agreement with AcadeMedia school group. The agreement includes new 10 to 15-year leases for seven existing



schools comprising a total of 27,000 sqm and will enable quicker and smoother lease negotiations in the future.

Despite growing global political risks, the property market remains hot, resulting in high prices. Our conservative risk profile and favourable access to the capital market through a strong credit rating has provided us low financing costs. We enter 2017 with a strong capital structure which, combined with a specialisation within our segment, focus on asset management and project development, provides Hemsö with a stable base to continue to build on.

With a sense of cautious confidence and enthusiasm, I look forward to an exciting 2017 together with our tenants, partners and colleagues at Hemsö.

Nils Styf, CEO

### Vision

To be the best property company for community services.

### Mission

To sustainably own, manage and develop properties for public use.

### Financial target

Average return on equity of 15 per cent over a five year period.

## About Hemsö

Hemsö is Sweden's leading private owner of properties for public use. The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the legal sector. Hemsö owns properties in Sweden, Germany and Finland. Our vision is to be the best property company for community services. This involves generating added value for our customers

and being the preferred property partner for municipalities, county councils and private operators. The hallmarks of Hemsö's business are long-term leases and stable tenants. The Third Swedish National Pension Fund is the majority owner. The total value of Hemsö's property portfolio is SEK 33.6 billion. Hemsö has a credit rating of A- from Standard & Poor's.

## Income, costs and profit

Profit items relate to the January-December 2016 period, and are compared with the previous year. Balance-sheet items relate to the period-end position, and are compared with the corresponding period-end of the previous year. The quarter relates to the period from October to December.

### Rental income

During the period, rental income amounted to SEK 2,189 million (1,988). The increase is attributable to completed acquisitions and investments in existing portfolio. The economic occupancy rate amounted to 97.0 per cent (96.2).

Rental income in the comparable portfolio increased SEK 8 million, corresponding to 0.4 per cent. This increase was attributable to Sweden and was mainly the result of rent supplements and lower vacancies.

Contracted annual rent at period-end amounted to SEK 2,326 million (2,039) and economic vacancies totalled SEK 60 million (59). The weighted average lease term increased to 8.1 years (7.6).

### Property costs

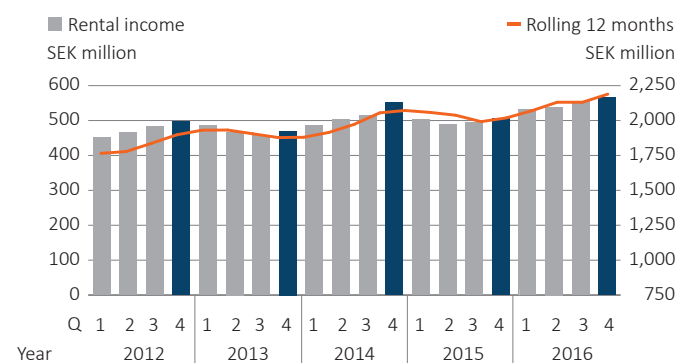
Property costs amounted to SEK 552 million (524), up SEK 28 million. The increase was mainly attributable to a larger property portfolio.

Costs in the comparable portfolio increased SEK 8 million, or 1.8 per cent, due to higher costs for planned maintenance. The increase in maintenance costs is mainly attributable to some of the maintenance measures planned for 2015 being postponed to 2016.

# SEK 1,111 million

Profit from property management

### Rental income



### Vacancy changes

Amounts in SEK million	Jan - Dec 2016
Vacancy at the beginning of the period	59
Terminated leases	23
New leases	-24
Acquired	2
Divested	-
<b>Vacancy at the end of the period</b>	<b>60</b>

### Maturity structure of leases

Maturity year	Number of contracts	Area, tsqm	Annual rent, SEK million	Share of annual rent, %
2017	828	111	163	7.0
2018	314	189	267	11.5
2019	200	170	230	9.9
2020	178	156	230	9.9
2021	65	106	156	6.7
>2021	308	802	1,280	55.0
<b>Total</b>	<b>1,893</b>	<b>1,534</b>	<b>2,326</b>	<b>100.0</b>

### Comparable portfolio

	31 Dec 2016	31 Dec 2015	Change %
No. of properties	269	269	-
Market value of investment properties, SEK million	24,058	22,456	7.1
Yield, %	5,6	6,1	-6.7
Economic occupancy rate, %	97,5	97,1	0.4
Amounts in SEK million	31 Dec 2016	31 Dec 2015	Change %
Rental income	1,816	1,808	0.4
Other income	12	12	0.0
Operating costs	-319	-320	-0.4
Maintenance cost	-122	-103	18.4
Other property costs	-28	-38	-24.5
<b>Net operating income</b>	<b>1,359</b>	<b>1,359</b>	<b>-0.0</b>

Relates to properties owned throughout the entire period, from 1 January 2015 until 31 December 2016.

### Net operating income

Net operating income increased to SEK 1,652 million (1,476). The increase was primarily attributable to acquisitions and completed, occupied projects.

Net operating income in the comparable portfolio remained unchanged.

The surplus ratio amounted to 75.0 per cent (73.8). This increase was partly due to acquired properties in Germany and Finland, where – according to the lease – the tenant is responsible for a larger share of operation and maintenance. The increase was also attributable to completed development projects in Sweden, since these have low maintenance costs.

### Administration

Central administrative expenses for the period amounted to SEK 182 million (154). This increase of SEK 28 million was mainly attributable to higher personnel costs and consultant fees.

### Financial items

Financial items amounted to SEK -359 million (-416), of which external interest expenses accounted for SEK -342 million (-323). The external interest expenses for the period were higher than in the previous year, due to a higher overall debt level this year. Falling market rates contributed to a lower average interest rate. Other net financial items included other financial expenses in the amount of SEK -39 million (-43), interest income of SEK 2 million (3), other financial income of SEK 26 million (0) and exchange-rate differences of SEK -6 million (0). The comparative period also included interest expenses on shareholder loans in an amount of SEK -53 million.

### Profit from property management

Profit from property management amounted to SEK 1,111 million (959). The increase was attributable to a larger property portfolio and lower financial expenses.

### Change in value of investment properties

At period-end, changes in value of investment properties amounted to SEK 2,072 million (581), of which realised changes in value accounted for SEK -1 million (-45) and unrealised changes in value of SEK 2,073 million (626). The increase was mainly attributable to lower valuation yields.

The yield for the entire property portfolio, excluding development properties, was 5.7 per cent (6.0).

### Change in value of derivatives

Changes in value of derivatives had a negative impact of SEK -208 million (140) on profit, of which unrealised changes in value amounted to SEK -44 million (147) and realised change in value to SEK -164 million (-7). The unrealised change in value has no

impact on cash flow. At the end of their duration, the value of derivatives is always zero. The negative change in value was due to a decline in market rates during the year.

### Unrealised changes in value

SEK million	Jan-Dec 2016
New leases/Renegotiations	584
Terminated leases/Renegotiations	-98
General market valuation	1,262
<b>Subtotal Sweden</b>	<b>1,748</b>
New leases/Renegotiations	4
Terminated leases/Renegotiations	-58
General market valuation	380
Other	-
<b>Subtotal Foreign</b>	<b>325</b>
<b>Total unrealised changes in value</b>	<b>2,073</b>

### Tax

Recognised tax for the period amounted to an expense of SEK -632 million (-277), of which current tax comprised an expense of SEK -49 million (-46) and deferred tax an expense of SEK -583 million (-231).

Deferred tax expense mainly consisted of changes in the temporary difference between the carrying and taxable residual of investment properties, and of the recognised change in value of financial derivatives.

At period-end, deferred tax assets amounted to SEK 174 million (159) and include temporary differences on the change in value of financial derivatives of SEK 159 million (149) and loss carry-forwards of SEK 15 million (10).

Deferred tax liabilities amounted to SEK 2,277 million (1,677) and were largely attributable to temporary differences related to investment properties. The change in the deferred tax liability was due to changes in the market value of properties combined with depreciation for tax purposes. Deferred tax assets were netted against deferred tax liabilities for each country in the balance sheet.

### Profit

Profit after tax for the period amounted to SEK 2,343 million (1,350), corresponding to an increase of 74 per cent compared with the previous year. The strong earnings were primarily attributable to higher profit from property management and a positive change in the value of the properties. The total return was 12.8 per cent (8.1) and the return on equity totalled 30.4 per cent (22.4).

### Segment information

The identification of segments is based on internal reporting. The Chief Executive Officer mainly uses net operating income per segment for performance analysis. Administrative expenses, financial income and expenses, and income tax are managed at Group level. The Group is managed and reported in six segments: Sweden East, Sweden West, Sweden North, Sweden South, Germany and Finland.

### Cash flow

Hemsö's cash flow from operating activities before changes in working capital amounted to SEK 820 million (870). Changes in working capital had an impact of SEK 418 million (-76) on cash flow. Investing activities had a negative impact of SEK -4,878 million (-1,554) on cash flow, while increased borrowing had an impact of SEK 4,435 million (794) on cash flow from financing activities. During the period, the overall change in cash and cash equivalents was SEK 795 million (44).

### Segment information

Amounts in SEK million	Profit items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2015	31 Dec 2016	31 Dec 2015
Sweden East	613	545	470	417	11,390	8,305
Sweden West	335	335	214	214	3,875	3,569
Sweden North	567	543	424	409	8,116	7,252
Sweden South	320	293	221	191	4,626	3,863
Germany	214	161	207	154	3,274	2,223
Finland	140	111	116	92	2,348	1,290
<b>Total</b>	<b>2,189</b>	<b>1,988</b>	<b>1,652</b>	<b>1,477</b>	<b>33,629</b>	<b>26,502</b>

### Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties through ownership of shares in the property-owning subsidiaries. Parent Company sales amounted to SEK 95 million (71) and consisted of fees for services to the subsidiaries. Administrative expenses decreased to SEK -182 million (-198). Financial items included dividends from subsidiaries of SEK 1,255 million, impairment of participations in subsidiaries of negative SEK 570 million and an improvement in net financial items, mainly due to lower interest rates. Total comprehensive income for the period increased to SEK 682 million (-7).

## Property portfolio

At period-end, Hemsö owned properties in 80 municipalities in Sweden, 27 cities in Germany and 19 cities in Finland. The largest share of the market value of investment properties, 48.9 per cent (47.7), is located in the three metropolitan areas of Sweden – Stockholm, Gothenburg and Malmö. The German portfolio accounted for 9.7 per cent (8.4) of the total value and the properties are mainly located in major German cities. The Finnish portfolio accounted for 7.0 per cent (4.9) of the total value and the properties are primarily concentrated to Helsinki, Turku and Tampere.

In Sweden and Finland, Hemsö owns properties for nursing homes, education, health care and the legal sector. The properties in Germany are exclusively nursing homes.

The portfolio comprised 356 properties (317), with a total contracted annual rent of SEK 2,326 million (2,039) and a total lettable area of 1,638 tsqm (1,499).

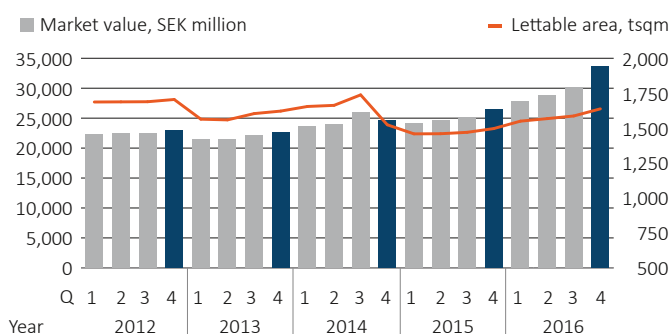
### Changes in value of property portfolio

	SEK million	No. of properties
Carrying amount at beginning of the year	26,502	317
Acquisitions	3,362	49
Additional property through re-allotment	–	1
Investments in new construction, extension, and refurbishment	1,551	
Divestments	-61	-11
Disposals	-1	
Exchange-rate fluctuations	202	
Unrealised changes in value	2,073	
<b>Carrying amount at period-end</b>	<b>33,628</b>	<b>356</b>

# SEK 33,629 million

Market value of investment properties

### Market value and area of investment properties



### Property transactions

During the period, 49 properties (20) were acquired for a total price of SEK 3,362 million (1,154). During the period, 11 properties (16) were divested for SEK 61 million (853).

### Properties acquired and divested

Quarter	No. of properties	Property value, SEK million	Lettable area, sqm
<b>Acquisitions</b>			
Q1	10	1,088	53,961
Q2	5	336	5,192
Q3	10	766	9,931
Q4	24	1,172	51,450
<b>Total</b>	<b>49</b>	<b>3,362</b>	<b>120,534</b>
<b>Divestments</b>			
Q1	–	–	–
Q2	3	27	2,611
Q3	7	32	2,719
Q4	1	1	1,672
<b>Total</b>	<b>11</b>	<b>61</b>	<b>7,002</b>

### Properties acquired and divested Q4

Property designation	Municipality, country	Category	Lettable area, tsqm
<b>Acquisitions</b>			
Älta 14:97	Nacka, Sweden	Education	6,630
Mensätra 1:157 <sup>1</sup>	Nacka, Sweden	Education	0
Mensätra 1:19 <sup>1</sup>	Nacka, Sweden	Education	4,036
Mensätra 1:168	Nacka, Sweden	Education	135
Älta 14:101	Nacka, Sweden	Education	3,395
Sicklaön 351:1	Nacka, Sweden	Education	3,509
Erstavik 27:1	Nacka, Sweden	Education	775
Älta 35:149	Nacka, Sweden	Education	736
Erstavik 26:607	Nacka, Sweden	Education	764
Sicklaön 207:7	Nacka, Sweden	Education	919
Mensätra 1:84	Nacka, Sweden	Education	613
Mensätra 2:92	Nacka, Sweden	Education	775
Lännersta 1:1231	Nacka, Sweden	Education	563
Älta 75:16	Nacka, Sweden	Education	418
Tattby 2:6	Nacka, Sweden	Education	758
Mensätra 2:91	Nacka, Sweden	Education	771
Erstavik 26:31	Nacka, Sweden	Health care	262
Sicklaön 162:5	Nacka, Sweden	Health care	324
Gävle Norrtull 31:2	Gävle, Sweden	Health care	2,295
Strandgatan 2	Vasa, Finland	Education	16,487
Meesakatu 4 <sup>2</sup>	Tammerfors, Finland	Nursing homes	0
Suotie 4 <sup>2</sup>	Esbo, Finland	Education	0
Arvi Kariston katu 5	Tavastehus, Finland	Legal sector	4,715
Kopparormen 4	Eslöv, Sweden	Health care	2,570
		<b>24</b>	<b>51,450</b>
<b>Divestments</b>			
Sivik 1:15	Lysekil, Sweden	Health care	1,672
		<b>1</b>	<b>1,672</b>

<sup>1</sup> The area of the Mensättra 1:157 property is included in the total area of the Mensättra 1:19 property.

<sup>2</sup> Relates to land acquisitions and buildings under construction, and the area is thus not yet available.

### Hemsö's five largest ongoing projects

Municipality	Property	Property category	Project area, tsqm	Estimated investment, SEK million	Remaining investment, SEK million	Increase in rental value at completion, SEK million	Leasing rate, %	Estimated year of completion
Solna	Patienten 1 <sup>1</sup>	Health care	21,000	1,627	1,255	82	74	2019
Stockholm	Princeton 1 <sup>1,2</sup>	Health care	20,000	1,393	1,047	77	0	2020
Huddinge	Medicinaren 25 <sup>1</sup>	Education	19,000	829	396	61	81	2018
Solna	Solna Älgörten 1	Education	5,282	200	102	12	100	2017
Landskrona	Borstahuseten 1:9	Education	5,700	180	100	14	100	2017
<b>Total</b>			<b>70,982</b>	<b>4,229</b>	<b>2,900</b>	<b>246</b>		

<sup>1</sup> The projects are being conducted in companies jointly owned with SveaNor.

<sup>2</sup> Decision to construct building not taken.

### Hemsö's property categories

	Nursing homes	Education	Health care	Legal sector	Total
No. of properties	158	109	79	10	<b>356</b>
Lettable area, tsqm	662	527	339	110	<b>1,638</b>
Average lease length, years	8.9	9.4	4.4	7.8	<b>8.1</b>
Property value, SEK million	13,524	10,947	6,244	2,914	<b>33,629</b>
Rental income, SEK million	909	656	431	194	<b>2,189</b>
Net operating income, SEK million	700	503	288	160	<b>1,652</b>
Economic occupancy rate, %	99.0	96.2	95.0	95.3	<b>97.0</b>
Yield, %	5.4	5.7	6.3	5.8	<b>5.7</b>

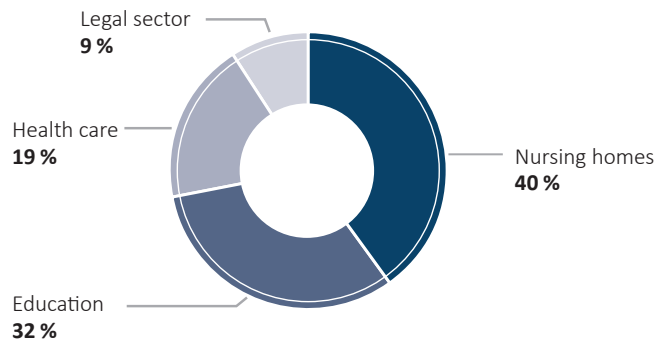
### Investments

Investments include both investments in existing properties and new construction. Investments in existing properties are often related to new leases, with the aim of refurbishing and modernising the premises and thus increasing the rental value. During the period, investments amounted to SEK 1,551 million (1,048). Of this amount, SEK 1,148 million (590) was invested in new construction, and SEK 403 million (458) in tenants improvements and maintenance. A total of 252 projects (202) are ongoing and the remaining investment totalled SEK 4,142 million (1,906).

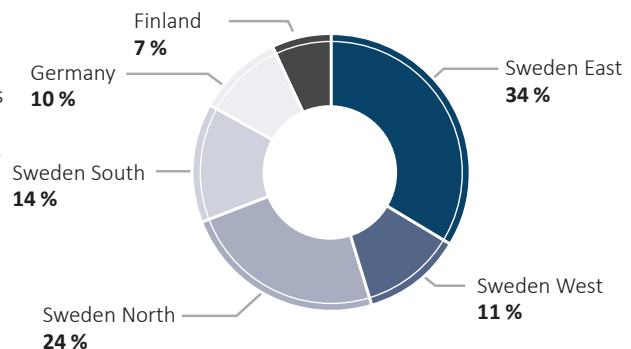
### Property value

Hemsö recognises its investment properties in Sweden at an estimated fair value in accordance with IAS 40, and at 31 December 2016, the value of all Swedish properties had been internally assessed. Property valuations are conducted quarterly. To confirm the accuracy of the internal valuation, an external valuation of the majority of the property portfolio is carried out on an annual basis. The property value of Hemsö's portfolios in Germany and Finland is determined using external valuations. The valuation method complies with Level 3 of the fair value hierarchy in IFRS 13. At period-end, the property value was SEK 33,629 million (26,502).

### Market value of investment properties per property category, %



### Market value of investment properties per segment, %



## Financing

Hemsö aims to have a balanced financial risk profile, entailing a loan-to-value ratio that does not exceed 70 per cent over time, and an interest-coverage ratio of at least 2.0 times. At period-end, the loan-to-value ratio was 64.0 per cent (65.2). This decrease compared with the previous year is mainly attributable to increased property values. The interest-coverage ratio improved to 4.1 times (3.6), mainly due to lower interest rates and generally favourable financing conditions.

At 31 December 2016, total assets totalled SEK 34,953 million (27,102), of which the value of Hemsö's properties amounted to SEK 33,629 million (26,502), cash and cash equivalents to SEK 932 million (157) and other assets to SEK 392 million (443). The assets were financed with equity of SEK 8,673 million (6,764), deferred tax liabilities of SEK 2,103 million (1,518), interest-bearing liabilities of SEK 22,483 million (17,454) and other liabilities of SEK 1,692 million (1,366). Hemsö's cash balances, plus available credit facilities, amounted to 156 per cent of the company's short-term borrowing.

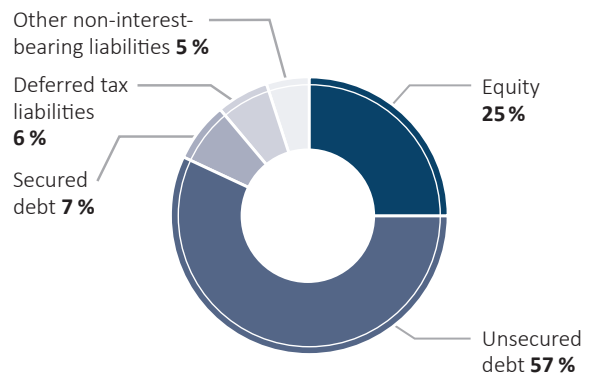
### Interest bearing debt

At period-end, the interest bearing debt amounted to SEK 22,483 million (17,454) including loans from minority shareholders of SEK 41 million (21). The debt portfolio amounted to SEK 22,442 million, comprising secured loans of SEK 2,602 million (4,103), outstanding commercial paper of SEK 5,038 million (5,000) and unsecured bonds of SEK 14,802 million (8,330). Available liquidity amounted to SEK 12,774 million (10,715), comprising bank deposits of SEK 932 million (157) and unutilised credit facilities of SEK 11,842 million (10,558) (of which unutilised construction loans amounted to SEK 1,342 million).

Debt in foreign currency amounted to EUR 633 million, equivalent to SEK 6,056 million, at period-end and was used to finance the company's properties in Finland and Germany.

The debt portfolio increased SEK 4,988 million due to new investments and acquisitions as well as new borrowing for future investments. At period-end, Hemsö's average interest rate was 1.5 per cent (1.9). The average duration of debt was 4.1 years (2.8), and the average fixed-interest period was 4.6 years (3.6).

### Capital structure at 31 December 2016



### Financial ratios at 31 December 2016

Loan-to-value ratio, %	64.0
Secured debt, % of the market value of investment properties	7.7
Interest coverage ratio, times	4.1
Fixed-interest period, years	4.6
Average duration of debt, years	4.1

### Loan maturity and fixed-interest period

Maturity year	Loan maturity			Fixed interest period	
	Credit agreements, SEK million	Utilised, SEK million	Share, %	SEK million	Share, %
2017	2,500	2,278	13.1	7,461	33.2
2018	15,868	4,248	24.4	200	0.9
2019	2,169	2,169	12.5	940	4.2
2020	1,897	1,897	10.9	1,347	6.0
2021	1,300	1,300	7.5	2,100	9.4
2022	200	200	1.1	1,778	7.9
2023		0	0.0	1,500	6.7
2024		0	0.0	1,500	6.7
2025		0	0.0	861	3.8
>2025	5,312	5,312	30.5	4,755	21.2
<b>Total</b>	<b>29,246</b>	<b>17,404</b>	<b>100.0</b>	<b>22,442</b>	<b>100.0</b>
Outstanding commercial papers		5,038			
<b>Total</b>		<b>22,442</b>			

# 4.1 times

Interest-coverage ratio



### Interest-rate derivatives

Hemsö uses interest-rate derivatives to reduce the company's interest-rate risk. These financial instruments are recognised at fair value in the statement of financial position under non-interest-bearing liabilities, and their changes in value are recognised in the statement of comprehensive income. Derivatives are measured using valuation techniques based on observable market data, in accordance with Level 2 of the fair value hierarchy set out in IFRS 13. Hemsö assesses that there is no significant difference between the fair value and carrying value of financial assets and liabilities.

At period-end, the nominal value of the derivatives portfolio was SEK 8,039 million (11,499). The value of the financial derivatives was SEK -723 million (-679). The average duration of the financial derivatives is 5.8 years.

### Summary Financial Policy at 31 December 2016

		Outcome as per 31 December 2016
<b>Financing risk</b>		
Loan to value	Maximum 70 % over the long term	64.0 %
Average loan maturity	At least two yearst	4.1 years
Outstanding secured debt	Maximum 20% of the property value over the long term	7.7 %
<b>Interest rate risk</b>		
Interest-coverage ratio	At least 2.0 (rolling 12 month)	4.1
Interest hedging	60 to 75 % of the debt portfolio shall have a fixed interest term between one to ten years	67 %
<b>Counterparty risk</b>		
Financial instruments	Bank with at least an A- rating (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Maximum 20 % of the Group's risk-bearing capital	Fulfilled

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Dec 2016	Jan-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
Rental income	2,189	1,988	565	505
Other income	15	12	6	2
Operating expenses	-378	-364	-94	-85
Maintenance costs	-141	-121	-46	-47
Other property costs	-33	-39	-11	-11
<b>Net operating income</b>	<b>1,652</b>	<b>1,476</b>	<b>420</b>	<b>364</b>
Central administration expenses	-182	-154	-46	-43
Financial items	-359	-416	-90	-96
<b>Profit before changes in value</b>	<b>1,111</b>	<b>906</b>	<b>284</b>	<b>225</b>
of which, profit from property management	1,111	959	284	225
<b>Changes in value</b>				
Investment properties	2,072	581	1,735	377
Derivatives	-208	140	207	107
<b>Profit before tax</b>	<b>2,975</b>	<b>1,627</b>	<b>2,226</b>	<b>709</b>
Current tax	-49	-46	2	-
Deferred tax	-583	-231	-482	-154
<b>Profit for the period</b>	<b>2,343</b>	<b>1,350</b>	<b>1,746</b>	<b>555</b>
<b>Profit for the period attributable to:</b>				
Parent Company shareholders	2,295	1,344	1,720	555
Non-controlling interests	48	6	26	-
<b>Other comprehensive income</b>				
Profit for the period	2,343	1,350	1,746	555
Translation difference	81	-50	15	-56
<b>Total comprehensive income for the period</b>	<b>2,424</b>	<b>1,300</b>	<b>1,761</b>	<b>499</b>
<b>Comprehensive income for the period attributable to:</b>				
Parent Company shareholders	2,376	1,294	1,735	499
Non-controlling interests	48	6	26	-

## Group – Condensed statement of financial position

Amounts in SEK million	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>		
Investment properties	33,629	26,502
Other non-current assets	69	49
Other current receivables	323	394
Cash and cash equivalents	932	157
<b>TOTAL ASSETS</b>	<b>34,953</b>	<b>27,102</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	8,672	6,764
Shareholder loans		–
Deferred tax liability	2,103	1,518
Interest-bearing liabilities	15,167	10,082
Non-interest-bearing liabilities	723	671
<b>Total non-current liabilities</b>	<b>17,993</b>	<b>12,271</b>
Interest-bearing liabilities	7,316	7,372
Non-interest-bearing liabilities	972	695
<b>Total current liabilities</b>	<b>8,288</b>	<b>8,067</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>34,953</b>	<b>27,102</b>

## Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Proportion from non-controlling interest	Total equity
Opening balance, 1 Jan 2015	1	3,835	42	-1,236	40	2,682
Transfer of capital contribution from non-controlling interests, 2014	–	–	–	-29	29	–
Rights issue	–	3,000	–	–	–	3,000
Shareholders' contribution	–	–	–	21	–	21
Dividend	–	–	–	-264	–	-264
Capital contribution from non-controlling interests 2014	–	–	–	–	25	25
Total comprehensive income for the period	–	–	-50	1,344	6	1,300
<b>Closing balance, 31 Dec 2015</b>	<b>1</b>	<b>6,835</b>	<b>-8</b>	<b>-164</b>	<b>100</b>	<b>6,764</b>
Opening balance, 1 Jan 2016	1	6,835	-8	-164	100	6,764
Reclassification of capital contribution 2015	–	21	–	-21	–	–
Dividend	–	–	–	-585	–	-585
Acquisition of minority share	–	–	–	–	-5	-5
Minority shareholders' contribution	–	–	–	–	74	74
Total comprehensive income for the period	–	–	81	2,295	48	2,424
<b>Closing balance, 31 Dec 2016</b>	<b>1</b>	<b>6,856</b>	<b>73</b>	<b>1,525</b>	<b>217</b>	<b>8,672</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Dec 2016	Jan-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
<b>Operating activities</b>				
Profit before tax	2,975	1,627	2,227	709
Unrealised changes in value	-2,028	-773	-2,066	-490
Other items not included in the cash flow	63	30	-37	66
Income tax paid	-64	-14	-14	2
<b>Cash flow from current operations before changes in working capital</b>	<b>820</b>	<b>870</b>	<b>110</b>	<b>287</b>
Increase (+)/Decrease (-) in working capital	418	-76	92	-270
<b>Cash flow from operating activities</b>	<b>1,238</b>	<b>794</b>	<b>202</b>	<b>17</b>
<b>Investment activities</b>				
Property acquisitions	-3,362	-1,223	-1,172	-641
Investment in new constructions, extensions and reconstructions	-1,551	-1,059	-573	-313
Property divestments	60	778	2	-9
Other non-current assets	-25	-40	-19	-2
<b>Cash flow from investment activities</b>	<b>-4,878</b>	<b>-1,544</b>	<b>-1,762</b>	<b>-965</b>
<b>Financing activities</b>				
Shareholder contribution	74	21	74	-
Borrowing in interest-bearing liabilities	11,468	7,204	196	2,788
Amortisation in interest-bearing liabilities	-6,522	-6,192	-750	-2,136
Contribution from non-controlling interests	-	25	-	-
Dividend paid	-585	-264	-	-52
<b>Cash flow from financing activities</b>	<b>4,435</b>	<b>794</b>	<b>-480</b>	<b>600</b>
<b>Cash flow for the period</b>	<b>795</b>	<b>44</b>	<b>-2,040</b>	<b>-348</b>
Opening balance, cash and cash equivalents	157	107	2,957	506
Exchange rate difference in cash and cash equivalents	-20	6	15	-1
<b>Closing balance, cash and cash equivalents</b>	<b>932</b>	<b>157</b>	<b>932</b>	<b>157</b>

## Parent Company – Condensed statement of income

Amounts in SEK million	Jan-Dec 2016	Jan-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
Operation income	95	71	22	23
Central administration expenses	-182	-198	-44	-51
<b>Operating profit</b>	<b>-87</b>	<b>-127</b>	<b>-22</b>	<b>-28</b>
Financial items	375	-200	-200	-49
Appropriations	400	321	400	321
<b>Profit before tax</b>	<b>688</b>	<b>-6</b>	<b>178</b>	<b>244</b>
Recognised tax	-6	-1	-2	-1
<b>Profit for the period</b>	<b>682</b>	<b>-7</b>	<b>176</b>	<b>243</b>
<b>Other comprehensive income</b>				
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>682</b>	<b>-7</b>	<b>176</b>	<b>243</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>		
<b>Fixed assets</b>		
Equipment	4	5
Shares and participations in Group companies	6,206	6,174
Non-current receivables	4,332	3,997
<b>Total non-current assets</b>	<b>10,542</b>	<b>10,176</b>
<b>Current assets</b>		
Current receivables	12,553	7,379
Cash and cash equivalents	643	1
<b>Total current assets</b>	<b>13,196</b>	<b>7,380</b>
<b>TOTAL ASSETS</b>	<b>23,738</b>	<b>17,556</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	3,693	3,596
<b>Untaxed reserves</b>		
Tax allocation reserve	13	33
<b>Liabilities</b>		
Deferred tax liabilities	29	27
Interest-bearing liabilities	19,840	13,760
Non-interest bearing liabilities	163	140
<b>Total liabilities</b>	<b>20,032</b>	<b>13,927</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>23,738</b>	<b>17,556</b>

## Other information

### Events after period-end

- » The City of Västerås has selected Hemsö to build the upper secondary school Widénska gymnasiet. The property will comprise a leasable area of approximately 5,800 sqm with a total investment estimated at SEK 150 million. The tenant will be the City of Västerås, which has signed a 15-year lease.
- » Hemsö has acquired five properties and been awarded a land allocation in Luleå. The total investment amount is approximately SEK 370 million. Luleå Municipality is the main tenant in the premises and will sign a 20-year lease for both the existing properties and the new development project. The transaction is subject to the approval of the Luleå Municipal Council.

### Employees

At period-end, Hemsö had 109 employees, of whom 46 were women. 48 employees worked with asset and property management, and nine with project development. Other employees were active in administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of the total number of employees, 103 are employed in Sweden, four in Germany and two in Finland.

### Risks and uncertainties

No changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 36-38 of the 2015 Annual Report.

### Related-party transactions

Hemsö's related-party transactions are set out in Note 24 of Hemsö's 2015 Annual Report. No related-party transactions of any significance were conducted during the period.

### Jointly owned companies

In addition to the Group's wholly owned property portfolio, Hemsö owns shares in three companies held jointly with SveaNor and the Third Swedish National Pension Fund. All jointly owned companies are consolidated in the company's consolidated financial statements.

Hemsö owns half of the shares and the voting rights in the jointly owned companies TKV 2 Fastighets AB and Vitartes AB and their subsidiaries. The remaining shares are owned by SveaNor Holding AB. On 1 June 2016, Hemsö acquired the remaining 50 per cent of the shares in the formerly jointly owned company TKV Fastighets AB. The TKV company is developing a medical training and research centre at Karolinska University Hospital in Huddinge. Vitartes is also a project development company focused on life science properties.

In addition to this, Hemsö jointly owns, Hemsö Norden KB, in partnership with the Third Swedish National Pension Fund. Hemsö Norden KB currently owns 15 investment properties through limited partnerships.

### Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The consolidated financial statements have also been prepared in accordance with Swedish law, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

No new or amended standards or interpretations from IASB have had any impact on the interim report, and the accounting policies applied are those presented in Note 1 of Hemsö's 2015 Annual Report.

Stockholm, 7 February 2017

Nils Styf  
Chief Executive Officer

This report has not been reviewed by the company's auditors.

# Definitions\*

## Financial definitions

### Return on equity

Profit after tax adjusted for interest rates on shareholder loans for the period as a percentage of average equity (rolling 12 months). Average equity calculated as the total of the opening and closing balance, divided by two.

### Loan-to-value ratio

Interest-bearing net debt, as a percentage of the carrying value of the properties.

### Average loan maturity

The average of the remaining term of interest bearing liabilities, taking credit facilities into account.

### Average interest rate

The weighed interest rate on interest bearing liabilities taking into account the interest-rate derivatives and credit facilities on the closing day.

### Short-term loans

Loan maturities within 12 months that are not covered by long-term credit facilities.

### MTN program

Medium Term Note programme, a bond programme.

### Interest-coverage ratio

Net operating income less administrative expenses in relation to net financial items.

### Total return

The sum of net operating income and changes in value in relation to average property value, adjusted for changes in value over a rolling 12-month period.

## Property-related definitions

### Yield

Net operating income for the past 12 months, adjusted for the holding period and currency of the properties during the period, in relation to the carrying value of the properties at period-end, excluding project properties.

### Net operating income

Rental income less operating and maintenance costs, property tax and leasehold fees.

### Economic occupancy rate

Rental income in relation to rental value.

### Profit from property management

Profit before changes in value and tax.

### Rental income

Rental value less vacancies, discounts and rental losses.

### Comparable portfolio

The properties that Hemsö owned during all reported periods. Transactions pertaining to properties sold and project properties are excluded.

### Net investments

Total of purchasing, including stamp duty and other direct transaction costs and investments in projects, less the sales price of divested properties and the sales price of properties sold via companies and direct transaction costs.

### Project property

A property or well-defined section of a property that has been vacated in order to convert and refurbish the property. A project property also refers to a building under construction, and a property with an investment of at least 20% of its market value. A project property is reclassified to a completed property on 1 January of the year after completion.

### Property for public use

A property that is predominantly utilised for tax-funded activities and dedicated to community services. Also includes sheltered housing under the public properties concept.

### Lettable area

The areas of the properties for which tenants can be charged rent at period-end.

### Occupancy rate, area

Leased area in relation to total lettable area at period-end.

### Vacancy rent

Estimated market rent for vacant premises in "as-is" condition.

### Rent based on vacancy rate

Rental value of vacancy rent as a percentage of total rental value.

### Vacancy rate, area

Vacant area in relation to total lettable area.

### Surplus ratio

Net operating income in relation to the sum of property income and other income.

\*Definitions and explanation of key figures are available at [hemso.se/en/financial-information/definitions/](http://hemso.se/en/financial-information/definitions/)

## Questions and more information

For more information, please contact:

CEO, Nils Styf, phone +46 (0)8-501 170 01

CFO, Rutger Källén, phone +46 (0)8-501 170 35

Financial statements and press releases are available on Hemsö's website: [hemso.se](http://hemso.se)

## Financial calendar

Annual Report 2016                      March 2017

Annual General Meeting 2016        26 April 2017

Interim Report Jan-Mar 2017        26 April 2017

## Publication

This information is information that Hemsö Fastighets AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 12:00 CET on 7 February 2016.

# HEMSÖ

Hemsö Fastighets AB (Corp. Reg. No. 556779-8169)

Visiting address: Linnégatan 2 Box 24 281, SE-104 51 Stockholm, Sweden

Telephone: +46 8 501 170 00 Fax: +46 8 501 172 98

E-mail: [kontaktaoss@hemso.se](mailto:kontaktaoss@hemso.se) [www.hemso.se](http://www.hemso.se)