

Year-end report 2017

Summary January-December 2017

- » Rental income increased to SEK 2,363 million (2,189).
- » Profit from property management increased to SEK 1,314 million (1,111).
- » Changes in value of properties amounted to SEK 1,682 million (2,072) and changes in value of financial instruments to SEK 135 million (-208).
- » Profit after tax for the period increased to SEK 2,591 million (2,343).
- » Market value of investment properties amounted to SEK 38,883 million (33,629).
- » During the period, 27 properties (49) were acquired for SEK 2,668 million (3,362) and 36 properties (11) were divested for SEK 1,587 million (61).

Significant events during the fourth quarter

- » Hemsö concluded an agreement with Stenvalvet, in which Hemsö will acquire three properties in Gothenburg in the justice system segment and divest nine properties in several

locations across Sweden. The transaction value was just over SEK 1 billion.

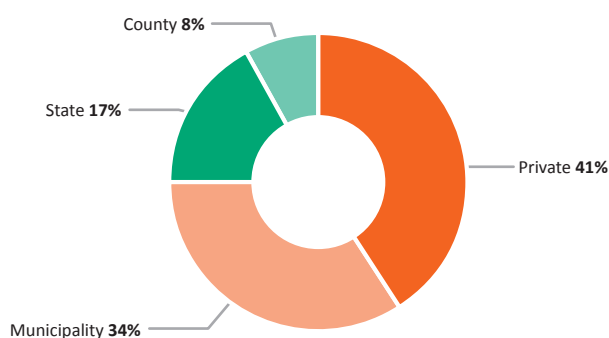
- » Hemsö's two buildings in Borstahusen were awarded the City of Landskrona's Urban Planning Prize. The buildings comprise an elementary school and a sports centre, and were completed in autumn 2017.
- » Hemsö acquired land from the Municipality of Boden to build a nursing home with 126 apartments. The investment amount is SEK 225 million. A 15-year lease agreement was signed with Norlandia.
- » The City of Västerås selected Hemsö to develop public services in the new Södra Källtorp residential area in Västerås. The investment amounted to SEK 490 million and a 25-year lease agreement was signed with the City of Västerås.
- » In central Helsinki, Hemsö acquired an educational property for SEK 120 million. The tenants are Aalto University and the Hanken School of Economics.
- » Two nursing homes in Växjö with 116 apartments were acquired for SEK 300 million. A 15-year and 17-year lease agreement was signed with Attendo and Norlandia, respectively.

Hemsö in summary*

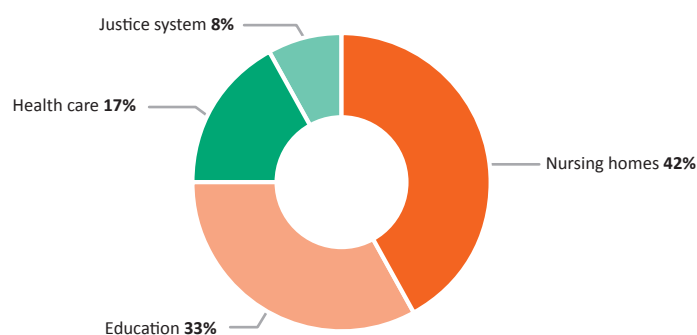
	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Rental income, SEK million	2,363	2,189	614	565
Profit from property management, SEK million	1,314	1,111	330	284
Profit after tax, SEK million	2,591	2,343	886	1,747
Operating cash flow, SEK million	1 272	1 049	330	271
Loan-to-value ratio, %	62.9	64.0	62.9	64.0
Interest-coverage ratio, times	4.8	4.1	4.6	4.2
Market value of investment properties, SEK million	38,883	33,629	38,883	33,629
Surplus ratio, %	75.3	75.0	75.0	73.6
Economic occupancy rate, %	98.3	97.5	98.3	97.5
Leasable area, tsqm	1,636	1,638	1,636	1,638

*) Definitions and explanations of key figures are available at hemso.se/en/financial-information/definitions/

Contracted rent per customer category



Contracted rent per property category



CEO statement

Our vision is to be a long-term property partner to the public sector and we expect a sustained and stable need over time for further investment in properties for public use.

Hemsö's financial performance during the year, with strong growth and high profitability, also continued in the fourth quarter. For the full-year, profit from property management rose 18 per cent to SEK 1,314 million. This, I believe, is due to our proven business model combined with the expertise and commitment of our employees. The company's stable trend continues and the market value of our properties amounted to SEK 39 billion. This growth is partly due to the large number of completed developments and acquisitions, but also to higher property values driven by falling yield requirements in all of our countries.

Long-term project development

Our investment in project development, with a focus on schools and nursing homes that began several years ago, has made a strong contribution to growth. In the fourth quarter, two developments comprising SEK 844 million were completed.

Of the many successful developments during the year, I would like to highlight two in particular. During the quarter, we completed one nursing home with 60 beds that has now been leased to the Municipality of Norrköping for 25 years. This is the result of a successful partnership with the municipality and is the nicest nursing home I have ever seen in Sweden. We are also especially proud of the elementary school and sports centre in Borstahusen that we completed during the autumn term of 2017, which were awarded the City of Landskrona's Urban Planning Prize. The tenants are the International English School and the City of Landskrona, with a 20-year lease agreement. This is confirmation that Hemsö is developing the right developments for our tenants and for society as a whole.

During the year, six major developments were completed for a total investment of SEK 1.5 billion, with a rental duration of 22 years. This is one of the reasons why Hemsö's rental duration increased to a total of 9.2 years.

The City of Västerås selected Hemsö to develop public services in the new Södra Källtorp residential area in Västerås. Hemsö is building a nursing home, senior housing properties and a preschool. The main tenant will be the City of Västerås, with a 25-year lease agreement. Hemsö will be implementing a refurbishment and extension of the Vrinnevihus nursing home, and the current tenant – the Municipality of Norrköping – has signed a 20-year lease agreement. Västerås and Norrköping are two examples of priority growth areas, in which Hemsö has made, and is planning to make, major investments in a number of schools and nursing homes in partnership with the respective municipality.



Transactions

Hemsö has entered into a barter transaction, in which we will acquire three properties in Gothenburg and divest nine properties in several locations across Sweden. The acquisition will strengthen Hemsö's justice system segment and increase the proportion of public-sector tenants. It is gratifying that this acquisition will also strengthen our presence in the Gothenburg region and further improve our management efficiency.

Stable capital structure

Standard & Poor's has confirmed its long-term credit rating of A- with stable outlook for Hemsö. The credit rating reflects Hemsö's stable business model, financial strength and long-term stability. It is gratifying that Standard & Poor's has highlighted our active efforts to extend the company's interest and loan maturities during the year, which are now among the longest in the Swedish property market. This reduces Hemsö's refinancing risk and will improve the predictability of our interest expense moving forward.

Stability in an uncertain business environment

In the fourth quarter, the property market as a whole was characterised by concern in the housing market, but we have not yet seen any impact on the public properties market. There is of course a risk that concern and falling prices will spread to other markets. But Hemsö's markets are driven by the long-term need for public services, which remains high, and have not been subject to the same oversupply compared with some parts of the housing market. A turbulent market could also create attractive investment opportunities for Hemsö, with its strong capital structure.

I am looking forward to 2018, and Hemsö is entering the year with clarity regarding our business model, dedicated and dependable employees and a passionate objective of being the natural property partner for municipalities, and the best property company for public services.

Nils Styf, CEO

Income, costs and profit

Profit/loss items relate to the January-December 2017 period, and are compared with the year-earlier period. Balance-sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year.

Rental income

During the period, rental income amounted to SEK 2,363 million (2,189). Rental income rose 28 per cent in Germany, and 56 per cent in Finland. The increase was mainly the result of completed acquisitions. In Sweden, rental income rose 2 per cent, mainly attributable to acquisitions and completed projects.

In the comparable portfolio, rental income rose SEK 25 million, or 1.4 per cent, with the largest increase in Germany.

In Sweden, lower vacancies led to higher rental income.

At period-end, contracted annual rent amounted to SEK 2,492 million (2,316) and economic vacancies to SEK 42 million (60), down SEK 18 million since year-end. The economic occupancy rate was 98.3 per cent (97.5).

The rental duration increased to 9.2 year (8.2), due to long-term lease agreements in acquisitions and completed projects.

Property costs

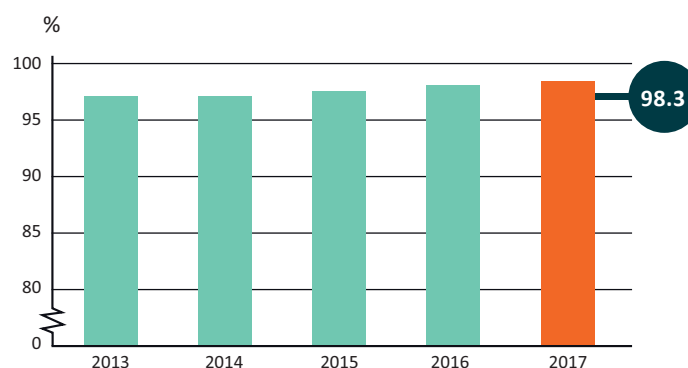
Property costs amounted to SEK 587 million (552), up SEK 35 million. The increase was mainly attributable to a larger property portfolio and higher maintenance costs.

Costs in the comparable portfolio increased SEK 31 million, or 7.3 per cent, mainly due to higher costs for routine and planned maintenance.

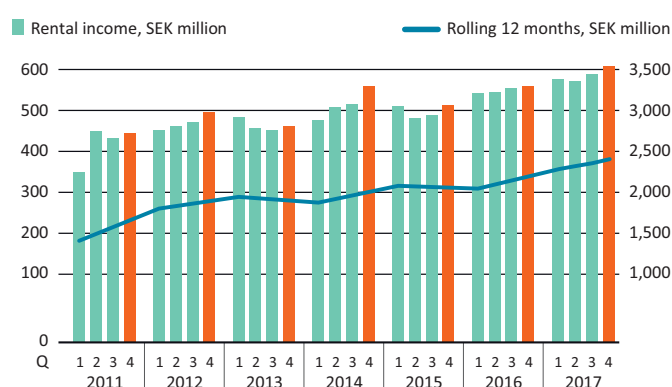
SEK 1,314 million

Profit from property management

Economic occupancy rate, %



Rental income



Vacancy changes

SEK million	Jan-Dec 2017
Opening vacancy	60
Terminated leases	20
New leases	-16
Acquired	1
Divested	-23
Closing vacancy	42

Lease maturity

Maturity year	Annual rent, SEK million	Share of annual rent, %
2018	223	9
2019	179	7
2020	220	9
2021	224	9
2022	129	5
>2022	1,524	61
Total	2,499	100

"Annual rent" refer to contracted annual rent before the deduction of discounts.

Comparable portfolio

	31 Dec 2017	31 Dec 2016	Change, %
No. of properties	249	249	-
Market value of investment properties, SEK million	25,137	23,813	5.0
Valuation yield, %	5.3	5.6	-5.6
Amounts in SEK million	Jan-Dec 2017	Jan-Dec 2016	Change, %
Rental income	1,766	1,742	1.4
Other income	8	10	-12.5
Operating costs	-287	-282	1.1
Maintenance costs	-134	-112	18.4
Other property costs	-31	-27	16.4
Net operating income	1,322	1,330	-0.9

Net operating income

Net operating income increased to SEK 1,788 million (1,652). The increase was mainly attributable to acquisitions and completed projects. Divested properties reduced net operating income by SEK -75 million. The surplus ratio was 75.3 per cent (75.0), up 0.3 per cent year-on-year.

In the comparable portfolio, net operating income declined SEK -8 million, or 1 per cent. The decrease was mainly attributable to higher costs for routine and planned maintenance.

Surplus ratio 2013-2017**Administration**

Central administrative expenses for the period amounted to SEK 130 million (182). The year-on-year decline of SEK 52 million was mainly due to the recognition of administrative expenses as property costs in order to adapt the presentation of our financial statements to industry-wide standards. The decline was also due to lower personnel expenses and consultancy costs.

Financial items

Net financial items amounted to an expense of SEK -345 million (-359), of which interest expense accounted for SEK -343 million (-342). Despite an increase in interest-bearing liabilities to SEK 25,575 million (22,483) and longer loan maturities and fixed-rate periods, interest expense remained largely unchanged. This was due to a lower average interest rate during the year. Remaining net financial items comprised other financial expenses of SEK -43 million (-39), interest income of SEK 14 million (2), other financial income of SEK 27 million (26) and exchange rate differences of SEK 0 million (-6).

Profit from property management

Profit from property management rose 18 per cent to SEK 1,314 million (1,111). The improvement was attributable to a larger property portfolio, lower central administrative expenses and improved net financial items.

Change in value of investment properties

During the period, changes in value of properties amounted to SEK 1,682 million (2,072), of which realised change in value accounted for SEK -79 million (-1) and unrealised change for SEK 1,761 million (2,073). Unrealised changes in value were mainly the result of lower yield requirements in Sweden, Germany and Finland, but also attributable to completed projects and new leasings. The valuation yield, excluding project properties, amounted to 5.2 per cent (6.0).

Calculation of valuation yield

SEK million	31 December 2017
NOI according to income statement	1,788
Adjusted for 12-month holding period	27
Adjusted for project properties	-104
Adjusted NOI, 12-month holding period excluding project properties	1,711
Carrying amount of properties according to balance sheet	38,883
Adjusted for project properties	-6,220
Adjusted carrying amount of properties	32,663
Valuation yield	5.2 per cent

Unrealised changes in value

SEK million	Jan-Dec 2017
Property management and project-related change in value	518
General market value change	517
Subtotal Sweden	1,035
Property management and project-related change in value	65
General market value change	661
Subtotal Foreign	726
Total unrealised changes in value	1,761

Change in value of property portfolio

	SEK million	No.
Carrying amount, opening balance	33,629	356
Acquisitions	2,668	27
Investments in new construction, extension and refurbishment	2,190	
Less property through re-allotment		-1
Divestments	-1,587	-36
Disposals	-6	
Exchange-rate fluctuations	228	
Unrealised changes in value	1,761	
Carrying amount at period-end	38,883	346

Change in value, financial instruments

Changes in value of financial instruments had a positive impact of SEK 135 million (-208) on profit.

Changes in value of interest-rate derivatives had a positive impact of SEK 144 million (-208) on profit, of which unrealised change in value amounted to SEK 186 million (-44). In addition, a previously recognised loss of SEK -42 million (-164) was realised in connection with Hemsö's early termination of an interest-rate derivative.

The unrealised change in value was largely attributable to market rate increases during the period and a shorter maturity in the interest rate derivatives portfolio.

Foreign exchange derivatives had a negative impact on profit, of which total unrealised value accounted for SEK -7 million (-) and realised value for SEK -2 million (-).

Tax

Recognised tax for the period amounted to SEK -540 million (-632), of which current tax accounted for SEK -63 million (-49) and deferred tax for SEK -477 million (-583).

Deferred tax expense mainly consisted of a change in the temporary difference between the carrying and taxable amounts of investment properties, divestment of properties and the recognised unrealised change in value of financial instruments.

Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	31 Dec 2017	31 Dec 2016
Sweden East	688	613	522	470	13,238	11,390
Sweden West	283	335	173	214	3,543	3,875
Sweden North	590	567	437	424	8,939	8,116
Sweden South	309	320	218	221	4,500	4,626
Germany	275	214	260	207	4,889	3,274
Finland	218	140	178	116	3,774	2,348
Total	2,363	2,189	1,788	1,652	38,883	33,629

Segment identification is based on internal reporting. The Chief Executive Officer primarily 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.

At period-end, deferred tax assets amounted to SEK 143 million (174) and pertained to a temporary difference of SEK 120 million (159) on the change in value of financial derivatives and loss carryforwards of SEK 23 million (15). Deferred tax liabilities amounted to SEK 2,734 million (2,277) and were largely attributable to temporary differences related to investment properties. Changes in deferred tax liabilities are due to changes in the market values of properties combined with tax depreciation, as well as divestment of properties. Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

Profit

Profit after tax for the period amounted to SEK 2,591 million (2,343), up SEK 248 million year-on-year. The earnings improvement was mainly attributable to improved profit from property management.

The total return was 9.8 per cent (12.8), and return on equity was 26.6 per cent (30.4).

Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 1,220 million (984). Changes in working capital had a positive impact of SEK 83 million (254) on cash flow. Investing activities had a negative impact of SEK -3,493 million (-4,878) on cash flow, while increased borrowing had a positive impact of SEK 2,406 million (4,435) on cash flow from financing activities. Overall, cash and cash equivalents increased SEK 202 million (775) during the period.

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 56 million (95) and consisted of fees for services to the subsidiaries. Administrative expenses decreased to SEK -145 million (-182). Financial expense amounted to SEK -228 million (income: 539). The comparative figure for the preceding period includes dividends of SEK 1,255 million from subsidiaries. Total comprehensive income for the period declined to SEK 108 million (682).

Property portfolio

Of the total property value of SEK 38,883 million (33,629), 78 per cent (83) is attributable to Sweden, 12 per cent (10) to Germany and 10 per cent (7) to Finland.

At period-end, Hemsö owned properties in 68 municipalities in Sweden, 35 municipalities in Germany and 20 municipalities in Finland. The largest share of the market value of investment properties, 81 per cent, was attributable to properties located in major cities in Sweden, Germany and Finland.

In Sweden and Finland, Hemsö owns properties for nursing homes, education, health care and the justice system. In Germany, Hemsö owns properties for nursing homes and education.

At 31 December 2017, Hemsö's property portfolio comprised 346 properties (356) with a total leasable area of 1,636 tsqm (1,638).

SEK 38,883 million

Market value of investment properties

Hemsö's five largest ongoing projects

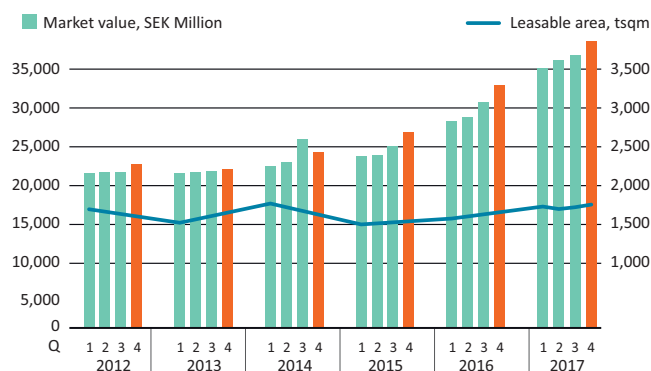
Municipality	Property	Property category	Project area, sqm	Estimated investment, SEK million	Remaining investment, SEK million	Rental value increase after project, SEK million	Occupancy rate, %	Estimated year of completion
Solna	Patienten 1 ¹	Health care	21,000	1,783	1,246	82	68 %	2020
Stockholm	Princeton 1 ¹	Health care	20,000	1,440	1,009	77	0 %	2021
Tyesö	Krusmyntan 1	Nursing homes	4,675	158	10	10	100%	2018
Västerås	Widénska ²	Education	5,200	141	100	10	100%	2018
Staffanstorps	Stanstorp 5:368	Nursing homes	4,290	135	110	9	100%	2019
Total			55,165	3,657	2,475	188		

¹ Projects are conducted in companies owned jointly with SveaNor. ² Property not transferred

Investments

Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new leasings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 2,190 million (1,551) was invested. Of this amount, SEK 1,851 million (1,148) was invested in new construction, and SEK 339 million (403) in maintenance and new leasings.

Market value and area of investment properties



Property transactions

During the period, 27 properties (49) were acquired for SEK 2,668 million (3,362). During the period, 36 properties (11) were divested for SEK 1,587 million (61).

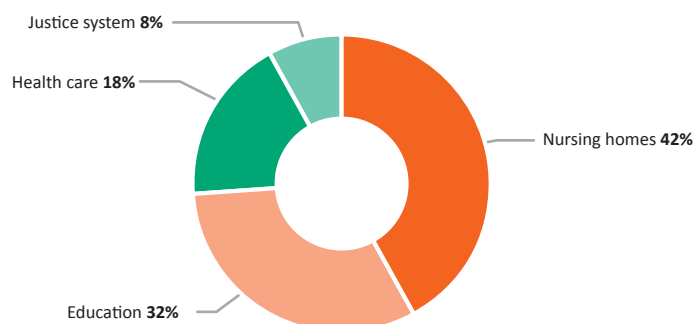
Properties acquired and divested

Quarter	No. of properties	Property value, SEK million	Leasable area, sqm
Acquisitions			
Q1	7	536	16,952
Q2	12	1,311	63,427
Q3	3	175	10,730
Q4	5	646	13,893
Total	27	2,668	105,002
Divestments			
Q1	1	60	4,883
Q2	35	1,527	174,109
Q3	-	-	-
Q4	-	-	-
Total	36	1,587	178,992

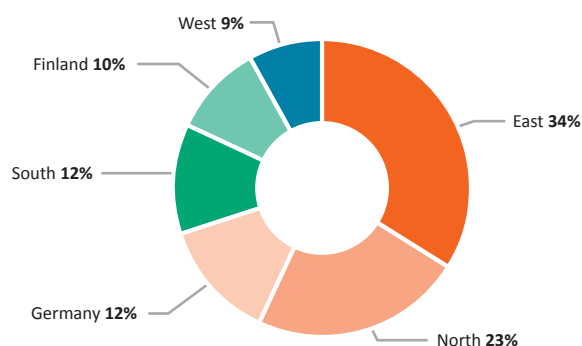
Development

Hemsö has numerous ongoing development, and new schools and nursing homes, in particular, are under construction. The five largest projects comprise a total investment of SEK 3,657 million, of which the remaining investment amount is SEK 2,475 million. The remaining investment volume for all ongoing projects is SEK 3,687 million. During the quarter, two projects totalling SEK 844 million were completed and the properties were transferred to property management.

The market value of investment properties per property category



The market value of investment properties per segment



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No. of properties	172	103	62	9	346
Leasable area, tsqm	739	523	268	106	1,636
Rental duration, years	9.5	10.6	6.4	7.2	9.2
Property value, SEK million	16,412	12,620	6,796	3,055	38,883
Rental income, SEK million	988	774	393	208	2,363
NOI, SEK million	770	587	261	170	1,788
Economic occupancy rate, %	99.8	98.6	94.3	98.7	98.3
Dividend yield, %	5.1	5.1	5.7	5.5	5.2

Tenants

About 95 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 14 of the 20 largest tenants are state, municipal or county operators. The proportion of contracted annual rent with public-sector tenants was 59 per cent, where lease agreements with state operators accounted for 17 per cent, municipal operators for 34 per cent and county operators for 8 per cent. In Sweden, most privately run education, health-care and elderly-care operations are taxpayer-funded via school, health-care and care voucher schemes. In Finland, private operators receive funding through a system similar to Swedish schemes.

In Germany, privately run operations are funded through the public health insurance scheme and care-user fees. When users are unable to pay their own expenses, funding is provided through municipal contributions. Hemsö is usually able to obtain collateral for the rental income through pledges of the operator's entitlement to municipal contributions. Contracted annual rent in Germany amounted to EUR 29 million, of which 23 per cent is secured through pledges.

The largest tenants, each accounting for 4-6 per cent of the total contracted annual rent, are the Swedish Police Authority, Attendo, AcadeMedia and the Stockholm City Council.

Hemsö's 20 largest tenants

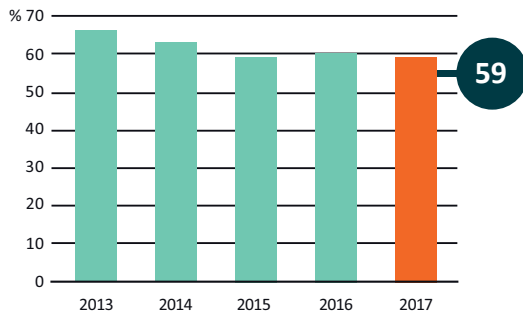
Tenant	Tenant category	Contracted annual rent, SEK million	Percentage of contracted annual rent, %	No. of lease agreements
Swedish Police	State	137	5.5	25
Attendo	Private	134	5.4	67
Academedial	Private	115	4.6	25
Stockholm County	County	105	4.2	73
Municipality of Norrköping	Municipality	73	2.9	23
City of Västerås	Municipality	66	2.6	15
The Karolinska Institute	State	66	2.6	11
AWO (Germany)	Private	63	2.5	8
Västra Götaland Region	County	61	2.5	65
Mälardalen University	State	53	2.1	2
HEWAG (Germany)	Private	51	2.1	9
Municipality of Gävle	Municipality	48	1.9	19
The Int. English School	Private	45	1.8	8
Region Gotland	County	43	1.7	10
Municipality of Upplands Väsby	Municipality	40	1.6	4
Municipality of Uppsala	Municipality	37	1.5	22
Municipality of Nacka	Municipality	36	1.5	14
Royal Swedish Institute of Technology	State	36	1.4	1
Municipality of Pori (Finland)	Municipality	35	1.4	1
Kunskapsskolan	Private	34	1.4	6
Total		1,277	51.1	408

Property frameworks

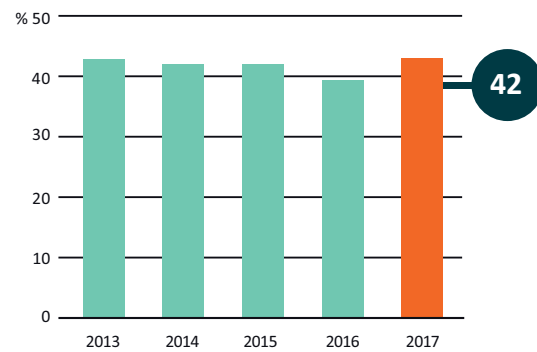
To clarify the company's strategy, Hemsö has a number of property frameworks. The aim of these frameworks is to ensure a

low level of risk in the property portfolio and that Hemsö's cash flow remains stable over time.

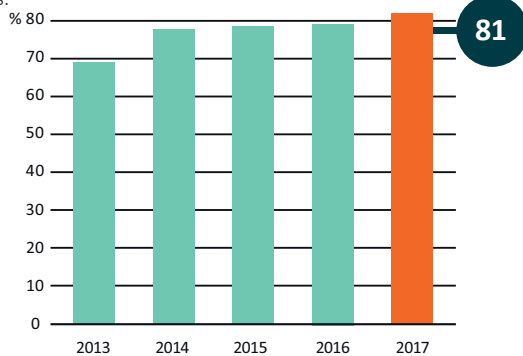
Public-sector tenants are to account for at least 50 per cent of rental income.



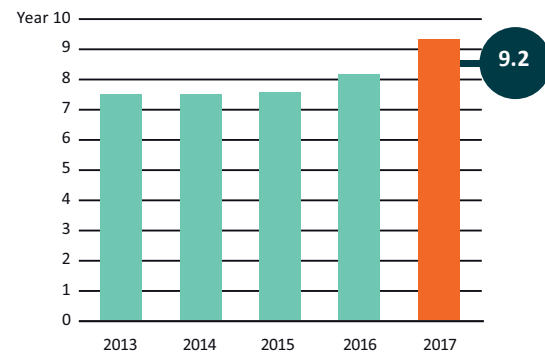
Nursing homes are to account for at least 30 per cent of rental income.



At least 75 per cent of the property value is to be concentrated to major cities.



The rental duration is to exceed 5 years.



Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 December 2017. It is important to note that this should not be compared with a forecast for the next 12 months, for example, as it does not include any assessments regarding future vacancies, rental trends, changes in operating costs or future property transfers. The rental value is based on contracted rental income on an annual basis, plus the assessed market rent for vacant premises. Property costs are based on the actual outcome over the past 12 months adjusted for the holding period.

Earning capacity

SEK million	31 December 2017
Rental value	2,541
Less vacancy rent	-42
Less discounts	-7
Contracted annual rent	2,492
Property costs	-577
Net operating income	1,915

Property valuation

Properties are valued in accordance with Level 3 of the fair value hierarchy in IFRS 13. Hemsö recognises its investment properties in Sweden at fair value in accordance with IAS 40, and at 31 December, the value of all Swedish properties had been internally assessed. Property valuations are conducted quarterly. To verify the internal valuation, most of the prop-

erty portfolio is externally assessed every year. Their carrying amounts were confirmed by the external valuation. The value of Hemsö's property portfolios in Germany and Finland is determined by external valuation. At period-end, the fair value of properties was SEK 38,883 million (33,629).

Financing

Hemsö aims for a balanced risk profile, entailing a maximum loan-to-value ratio of 70 per cent and a minimum interest-coverage ratio of 2.0 times. At period-end, the loan-to-value ratio was 62.9 per cent (64.0) and the interest-coverage ratio was 4.8 times (4.1).

At 31 December 2017, Hemsö's total assets amounted to SEK 40,677 million (34,953), of which the value of Hemsö's properties accounted for SEK 38,883 million (33,629) and cash and cash equivalents for SEK 1,134 million (932). Other assets amounted to SEK 660 million (392). The assets were financed through equity of SEK 10,795 million (8,672), deferred tax liabilities of SEK 2,591 million (2,103), interest-bearing liabilities of SEK 25,575 million (22,483) and other liabilities of SEK 1,716 million (1,692).

Interest-bearing liabilities

In 2017, Hemsö borrowed SEK 7,571 million on the bond market with maturities ranging from 2-15 years. Bonds and secured bank loans totalling SEK 5,565 million were repaid or repurchased during the same period. After period-end, Hemsö issued bonds totalling SEK 700 million with maturities of 15-20 years, a five year bond of SEK 500 million and borrowed a eight year SEK 800 million loan from the Nordic Investment Bank.

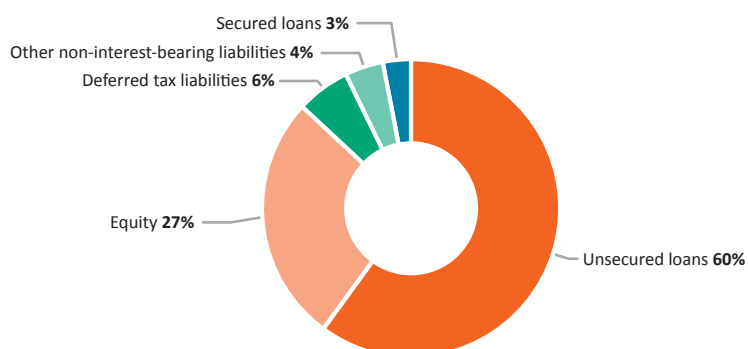
At period-end, Hemsö's interest-bearing liabilities amounted to SEK 25,575 million (22,483). The increase of SEK 3,091 million compared with 31 December 2016 was attributable to a large investment volume and acquisitions. The debt portfolio of SEK 25,575 million comprised unsecured bonds of SEK 20,317 million (14,802), outstanding commercial papers of SEK 4,038 million (5,038) and secured loans of SEK 1,220 million (2,602).

Available liquidity amounted to SEK 11,854 million (12,774), of which bank deposits accounted for SEK 1,134 million (932) and unutilised credit facilities for SEK 10,720 million (11,842).

At period-end, foreign currency debt amounted to EUR 879 million (633), corresponding to SEK 8,657 million (6,056). Net exposure defined as property assets and cash including currency hedging less interest-bearing liabilities amounted to EUR 119 million, corresponding to SEK 1,169 million. The amount represents 10.8 per cent of the Group's equity.

At period-end, Hemsö's average interest rate was 1.5 per cent (1.5). The average loan maturity was 5.0 years (4.1), and the average fixed-rate period was 5.1 years (4.6).

Capital structure at 31 December 2017



Financial ratios at 31 December 2017

Loan-to-value ratio, %	62.9
Secured loans, % of the market value of investment properties	3.1
Interest-coverage ratio, times	4.8
Fixed-rate period, years	5.1
Loan maturity, years	5.0

Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreements, SEK million	Utilised, SEK million	Share, %	SEK million	Share, %
2018	2,653	2,653	12	7,030	28
2019	13,103	4,104	19	1,640	6
2020	5,439	3,719	17	1,347	5
2021	1,503	1,503	7	2,100	8
2022	400	400	2	1,300	5
2023	0	0	0	1,500	6
2024	500	500	2	2,000	8
2025	0	0	0	0	0
2026	4,896	4,896	23	4,896	19
>2026	3,762	3,762	18	3,762	15
Total	32,256	21,537	100	25,575	100
Commercial papers		4,038			
Total		25,575			

Interest-rate and foreign exchange derivatives

Hemsö uses interest-rate derivatives to manage its interest-rate risk and foreign exchange derivatives to manage its currency risk. At period-end, the nominal amount of the derivatives portfolio was SEK 8,250 million (8,039). The change in nominal volume comprised SEK 1,339 million in terminated interest-rate derivatives and SEK 1,550 million in interest-rate derivatives entered into during the year. The negative value of the interest-rate derivatives was SEK 537 million (723). The foreign exchange derivatives portfolio had a nominal value of SEK 640 million, and a negative value of SEK 6 million. The total negative value of the derivatives portfolio was SEK 544 million.

Hemsö issued fixed-rate bonds during the period, which has extended the fixed-rate period and thereby reduced the need for derivatives. Interest-rate derivatives are measured 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 inputs, in accordance with Level 2 of the fair value hierarchy in IFRS 13. Hemsö assesses that there is no significant difference between the fair value and carrying amount of financial assets and liabilities.

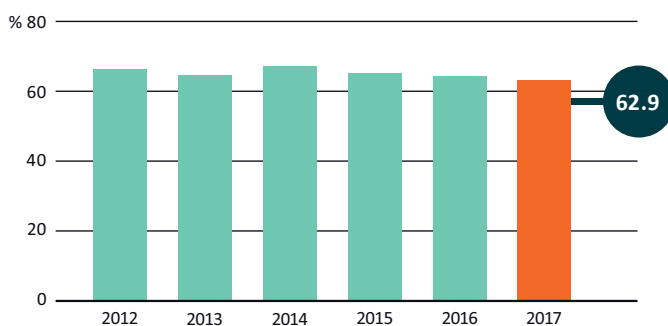
Financial policy

The aim of Hemsö's financing activities is to ensure a stable capital structure at the lowest-possible financing cost within given risk limits.

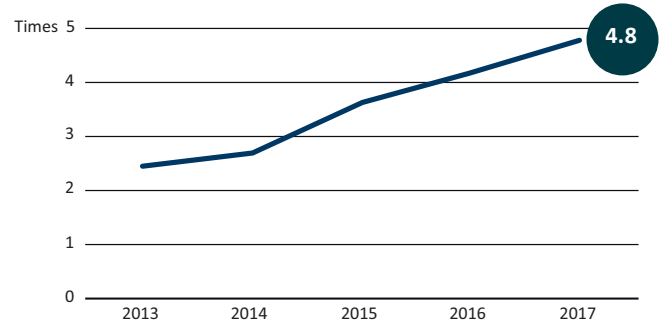
Summary of financial policy

		Outcome, 31 Dec 2017
Financing risk		
Loan-to-value ratio	Max. 70%	62.9%
Loan maturity	At least 2 years	5.0 years
Debt-coverage ratio	At least 110%	166%
Secured loans	Max. 20% of the long-term property value	3%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 times (rolling 12-month period)	4.8 times
Fixed-rate period	Hemsö's average fixed-rate period should range from 3-8 years	5.1 years
Fixed-rate maturity	Max. 40% of fixed-rate periods should mature within 12 months	28%
Counterparty risk		
Financial instruments	Bank with minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% (in SEK) of the Group's equity without currency hedging.	11%

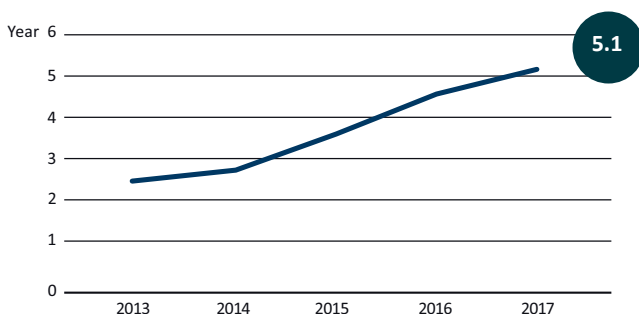
Loan-to-value ratio, %



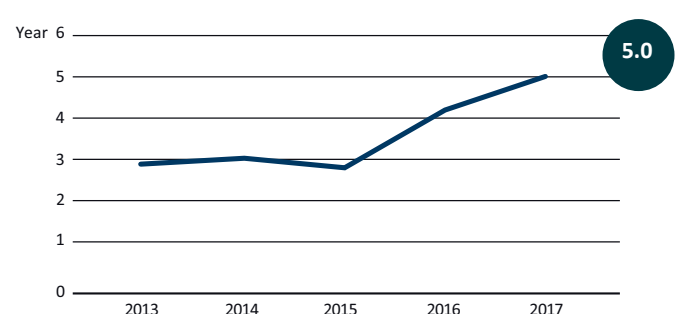
Interest-coverage ratio, times



Fixed-rate period, years



Loan maturity, years



Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Rental income	2,363	2,189	614	565
Other income	12	15	3	6
Operating costs	-383	-378	-85	-94
Maintenance costs	-161	-141	-57	-46
Other property costs	-43	-33	-12	-11
Net operating income	1,788	1,652	463	420
Central administrative expenses	-130	-182	-43	-46
Profit from participations in associated companies	1	-	1	-
Financial items	-345	-359	-91	-90
Profit from property management	1,314	1,111	330	284
Changes in value				
Investment properties	1,682	2,072	739	1,735
Financial instruments	135	-208	33	207
Profit before tax	3,131	2,975	1,102	2,226
Current tax	-63	-49	13	2
Deferred tax	-477	-583	-229	-482
Profit for the period	2,591	2,343	886	1,746
Profit for the period attributable to				
Parent Company shareholders	2,577	2,295	929	1,720
Non-controlling interests	14	48	-43	26
Other comprehensive income				
Profit for the period	2,591	2,343	886	1,746
Translation difference	31	81	24	15
Total comprehensive income for the period	2,622	2,424	910	1,761
Total comprehensive income for the period attributable to				
Parent Company shareholders	2,608	2,376	953	1,735
Non-controlling interests	14	48	-43	26

Group – Condensed balance sheet

Amounts in SEK million	31 December 2017	31 December 2016
ASSETS		
Investment properties	38,883	33,629
Participations in associated companies	101	-
Receivables from associated companies	47	-
Other non-current assets	32	69
Other current receivables	480	323
Cash and cash equivalents	1,134	932
TOTAL ASSETS	40,677	34,953
EQUITY AND LIABILITIES		
Equity	10,795	8,672
Deferred tax liabilities	2,591	2,103
Interest-bearing liabilities	18,884	15,167
Non-interest-bearing liabilities	544	723
Total long-term debt	22,019	17,993
Interest-bearing liabilities	6,691	7,316
Non-interest-bearing liabilities	1,172	972
Total current liabilities	7,863	8,288
TOTAL EQUITY AND LIABILITIES	40,677	34,953

Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Share of equity from non-controlling interests	Total equity
Opening equity, 1 Jan 2016	1	6,835	-8	-164	100	6,764
Dividends	-	-	-	-585	-	-585
Acquisition of minority share	-	-	-	-	-5	-5
Reclassification of capital contribution	-	21	-	-21	-	-
Contribution from minority interests	-	-	-	-	74	74
Comprehensive income	-	-	81	2,295	48	2,424
Closing equity, 31 Dec 2016	1	6,856	73	1,525	217	8,672
Opening equity, 1 Jan 2017	1	6,856	73	1,525	217	8,672
Dividends	-	-	-	-556	-	-556
Contribution from minority interests	-	-	-	-	57	57
Comprehensive income	-	-	31	2,577	14	2,622
Closing equity, 31 Dec 2017	1	6,856	104	3,546	288	10,795

Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Operating activities				
Profit from property management	1,314	1,111	330	284
Adjustment for non-cash items in profit from property management	0	2	-1	1
Adjustment for non-cash items	-52	-65	-139	3
Income tax paid	-42	-64	1	-14
Cash flow before changes in working capital	1,220	984	191	274
Increase (+)/decrease (-) in working capital	83	254	484	-72
Cash flow from operating activities	1,303	1,238	675	202
Investing activities				
Acquisition of properties	-2,668	-3,362	-646	-1,172
Investments in new construction, extension and refurbishment	-2,190	-1,551	-598	-573
Property divestments	1,469	60	-	2
Investment in financial non-current assets	-102	-	43	-
Other non-current assets	-2	-25	-	-19
Cash flow from investing activities	-3,493	-4,878	-1,201	-1,762
Financing activities				
Shareholder contributions received	-	74	-	74
Interest-bearing liabilities	8,470	11,468	1,480	196
Amortisation of interest-bearing liabilities	-5,565	-6,522	-655	-750
Contributions from non-controlling interests	57	-	-	-
Dividends paid	-556	-585	-	-
Cash flow from financing activities	2,406	4,435	825	-480
Cash flow for the period	216	795	299	-2,040
Opening balance, cash and cash equivalents	932	157	849	2,957
Exchange-rate differences in cash and cash equivalents	-14	-20	-14	15
Closing cash and cash equivalents	1,134	932	1,134	932

Parent Company – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Operating income	56	95	6	22
Central administrative expenses	-145	-182	-38	-44
Operating profit/loss	-89	-87	-32	-22
Financial items	-228	539	-101	-75
Change in value, financial instruments	-45	-164	17	-125
Appropriations	498	400	486	400
Profit before tax	136	688	370	178
Recognised tax	-28	-6	-28	-2
Profit for the period	108	682	342	176
Other comprehensive income				
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	108	682	342	176

Parent Company – Condensed balance sheet

Amounts in SEK million	31 December 2017	31 December 2016
ASSETS		
Non-current assets		
Intangible assets	4	3
Equipment	1	1
Shares and participations in Group companies	6,324	6,206
Non-current receivables	3,355	4,332
Total non-current assets	9,684	10,542
Current assets		
Current receivables	17,273	12,553
Cash and cash equivalents	906	643
Total current assets	18,179	13,196
TOTAL ASSETS	27,863	23,738
EQUITY AND LIABILITIES		
Equity	3,245	3,693
Untaxed reserves		
Tax allocation reserve	48	13
Liabilities		
Deferred tax liabilities	25	29
Interest-bearing liabilities	24,354	19,840
Non-interest-bearing liabilities	191	163
Total liabilities	24,570	20,032
TOTAL EQUITY AND LIABILITIES	27,863	23,738

Other information

Events after period-end

After period-end, Hemsö issued bonds totalling in SEK and EUR of 1 200 million and borrowed a eight year SEK 800 million loan from the Nordic Investment Bank.

Employees

At period-end, Hemsö had 105 employees, of whom 53 were women. Of these employees, 36 worked with asset and property management and 11 with project development. Other employees worked with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 98 are employed in Sweden, four in Germany and three in Finland.

Risks and uncertainties

No changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 46-48 of the 2016 Annual Report.

Related-party transactions

Hemsö's related-party transactions are set out in Note 25 of Hemsö's 2016 Annual Report. No significant related-party transactions took place during the period.

Jointly owned companies

In addition to the Group's wholly owned property portfolio, Hemsö owns shares in a number of companies held jointly with SveaNor and the Third Swedish National Pension Fund. These jointly owned companies are included in the company's consolidated accounts.

Hemsö holds half of the shares and votes in the jointly owned company Vitartes AB, and its subsidiary. The remaining shares are owned by SveaNor Holding AB. Vitartes is a project development company focused on life sciences properties.

Hemsö also co-owns a joint venture, Hemsö Norden KB, with the Third Swedish National Pension Fund. Hemsö Norden KB currently owns 21 investment properties.

During the year, Hemsö and Lantmännen also formed the joint venture Lanthem Samhällsfastigheter AB. This company is not included in the consolidated accounts. The business objective is to develop and own properties for public use with a focus on schools and nursing homes. Lanthem Samhällsfastigheter currently owns two investment properties through a subsidiary.

Accounting policies applied

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The consolidated accounts have also been prepared in accordance with Swedish law, with application of the Swedish Finan-

cial Reporting Board's recommendation RFR, 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities.

No new or amended standards or interpretations issued by the IASB have had any effect on this interim report, and the accounting policies applied are consistent with those described in Note 1 of Hemsö's 2016 Annual Report.

Impact of new or revised IFRS from 1 January 2018 or later

IFRS 9 Financial instruments

This standard will apply for reporting periods beginning on or after 1 January 2018 and supersede IAS 39 Financial instruments. The recommendation requires that Hemsö make an assessment of expected credit loss. Since Hemsö's customers are predominantly from the public sector, are solvent and pose a low credit risk, Hemsö does not expect the standard to have any material effect on the financial statements.

IFRS 15 Revenue from contracts with customers

This standard will apply for periods beginning on or after 1 January 2018 and specifies how to recognise revenue from contracts with customers as well as non-monetary exchanges between entities in the same line of business. Since Hemsö's revenue essentially consists of rental and leasing income not covered by IFRS 15 but by IFRS 16, the company does not expect the recommendation to have any material effect on the financial statements.

IFRS 16 Leases

This standard supersedes IAS 17 and will apply for annual reporting periods beginning on or after 1 January 2019. The recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most contracts (lease agreements) will be recognised in the balance sheet. For Hemsö, this will primarily affect the recognition of site leasehold agreements, which are to be recognised in the balance sheet and therefore increase total assets. In addition, leasehold fees will be recognised as interest expense and, therefore, no longer included in net operating income. Since Hemsö holds a limited number of site leaseholds, the expected impact on the financial statements is limited.

Signing of the report

Stockholm, 7 February 2018

Nils Styf
Chief Executive Officer

This report has not been audited.

Definitions

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provides valuable supplemental information to investors and the company's management since they enable evaluation of the company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies. Detailed definitions and explanations of key ratios are also available at hemso.se/en/financial-information/definitions/

Financial definitions

Return on equity

Profit after tax a for the period as a percentage of average equity (rolling 12 months). Average equity is 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 amount of the properties.

Available liquidity

Cash and cash equivalents and short-term investments plus unutilised credit commitments.

Average loan maturity

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

Average interest rate

The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and credit commitments on the closing date.

Short-term borrowings

Loan maturities within 12 months.

Operating cash flow

Profit from property management after reversal of depreciation and the proportion of associated companies' profit less income tax paid.

Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

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

Valuation 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 amount 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

Contracted rental income on an annual basis as a percentage of rental value.

Profit from property management

Profit before changes in value and tax.

Rental income

Rental income for the period less vacancies, discounts and rental losses.

Rental duration

The weighted average remaining lease term excluding garage/parking, storage and housing rented to private individuals.

Rental value

Annual contracted rental income plus vacancy rent.

Comparable portfolio

The properties owned throughout the entire period and entire comparative period and not classified as project properties during these periods.

Contracted annual rent

Annual contracted rental income less discounts and rental losses.

Net investments

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

Project property

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

Properties for public use

A property that is predominantly used for taxpayer-funded operations and is dedicated to public services. Secure housing facilities are also included under the properties for public use concept.

Major cities

The definition of major cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

Leasable area

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

Questions and more information

For more information, please contact:

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

Financial statements and press releases are available on Hemsö's website: hemso.se

Financial calendar

Annual Report	March 2018
Interim report Jan-Mar 2018	26 April 2018
Annual General Meeting	26 April 2018
Half-year report Jan-Jun 2018	13 July 2018
Interim report Jan-Sep 2018	24 October 2018

Vacancy rent

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

Surplus ratio

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

Vision

To be the best property company for public 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 justice system. Hemsö owns properties in Sweden, Germany and Finland. Our vision is to be the best property company for public services. This means that Hemsö will create added value

for its customers, and be the preferred property partner for municipalities, counties and private operators of public services. The operations are characterised by long-term lease agreements and stable tenants. The Third Swedish National Pension Fund is the majority owner. The total value of Hemsö's property portfolio is SEK 38.9 billion. Hemsö has a credit rating of A- from Standard & Poor's.

HEMSÖ

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