

## Interim report January-September 2016

### Summary, January-September 2016

- » Rental income amounted to SEK 1,624 million (SEK 1,483 million corresponding period preceding year).
- » Profit from property management amounted to SEK 827 million (734).
- » Changes in value of properties amounted to SEK 336 million (204), and changes in value of derivatives amounted to SEK -415 million (33).
- » Profit after tax amounted to SEK 596 million (795).
- » Market value of investment properties amounted to SEK 30,186 million (25,114).
- » During the period, possession of 25 properties (8) was taken for a total purchase price of SEK 2,190 million (335) and 10 properties (16) were disposed at a total price of SEK 60 million (851).

### Significant events during the quarter

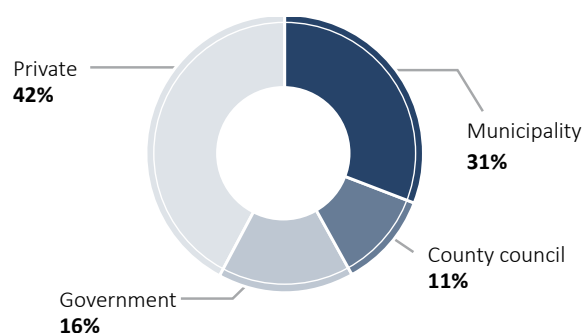
- » Hemsö acquired a portfolio comprising 16 properties in Nacka Municipality in Stockholm for SEK 612 million. Hemsö has undertaken to invest up to SEK 900 million over the next five years. Nacka Municipality is the main tenant.
- » Hemsö established an EMTN programme with limit of EUR 3 billion. The first bond issued under the programme amounted to EUR 500 million, with term of ten years and a coupon rate of 1 per cent.
- » Hemsö acquired three nursing homes under construction in the Helsinki and Tampere region and Lohja Municipality. The tenants – Attendo and Mehiläinen – each signed a 15-year lease. The investments totalled SEK 186 million.
- » Rutger Källén was appointed as the new CFO of Hemsö. Rutger most recently served as Group Treasurer at Hemsö.
- » Hemsö acquired a nursing home in Darmstadt, Germany, comprising an investment of SEK 102 million including refurbishment. The tenant – the Red Cross – has nine years left of its rental lease.

### Hemsö in summary\*

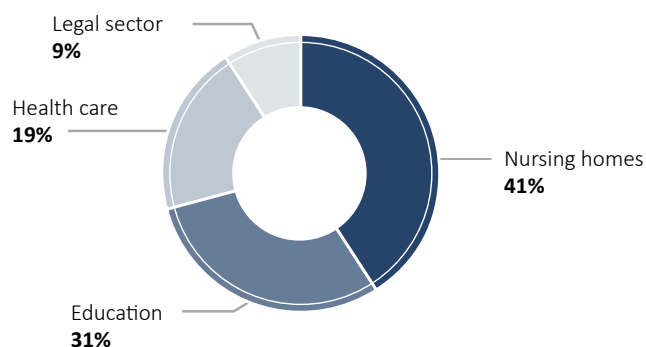
	Jan-Sep 2016	Jan-Sep 2015	Jul-Sep 2016	Jul-Sep 2015	Oct 2015-Sep 2016	Jan-Dec 2015
Rental income, SEK million	1,624	1,483	554	494	2,129	1,988
Net operating income, SEK million	1,232	1,112	447	383	1,596	1,476
Profit from property management, SEK million	827	734	315	282	1,051	959
Profit after tax, SEK million	596	795	316	167	1,151	1,350
Loan-to-value ratio, %	66.5	64.5	66.5	64.5	66.5	65.2
Secured debt in relation to property value, %	8.1	20.1	8.1	20.1	8.1	15.4
Interest-coverage ratio, times	4.1	3.7	4.5	5.1	3.9	3.6
Market value of investment properties, SEK million	30,186	25,114	30,186	25,114	30,186	26,502
Yield, %	6.0	6.1	6.2	6.3	5.8	6.0
Surplus ratio, %	75.4	74.5	80.1	76.9	74.6	73.8
Economic occupancy rate, %	97.1	96.0	97.1	96.1	96.9	96.2
Property value, SEK/sqm	19,023	17,090	19,023	17,090	19,023	17,686
No. of properties	333	305	333	305	333	317
Lettable area, tsqm	1,587	1,469	1,587	1,469	1,587	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 rental value per customer category, %



### Contracted rental value per property category, %



## CEO statement

### Stable growth and investments with potential

Hemsö continues to grow steadily in all markets. The market value of our property portfolio surpassed SEK 30 billion during the quarter, which is something of a milestone. Profit from property management increased 13% to SEK 827 million, the highest level we have delivered to date. As Hemsö grows and continues to expand outside Sweden, it is important for the company to further diversify its borrowing and ensure good access to euro financing. Accordingly, Hemsö issued its first bond in the European capital market in September. The new EMTN programme will enable a longer loan maturity, thereby ensuring Hemsö's long-term financing.

A nursing home in Darmstadt, Germany, was acquired during the quarter. Following this investment, the German portfolio now amounts to just over SEK 2.8 billion. We also conducted a major acquisition in Nacka at the end of the quarter, an investment totalling approximately SEK 1.5 billion. Under the agreement, in addition to existing properties, Hemsö will also spend between SEK 775 million and SEK 900 million renovating, refurbishing and extending the properties over the coming five years.

Three nursing homes currently under construction were acquired in Finland during the quarter. Together, the properties will house 150 nursing home spaces. Project development remains an important component of Hemsö's growth – not only in Sweden but also in Finland.

Most external assessments indicate that there will be a greater need for properties for public use in the future. This increa-



sing need is the result of general population growth as well as demographics in the form of longer life spans. Another contributing factor is that many older public properties need to be phased out or modernised in order to meet current demands and requirements. This trend is positive for Hemsö, which not only has extensive experience in managing properties for public use but also the expertise and resources to develop and modernise properties. The property portfolio in Nacka is a good example of this.

This will be my last interim report as CEO of Hemsö. I am pleased to be handing over the reins of this outstanding company and its fantastic employees to my successor, Nils Styf, in November. I wish him and Hemsö great success in the future.

Per Berggren, CEO

### Vision

To be the best property company for community services.

### Mission

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

### Financial objective

To achieve return on equity of 15 per cent.

## 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 has 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 be-

ing the preferred property partner for municipalities, county councils and private operators. The hallmarks of Hemsö's business are long-term leases, stable tenants and strong ownership. The Third Swedish National Pension Fund is the majority owner. The total value of Hemsö's property portfolio is SEK 30.2 billion. Hemsö has a credit rating of A- from Standard & Poor's.

## Income, costs and profit

Profit items pertain to the January-September 2016 period, and are compared with the preceding year. Balance-sheet items pertain to the period-end position, and are compared with the corresponding period-end of the preceding year. The quarter relates to the period from July to September.

### Rental income

During the period, rental income amounted to SEK 1,624 million (1,483). The increase was attributable to completed acquisitions. Rental income in the comparable portfolio increased SEK 7 million, corresponding to 0.5 per cent. This increase was attributable to Sweden and was mainly the result of lower vacancies.

During the period, vacancy fell SEK 2 million due to new leases. At period-end, the rental value of vacant premises amounted to SEK 57 million (65).

Contracted annual rent at period-end amounted to SEK 2,230 million (1,985), representing an economic occupancy rate of 97.1 per cent (96.0). The weighted average lease term increased to 8.0 years (7.4).

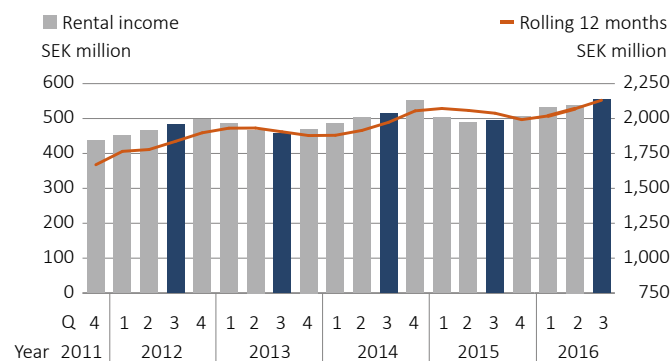
### Property costs

Property costs increased SEK 20 million due to a larger property portfolio, and amounted to SEK 401 million (381). Costs in the comparable portfolio increased SEK 14 million, or 4.1 per cent, due to higher costs for planned maintenance.

# SEK 827 million

Profit from property management

### Rental income



### Vacancy changes

Amounts in SEK million	Jan - Sep 2016
Vacancy at the beginning of the period	59
Terminated leases	17
New leases	-21
Acquired	2
Divested	-
<b>Vacancy at the end of the period</b>	<b>57</b>

### Maturity structure of leases

Maturity year	No. of contracts	Area, tsqm	Annual rent, SEK million	Share of annual rent, %
2016	88	22	32	1.4
2017	822	118	168	7.5
2018	277	185	265	11.9
2019	191	171	233	10.5
2020	136	139	197	8.8
>2020	341	852	1,335	59.9
<b>Total</b>	<b>1,855</b>	<b>1,487</b>	<b>2,230</b>	<b>100.0</b>

### Comparable portfolio

	30 Sep 2016	30 Sep 2015	Change %
No. of properties	271	271	-
Market value of investment properties, SEK million	22,919	22,355	2.5
Yield, %	5.9	6.0	-2.2
Economic occupancy rate, %	97.6	97.0	0.5

Amounts in SEK million	30 Sep 2016	30 Sep 2015	Change %
Rental income	1,367	1,360	-0.5
Other income	8	8	10.1
Operating costs	-243	-244	-0.2
Maintenance cost	-82	-62	32.2
Other property costs	-20	-26	-22.6
<b>Net operating income</b>	<b>1,030</b>	<b>1,036</b>	<b>-0.6</b>

Pertains to properties owned and held throughout the entire period, from 1 January 2015 until 30 September 2016.

### Net operating income

Net operating income increased to SEK 1,232 million (1,112). The improvement in net operating income was mainly due to a changed portfolio, attributable to completed acquisitions.

Net operating income in the comparable portfolio decreased SEK 6 million, corresponding to 0.6 per cent.

The surplus ratio amounted to 75.4 per cent (74.5).

### Administration

Central administrative expenses for the period amounted to SEK 136 million (111). This increase of SEK 25 million was mainly attributable to higher costs for personnel and consultants.

### Financial items

Financial items amounted to SEK -269 million (-320), of which external interest expenses accounted for SEK -257 million (-245). The external interest expenses for the period were higher than in the year-earlier period, due to a higher average liability 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 -8 million (-22), and interest income of SEK 2 million (2) and exchange-rate differences of SEK -6 million (2). 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 827 million (734). 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 336 million (204), of which realised changes in value accounted for SEK -2 million (-47) and unrealised changes in value for SEK 338 million (251). Unrealised changes in value were a result of renegotiated leases, new leases and terminated leases in addition to changed assessments in respect of net operating income and exit yield.

The yield for the entire property portfolio, excluding development properties, was 6.0 per cent (6.1). The total return was 8.5 per cent (5.9).

### Unrealised changes in value

SEK million	Jan-Sep 2016
New leases/Renegotiations	217
Terminated leases/Renegotiations	-110
General market value	190
<b>Subtotal Sweden</b>	<b>297</b>
New leases/Renegotiations	23
Terminated leases/Renegotiations	-
General market value	18
Other	-
<b>Subtotal Foreign</b>	<b>41</b>
<b>Total unrealised changes in value</b>	<b>338</b>

### Change in value of derivatives

Changes in value of derivatives had a negative impact of SEK -415 million (33) on profit, of which unrealised changes in value amounted to a negative SEK -376 million (33) and realised change in value to a negative SEK -39 million (0). The unrealised change in value had no impact on cash flow. At the end of their duration, the value of derivatives is always zero. The negative change in value was mainly due to a decline in long-term market rates since the beginning of the year.

### Tax

Recognised tax for the period amounted to an expense of SEK -152 million (-123), of which current tax comprised an expense of SEK -51 million (-46) and deferred tax an expense of SEK -101 million (-77).

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 241 million (183) and include temporary differences on the change in value of financial derivatives of SEK 232 million (174) and loss carryforwards of SEK 9 million (9). Deferred tax liabilities amounted to SEK 1,860 million (1,547) 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 596 million (795), corresponding to a decrease of 25 per cent compared with the preceding year. The decline in profit is mainly the result of a valuation adjustment of financial instruments. The return on equity totalled 17.5 per cent (12.3).

### 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 710 million (583). Changes in working capital had an impact of SEK 326 million (-196) on cash flow. Investing activities had a negative impact of SEK -3,116 million (-554) on cash flow, while increased borrowing had an impact of SEK 4,915 million (562) on cash flow from financing activities. During the period, the overall change in cash and cash equivalents was SEK 2,800 million (399).

### 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-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	30 Sep 2016	30 Sep 2015
Sweden East	452	408	350	314	10,015	7,716
Sweden West	251	254	162	164	3,715	3,413
Sweden North	425	405	322	309	7,449	6,973
Sweden South	237	216	162	146	4,176	3,554
Germany	158	118	152	113	2,976	2,207
Finland	101	82	84	66	1,855	1,251
<b>Total</b>	<b>1,624</b>	<b>1,483</b>	<b>1,232</b>	<b>1,112</b>	<b>30,186</b>	<b>25,114</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 71 million (48) and consisted of fees for services to the subsidiaries. Administrative expenses decreased to SEK -137 million (-147). Financial items included dividends from subsidiaries of SEK 1,255 million, impairment of participations in subsidiaries of negative SEK 475 million and an improvement in net financial items, mainly due to lower interest rates. Total comprehensive income for the period increased to SEK 505 million (-250).

## Property Portfolio

At period-end, Hemsö owned properties in 79 municipalities in Sweden, 27 cities in Germany and 18 cities in Finland. The largest proportion of the market value of investment properties, 48.4 per cent (47), was attributable to properties located in the three metropolitan areas of Sweden – Stockholm, Gothenburg and Malmö. The German portfolio accounted for 9.9 per cent (8.8), and the Finnish portfolio for 6.2 per cent (5.0), of the total market value of investment properties.

In Sweden, Hemsö owns properties for nursing homes, education, health care and the legal sector. The properties in Germany are exclusively nursing homes. All property categories are represented in Finland, except for premises for the legal sector.

The portfolio comprised 333 properties (305), with a total contracted annual rent of SEK 2,230 million (1,985) and a total lettable area of 1,587 tsqm (1,469).

The development of the property portfolio during the period is presented below.

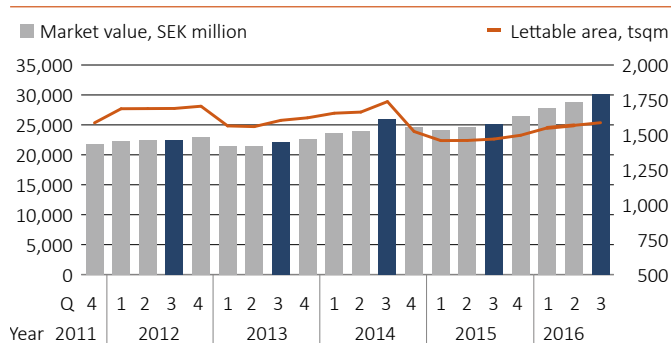
### Changes in value of property portfolio

	SEK million	Number
Carrying amount at beginning of the year	26,502	317
Acquisitions	2,190	25
Additional property through re-allotment	–	1
Investments in new construction, extension and refurbishment	978	
Divestments/Disposals	-60	-10
Exchange-rate fluctuations	238	
Unrealised changes in value	338	
<b>Carrying amount at period-end</b>	<b>30,186</b>	<b>333</b>

# SEK 30,186 million

Market value of investment properties

### Market value and area of investment properties



### Property transactions

During the period, possession of 15 properties (5) was taken for a total purchase price of SEK 1,424 million (238). During the period, 3 properties (16) were disposed at a total price of SEK 27 million (858).

### Properties acquired and divested

Quarter	Number	Property value, SEK million	Lettable area, tsqm
<b>Acquisitions</b>			
Q 1	10	1,088	53,961
Q 2	5	336	5,192
Q 3	10	766	9,931
<b>Divestments</b>			
Q 1	–	–	–
Q 2	3	27	2,611
Q 3	7	33	2,719

### Properties acquired and divested Q3

Property designation	Municipality, country	Category	Lettable area, tsqm
<b>Acquisitions</b>			
Viertolante 3 & 5 <sup>1</sup>	Nurmijärvi, Finland	Nursing homes	
Helsingiuksentie 1 <sup>1</sup>	Lohja, Finland	Nursing homes	
Lastenlinnantie <sup>1</sup>	Pälkäne, Finland	Nursing homes	
Fiedlersee	Darmstadt, Germany	Nursing homes	7,516
Princeton 1 <sup>1</sup>	Stockholm, Sweden	Health care	
Patienten 1 <sup>1</sup>	Solna, Sweden	Health care	
Stafvre 11	Kristianstad, Sweden	Education	2,415
Sandarna 26:2 <sup>1</sup>	Göteborg, Sweden	Education	
Krusmyntan 1 <sup>1</sup>	Tyresö, Sweden	Nursing homes	
Korpen 9 <sup>1</sup>	Växjö, Sweden	Nursing homes	
<b>Divestments</b>			
Othem Kilåkern 3	Gotland, Sweden	Health care	278
Hemse Storken 11	Gotland, Sweden	Health care	358
Klinte Odvalds 1:30	Gotland, Sweden	Health care	367
Klinte Sicklings 5:22	Gotland, Sweden	Health care	367
Visby Melonen 3	Gotland, Sweden	Health care	735
Visby Buntmakaren 6	Gotland, Sweden	Health care	307
Visby Korgmakaren 5	Gotland, Sweden	Health care	307

<sup>1</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	Lettable area of property, sqm	Project area, tsqm	Estimated investment, SEK million	Remaining investment, SEK million	Increase in rental value after project, SEK million	Occupancy rate, %	Estimated year of completion
Solna	Patienten 1	Health care	21,000	21,000	1,489	1,426	82	70	2019
Huddinge	Medicinaren 25	Health care	20,000	20,000	829	492	64	79	2017
Huddinge	Medicinaren 23	Education	17,100	17,100	574	59	45	97	2016
Lund	Klostergården 2:9	Education	54,463	12,297	301	0	26	95	2016
Esbo	Puistokatu	Nursing homes	7,400	7,400	289	289	17	62	2018
<b>Summa</b>			<b>119,963</b>	<b>77,797</b>	<b>3,482</b>	<b>2,266</b>	<b>234</b>	<b>81</b>	

### Hemsö's property categories

	Nursing homes	Education	Health care	Legal sector	Total
No. of properties	157	91	76	9	<b>333</b>
Lettable area, tsqm	662	487	332	106	<b>1,587</b>
Average lease length, years	9.0	9.0	4.1	8.1	<b>8.0</b>
Property value, SEK million	12,458	9,238	5,783	2,707	<b>30,186</b>
Rental income, SEK million	676	480	322	146	<b>1,624</b>
Net operating income, SEK million	522	370	219	121	<b>1,232</b>
Economic occupancy rate, %	99.0	96.2	95.2	95.3	<b>97.1</b>
Yield, %	5.8	6.0	6.3	5.9	<b>6.0</b>

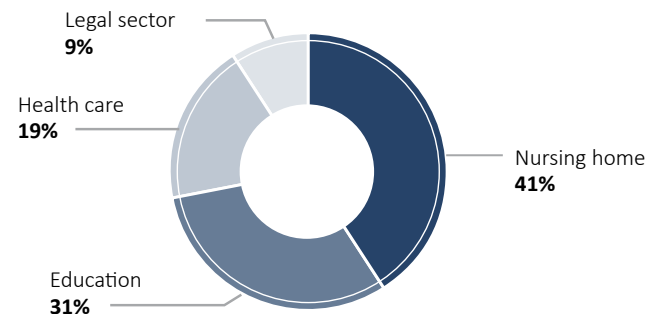
### Investments

Investments include both investments in existing properties and new construction. Investments in existing properties often take place in conjunction with new leases, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, investments amounted to SEK 978 million (746). Of this amount, SEK 742 million (368) was invested in new production, and SEK 236 million (378) in maintenance and tenants improvements in connection with new leases. A total of 331 projects (220) are ongoing and the remaining investment totalled SEK 3,883 million (2,079).

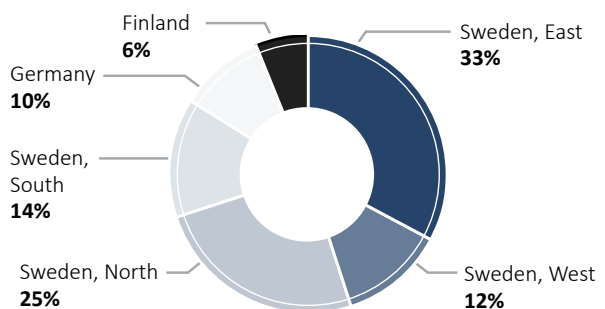
### Property value

Hemsö redovisar sina förvaltningsfastigheter i Sverige till ett Hemsö recognises its investment properties in Sweden at an estimated fair value in accordance with IAS 40, and at 30 September 2016, the value of all Swedish properties had been internally assessed. Property valuations are conducted quarterly and are an integral part of Hemsö's business process. 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 30,186 million (25,114).

### 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 66.5 per cent (64.5) and the interest-coverage ratio was 4.1 times (3.7). The return on equity totalled 17.5 per cent (12.3).

At 30 September 2016, Hemsö's total assets totalled SEK 33,439 million (25,916), of which the value of Hemsö's properties amounted to SEK 30,186 million (25,114), cash and cash equivalents to SEK 2,957 million (506) and other assets to SEK 296 million (296). The assets were financed with equity of SEK 6,831 million (6,317), deferred tax liabilities of SEK 1,619 million (1,364), interest-bearing liabilities of SEK 23,074 million (16,695) and other liabilities of SEK 1,915 million (1,540).

### Interest bearing debt

At period-end, Hemsö's interest bearing debt amounted to SEK 23,074 million (16,695) including loans from minority shareholders of SEK 40 million (0). The external debt portfolio amounted to SEK 23,034 million, comprising secured bank loans of SEK 2,448 million (5,045), outstanding commercial paper of SEK 5,001 million (4,700) and unsecured bonds of SEK 15,585 million (6,950). Available liquidity amounted to SEK 14,962 million (10,206), comprising bank deposits of SEK 2,957 million (506) and unutilised credit facilities of SEK 12,005 million (9,700) (of which unutilised construction loans amounted to SEK 1,505 million).

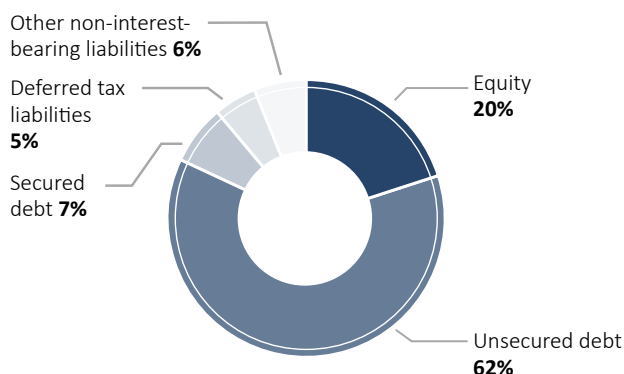
The Group's cash, which totals SEK 2,957 million, is attributable to the issue of a EUR 500 million bond in September 2016. The cash will be used for future investments and projects as well as a bond maturity in November 2016.

The external debt portfolio increased SEK 6,339 million due to new investments and acquisitions as well as new borrowing for future transactions. At period-end, Hemsö's average interest rate was 1.7 per cent (2.1). The average duration of debt was 4.1 years (2.6), and the average fixed-interest period was 4.8 years (3.7).

# 4.1 times

Interest-coverage ratio.

### Capital structure at 30 September 2016



### Financial ratios at 30 September 2016

Loan-to-value ratio, %	66.5
Outstanding secured bank loans, % of the market value of investment properties	8.1
Interest-coverage ratio, times	4.1
Fixed-interest period, years	4.8
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, %
2016	750	750	4.2	4,045	17.6
2017	5,000	2,185	12.1	2,366	10.3
2018	13,371	4,181	23.2	600	2.6
2019	2,171	2,171	12.0	2,140	9.3
2020	1,897	1,897	10.5	1,347	5.8
2021	1,300	1,300	7.2	2,100	9.1
2022	200	200	1.1	1,782	7.7
2023	0	0	0.0	1,500	6.5
2024	0	0	0.0	1,500	6.5
>2024	5,349	5,349	29.7	5,654	24.5
<b>Total</b>	<b>30,038</b>	<b>18,033</b>	<b>100.0</b>	<b>23,034</b>	<b>100.0</b>
Outstanding commercial paper		5,001			
<b>Total</b>		<b>23,034</b>			



### 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 10,398 million (12,632). The value of the financial derivatives was SEK -1,055 million (-793). The average duration of the financial derivatives is 5.1 years.

### Summary Financial Policy at 30 September 2016

<b>Financing risk</b>		
Loan-to-value ratio	Maximum 70% over the long term	66.5%
Average duration of debt	At least two years	4.1
Secured debt	Maximum 20% of the property value over the long term	8.1%
<b>Interest rate risk</b>		
Interest-coverage ratio	At least 2.0 (rolling 12 month)	3.9
Fixed-interest period	At least 60% of the debt portfolio shall have a fixed interest term between one to 20 years.	72%
<b>Liquidity</b>		
Liquidity ratio	At least 110%	164%
<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 Groups risk-bearing capital	Fulfilled

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Sep 2016	Jan-Sep 2015	Jul-Sep 2016	Jul-Sep 2015	Oct 2015-Sep 2016	Jan-Dec 2015
Rental income	1,624	1,483	554	494	2,129	1,988
Other income	9	10	4	4	11	12
Operating expenses	-285	-279	-72	-61	-370	-364
Maintenance costs	-95	-74	-33	-43	-142	-121
Other property costs	-21	-28	-6	-11	-32	-39
<b>Net operating income</b>	<b>1,232</b>	<b>1,112</b>	<b>447</b>	<b>383</b>	<b>1,596</b>	<b>1,476</b>
Central administration expenses	-136	-111	-42	-33	-179	-154
Financial items	-269	-320	-90	-68	-365	-416
<b>Profit before changes in value</b>	<b>827</b>	<b>681</b>	<b>315</b>	<b>282</b>	<b>1,052</b>	<b>906</b>
of which, profit from property management	827	734	315	282	1,052	959
<b>Changes in value</b>						
Investment properties	336	204	91	34	713	581
Derivatives	-415	33	-5	-110	-308	140
<b>Profit before tax</b>	<b>748</b>	<b>918</b>	<b>401</b>	<b>206</b>	<b>1,457</b>	<b>1,627</b>
Current tax	-51	-46	-16	-24	-51	-46
Deferred tax	-101	-77	-69	-15	-255	-231
<b>Profit for the period</b>	<b>596</b>	<b>795</b>	<b>316</b>	<b>167</b>	<b>1,151</b>	<b>1,350</b>
<b>Profit for the period attributable to:</b>						
Parent Company shareholders	573	789	308	165	1,128	1,344
Non-controlling interests	23	6	8	2	23	6
<b>Other comprehensive income</b>						
Profit for the period	596	795	316	167	1,151	1,350
Translation difference	60	6	28	21	4	-50
<b>Total comprehensive income for the period</b>	<b>656</b>	<b>801</b>	<b>344</b>	<b>188</b>	<b>1,162</b>	<b>1,300</b>
<b>Comprehensive income for the period attributable to:</b>						
Parent Company shareholders	633	795	336	186	1,139	1,294
Non-controlling interests	23	6	8	2	23	6

## Group – Condensed statement of financial position

Amounts in SEK million	30 Sep 2016	30 Sep 2015	31 Dec 2015
<b>ASSETS</b>			
Investment properties	30,186	25,114	26,502
Other non-current assets	51	6	49
Other current receivables	245	290	394
Cash and cash equivalents	2,957	506	157
<b>TOTAL ASSETS</b>	<b>33,439</b>	<b>25,916</b>	<b>27,102</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	6,831	6,317	6,764
Deferred tax liability	1,619	1,364	1,518
Interest-bearing liabilities	16,123	9,100	10,082
Non-interest-bearing liabilities	1,055	779	671
<b>Total non-current liabilities</b>	<b>18,797</b>	<b>11,243</b>	<b>12,271</b>
Interest-bearing liabilities	6,951	7,595	7,372
Non-interest-bearing liabilities	860	761	695
<b>Total current liabilities</b>	<b>7,811</b>	<b>8,356</b>	<b>8,067</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,439</b>	<b>25,916</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
Dividend	–	–	–	-585	–	-585
Acquisition of minority share	–	–	–	–	-5	-5
Total comprehensive income for the period	–	–	60	574	23	597
<b>Closing balance, 30 Sep 2016</b>	<b>1</b>	<b>6,835</b>	<b>52</b>	<b>-175</b>	<b>118</b>	<b>6,831</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Sep 2016	Jan-Sep 2015	Jul-Sep 2016	Jul-Sep 2015	Oct 2015-Sep 2016	Jan-Dec 2015
<b>Operating activities</b>						
Profit before tax	748	918	401	206	1,457	1,627
Unrealised changes in value	38	-283	-113	68	-452	-773
Other items not included in the cash flow	-26	-36	-10	43	40	30
Income tax paid	-50	-16	-10	-9	-48	-14
<b>Cash flow from current operations before changes in working capital</b>	<b>710</b>	<b>583</b>	<b>268</b>	<b>308</b>	<b>997</b>	<b>870</b>
Increase (+)/Decrease (-) in working capital	326	-196	145	249	446	-76
<b>Cash flow from operating activities</b>	<b>1,036</b>	<b>387</b>	<b>413</b>	<b>557</b>	<b>1,443</b>	<b>794</b>
<b>Investment activities</b>						
Property acquisitions	-2,190	-558	-766	-320	-2,855	-1,223
Investment in new constructions, extensions and reconstructions	-978	-746	-456	-293	-1,291	-1,059
Property divestments	58	787	30	-35	49	778
Other non-current assets	-6	-37	5	-4	-9	-40
<b>Cash flow from investment activities</b>	<b>-3,116</b>	<b>-554</b>	<b>-1,187</b>	<b>-652</b>	<b>-4,106</b>	<b>-1,544</b>
<b>Financing activities</b>						
Shareholder contribution	–	21	–	–	–	21
Borrowing in interest-bearing liabilities	11,272	4,415	5,602	515	14,061	7,204
Amortisation in interest-bearing liabilities	-5,772	-3,687	-2,453	-503	-8,277	-6,192
Contribution from non-controlling interests	–	25	–	25	–	25
Dividend paid	-585	-212	–	-52	-637	-264
<b>Cash flow from financing activities</b>	<b>4,915</b>	<b>562</b>	<b>3,149</b>	<b>-15</b>	<b>5,147</b>	<b>794</b>
<b>Cash flow for the period</b>	<b>2,835</b>	<b>395</b>	<b>2,375</b>	<b>-110</b>	<b>2,484</b>	<b>44</b>
Opening balance, cash and cash equivalents	157	107	606	620	620	107
Exchange rate difference in cash and cash equivalents	-35	4	-24	-4	-33	6
<b>Closing balance, cash and cash equivalents</b>	<b>2,957</b>	<b>506</b>	<b>2,957</b>	<b>506</b>	<b>3,071</b>	<b>157</b>

## Parent Company – Condensed statement of income

Amounts in SEK million	Jan-Sep 2016	Jan-Sep 2015	Jul-Sep 2016	Jul-Sep 2015
Operation income	71	48	19	25
Central administration expenses	-137	-147	-46	-64
<b>Operating profit</b>	<b>-66</b>	<b>-99</b>	<b>-27</b>	<b>-39</b>
Financial items	575	-151	-578	9
<b>Profit before tax</b>	<b>509</b>	<b>-250</b>	<b>-605</b>	<b>-30</b>
Recognised tax	-4	-	-4	-
<b>Profit for the period</b>	<b>505</b>	<b>-250</b>	<b>-609</b>	<b>-30</b>
<b>Other comprehensive income</b>				
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>505</b>	<b>-250</b>	<b>-609</b>	<b>-30</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	30 Sep 2016	30 Sep 2015
<b>ASSETS</b>		
Fixed assets		
Equipment	4	6
Shares and participations in Group companies	6,155	5,840
Non-current receivables	4,338	4,022
<b>Total non-current assets</b>	<b>10,497</b>	<b>9,868</b>
<b>Current assets</b>		
Current receivables	11,150	5,869
Cash and cash equivalents	2,659	319
<b>Total current assets</b>	<b>13,809</b>	<b>6,188</b>
<b>TOTAL ASSETS</b>	<b>24,306</b>	<b>16,056</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	3,517	3,405
<b>Untaxed reserves</b>		
Tax allocation reserve	33	43
<b>Liabilities</b>		
Deferred tax liabilities	27	27
Interest-bearing liabilities	20,585	7,349
Non-interest bearing liabilities	144	5,232
<b>Total liabilities</b>	<b>20,756</b>	<b>12,608</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,306</b>	<b>16,056</b>

## Other information

### Events after period-end

In August 2014, Hemsö signed a letter of intent with Järfälla Municipality concerning the construction of a hospital in Barkarby. A key parameter in selecting the location of the hospital was its proximity to the planned metro station in Barkarby. Proposed changes to the design of the metro facility have now made it necessary to find a new location for the hospital. The new preliminary land allocation is located in an area known as the Veddesta Industrial Area and includes a building permit for 40,000 to 50,000 sqm. In addition to the hospital, the project will also include a nursing home.

### Employees

At period-end, Hemsö had 111 employees, of whom 47 were women. 53 employees worked with property management, and eight with project development. Other employees were active in administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. All personnel were employed in Sweden, except for three people employed in Germany and two people employed 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 other investors, all of which 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 companies conduct projects related to the construction of 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 four 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.

## Signing of the report

The Board of Directors and Chief Executive Officer hereby certify that this interim report provides a true and fair overview of the development of the Parent Company and Group's operations, position and earnings and describes significant risks and uncertainties faced by the company and Group companies.

Stockholm, 26 October 2016

Pär Nuder  
Chairman of the Board

Eva Eriksson  
Board member

Bengt Hellström  
Board member

Kerstin Hessius  
Board member

David Mindus  
Board member

Johan Thorell  
Board member

Per Berggren  
CEO

# Review report

Hemsö Fastighets AB, corporate identity number 556779-8169

## Introduction

We have reviewed the condensed interim report for Hemsö Fastighets AB as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

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

Stockholm, October 26, 2016  
Ernst & Young AB

Mikael Ikonen  
*Authorized Public Accountant*

This is a translation from the Swedish original.



# Definitions\*

## Financial definitions

### Return on equity

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

### Loan-to-value ratio

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

### Average loan maturity

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

### Average interest rate

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

### Liquidity ratio

Estimated operating profit over the next 12 months, cash and available credit facilities in relation to loans falling due within 12 months, estimated net financial items and project investments over the next 12 months.

### MTN program

Medium Term Note programme, a bond programme.

### Risk-bearing capital

Equity and shareholder loans.

### Interest-coverage ratio

Net operating income less administrative expenses in relation to net financial items, excluding interest on shareholder loans.

### 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, excluding interest on shareholder loans.

### 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 development properties are excluded.

### 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 section of a property that has been vacated in order to convert and refine 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 debited 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:

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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](http://hemso.se)

## Financial calendar

Year-End Report 2016                      7 February 2017

Annual Report 2016                      March 2017

## Publication

This information is information that Hemsö Fastighets AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 10:30 CET on 26 October 2016.

*This is a translation of the Interim Report Q3 2016. The translation is not audited. In the event of any differences between this translation and the Swedish original, the Swedish version shall prevail.*

# HEMSÖ

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