



Another strong year

THE QUARTER OCTOBER-DECEMBER 2016

- Rental income amounted to MSEK 684 (624)
- Profit from property management totaled MSEK 537 (405), corresponding to SEK 3.23 per ordinary share (2.78)
- Profit after tax amounted to MSEK 837 (573), corresponding to SEK 5.02 per ordinary share (3.99)
- Cash flow from operating activities before changes in working capital was MSEK 321 (290), corresponding to SEK 1.86 per ordinary share (1.92)

FULL-YEAR 2016

- Rental income amounted to MSEK 2,642 (2,443)
- Profit from property management totaled MSEK 1,812 (1,363), corresponding to SEK 11.49 per ordinary share (9.22)
- Profit after tax amounted to MSEK 3,583 (2,339), corresponding to SEK 23.25 per ordinary share (16.28)
- Recognized property value of SEK 34.7 billion (29.6) pertains to 432 (411) directly owned properties
- Net asset value (EPRA NAV) per ordinary share was SEK 93.87 (73.98)
- Cash flow from operating activities before changes in working capital was MSEK 1,260 (1,100), corresponding to SEK 7.76 per ordinary share (7.27)
- The Board proposes a dividend of SEK 4,40 per ordinary share with a quarterly payment of SEK 1,10, as well as a dividend of SEK 10.00 per preference share with a quarterly payment of SEK 2.50 per preference share

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- During the quarter, Hemfosa acquired and took possession of two properties in Finland, with the police authority and the office of the public prosecutor as the largest tenants. The underlying property value was approximately MSEK 420.
- Hemfosa acquired and took possession of properties in Sweden at an underlying property value of MSEK 1 017.
- Hemfosa has decided to acquire, develop and invest in three Internationella Engelska Skolan (IES) school properties in Sweden at a total value of approximately MSEK 450.
- In Sweden, three properties were divested to the part-owned company Söderport Holding AB and subsequently vacated.
- Hemfosa additionally diversified the company's sources of financing by establishing a commercial paper program with a limit of MSEK 2,000 and issuing bond loans of MSEK 750.
- In January 2017, trading in the shares of Hemfosa Fastigheter was moved to Stockholm Nasdaq Large Cap.

Comments from the CEO

2016 was another strong year for Hemfosa. We acquired a large volume of solid community service properties in a competitive Nordic market, implemented investments aimed at streamlining the existing portfolio and broadened the financing base to ensure continued growth. In total, our performance during the year led to a 32-percent increase in equity per ordinary share.

Hemfosa continued to streamline the portfolio and to grow in community service properties. During the year, the share of the property value accounted for by community service properties rose from 59 percent to 65 percent following continued acquisitions totaling some SEK 3.6 billion, predominantly properties for schools, health and care services, public authorities and judicial institutions. At the same time, non-priority properties were divested for approximately SEK 1.3 billion. I am satisfied that we succeeded in achieving so much during the year in the challenging market conditions that prevail, particularly in our niche, community service properties. We have looked for and found ways to close good deals, in part through a sizeable number of individual acquisitions, since in many cases the price of portfolio acquisitions has been far too high in our estimation.

Acquisitions of SEK 3.6 billion in a challenging market

BOTH ACQUISITIONS AND INVESTMENTS

We still managed to seal a few major acquisitions, notable among which was one implemented in the fourth quarter – a mixed Swedish portfolio that we acquired for SEK 875 million from Kaupthing ehf., mainly comprising community service properties. This was a typical Hemfosa deal, whereby we could leverage our extensive knowledge and experience of complex transactions. The acquired properties also offer opportunities for additional value generation via increased leasing and development or through the sale of properties that are not compatible with our portfolio in the long term.

Growing with existing tenants

Hemfosa is also growing through investments in the existing property portfolio and by developing new properties together with tenants who want to expand. We see a need for new community service properties in many parts of our markets, due to the general increase in the population and in the proportion of elderly people. As a result, municipalities and other operators of community service operations look for stable partners for developing such activities as preschools, schools and retirement homes, often close to new residential areas. In view of the high price level in the market, we consider this an effective, profitable and sustainable way to continue our growth.

BROADENED CAPITAL BASE

In 2016, we took a number of key steps towards broadening our financing base, in part through a new issue of ordinary shares and in part through a bond and a commercial paper program late in the year. We are doing this to secure opportunities for long-term growth and to increase flexibility in an environment where conditions in the credit market may become even tougher. Meanwhile, the growing earnings from the property portfolio's stable cash flows represent security – our earnings capacity increased 15 percent during the year.

Earnings capacity up 15%

POTENTIAL IN AN UNPREDICTABLE MARKET

During its eight years in operation, Hemfosa has shaped an organization characterized by incredible resources and know-how, a sound corporate culture and unprecedented commitment. It is with both pride and joy that I will continue to lead Hemfosa to further advances. We have a platform in place, with the right people and financial strength, to continue our journey of success. The challenge in 2017, like in prior years, is to find objects at a price we consider to be reasonable. But we are used to navigating regardless of terrain and I believe that a somewhat more unpredictable property and credit market in the future could create interesting opportunities for Hemfosa.

Jens Engwall, CEO

Overview

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

	Full-year	
	2016	2015
Rental income	2,642	2,443
Property expenses including property administration	-825	-773
Net operating income	1,817	1,670
Central administration	-128	-112
Other operating income and expenses	21	0
Share in profit of joint ventures	542	255
Financial income and expenses	-440	-450
Profit from property management	1,812	1,363
Changes in value, properties	1,594	1,500
Changes in value, financial instruments	18	-42
Current and deferred tax	160	-483
Profit for the year	3,583	2,339
Other comprehensive income		
Exchange differences for the period in converting foreign operations	-156	-132
Comprehensive income for the year	3,739	2,207

Consolidated statement of financial position, MSEK

	Dec 31	
	2016	2015
Investment properties	34,668	29,553
Shares in joint ventures	1,676	1,075
Shares in associated companies	56	-
Derivatives och other fixed assets	13	7
Current receivables	141	82
Cash and cash equivalents	1,221	732
Total assets	37,774	31,449
Equity	15,570	10,749
Interest-bearing liabilities	20,606	18,898
Derivatives	87	103
Deferred tax liabilities	506	701
Other liabilities	1001	997
Total equity and liabilities	37,774	31,449

Consolidated statement of cash flow, MSEK

	Full-year	
	2016	2015
Cash flow from operating activities before changes in working capital	1,260	1,100
Cash flow from changes in working capital	-152	120
Cash flow from investing activities	-3,246	-3,943
Cash flow from financing activities	2,622	2,862
Total cash flow	483	138

Key figures

Key financial data

	Full-year	
	2016	2015
Return on equity, %	27.1	23.7
Equity/assets ratio, % ¹	41.2	34.2
Loan-to-value ratio, properties % ¹	59.4	63.9
Debt/equity ratio, multiple ¹	1.3	1.8
Interest-coverage ratio, multiple	3.9	3.5

Share-related key figures, ordinary shares

	Full-year	
	2016	2015
Profit from property management, SEK per ordinary share ³	11.49	9.22
Profit after tax, SEK per ordinary share ³	23.25	16.28
Shareholders' equity, SEK per ordinary share ^{1,3}	86.95	65.71
Net asset value (EPRA NAV), SEK per ordinary share ^{1,3}	93.87	73.98
Cash flow from operating activities, before changes in working capital, SEK per ordinary share ³	7.76	7.27
Dividend, SEK per ordinary share ²	4.20	3.00
Weighted average number of ordinary shares, 000s	148,149	131,440
Number of ordinary shares outstanding, 000s ¹	157,728	131,440

Share-related key figures, preference shares

	Full-year	
	2016	2015
Dividend, SEK per preference share ²	10.00	10.00
Equity, SEK per preference share ¹	162.85	162.85
Number of preference shares outstanding, 000s ¹	11,000	11,000

Property-related key figures

	Dec 31	
	2016	2015
No. of properties	432	411
Rental value, MSEK	2,999	2,768
Leasable area, 000s of sqm	2,627	2,607
Fair value of properties, MSEK	34,668	29,553
Property value, SEK per sqm	13,195	11,336
Economic leasing rate, %	91.1	90.4
Surplus ratio, %	68.8	68.4
Yield, %	5.5	5.8

1 At the end of the period.

2 The 2016 Annual General Meeting adopted a dividend of SEK 4.20 per ordinary share and of SEK 10.00 per preference share subject to quarterly payment.

3 Due to the new issue of ordinary shares, historical key figures have been recalculated using a correction factor.

Operational performance

Summary of earnings

MSEK	Oct-Dec		Full-year	
	2016	2015	2016	2015
Rental income	684	624	2,642	2,443
Property expenses including property administration	-213	-187	-825	-773
Net operating income	472	437	1,817	1,670
Central administration	-40	-28	-128	-112
Other operating income and expenses	3	1	21	0
Share in profit of joint ventures	217	114	542	255
Financial income and expenses	-116	-118	-440	-450
Profit from property management	537	405	1,812	1,363
Changes in value of investment properties	303	383	1,594	1,500
Changes in value, financial instruments	23	18	18	-42
Profit before tax for the year	862	808	3,424	2,821
Current tax	-14	-4	-17	-5
Deferred tax	-11	-231	177	-478
Profit for the year	837	573	3,583	2,339
Other comprehensive income				
Translation differences for the period when translating foreign operations	-6	-45	156	-132
Comprehensive income for the year	831	528	3,739	2,207

FOURTH QUARTER, OCTOBER-DECEMBER 2016

In the fourth quarter, Hemfosa took possession of 18 properties, of which community service properties accounted for 11. The total rental value of the acquisitions was MSEK 166, of which community service properties accounted for MSEK 124. Streamlining of the portfolio continued in the quarter, by exiting from five properties in Sweden, including office and industrial space.

The surplus ratio for the quarter was 69.0 percent (70.0). Both net operating income from property management and shares in profit from joint ventures improved year-on-year. The improved profit from property management derived in part from the larger property portfolio and in part from the change in the value of properties in joint ventures.

Changes in the value of wholly owned investment properties amounted to MSEK 303 (383), resulting from new leasing, project gains and changes in the required yield. The value trend for derivative instruments during the quarter was positive at MSEK 23 (18), primarily because of a decrease in the time to maturity by an additional quarter.

Profit after tax for the quarter amounted to MSEK 837 (573), corresponding to SEK 5.02 per ordinary share (3.99), after taking the pre-emptive rights of preference shares into account.

FULL-YEAR JANUARY-DECEMBER 2016

Net operating income

Rental income for the year amounted to MSEK 2,642 (2,443). At December 31, 2016, Hemfosa's property portfolio totaled 2,627,000 square meters (2,607,000). The leasing rate was 91.1 percent (90.4).

Property expenses amounted to MSEK 825 (773), and net operating income corresponded to a surplus ratio of 68.8 percent (68.4). The yield for the entire portfolio was 5.5 percent (5.8).

Profit from property management

Management of the property portfolio generated profit for the year of MSEK 1,812 (1,363), up 33 percent year-on-year, with the increase due in part to changes in the value of properties owned indirectly and in part to the larger property portfolio. Profit from property management per ordinary share amounted to SEK 11.49 (9.22) after taking the pre-emptive rights of preference shares to dividends into account.

Central administration costs totaled MSEK 128 (112). Profit from shares in joint ventures was MSEK 542 (255). The development project operated by Gardermoen Campus Utvikling AS contributed to a positive change in the value of the property portfolio. The share of profit from joint ventures comprised MSEK 124 (131) in profit from property management, MSEK 573 (213) in changes in the value of properties and financial instruments and MSEK -172 (-88) in taxes and other items.

Financial expenses were positively impacted by lower interest rates year-on-year, although the interest floor in certain loan agreements limited Hemfosa's potential to fully leverage the lower level of interest rates. At December 31, 2016, the average interest rate was 1.98 percent (2.03). Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps, thus increasing predictability and reducing the impact of changes in interest rates. The loan-to-value ratio was 59.4 percent (63.9).

Changes in fair value

The unrealized change in value of Hemfosa's wholly owned property portfolio was MSEK 1,548 (1,409), generated primarily by new leasing, project gains and changes in the required yield. Implemented divestments resulted in positive realized changes in value of MSEK 35 (91).

At December 31, 2016, interest-rate swaps and interest-rate caps had a negative fair value totaling MSEK 84 (101). The unrealized change in the value of interest-rate swaps and interest-rate caps was MSEK 18 (-45) in 2016.

Tax

The current tax expense totaled MSEK 17 (5) and the deferred tax asset was MSEK 177 (-478), of which MSEK -419 (-412) derived from temporary differences in investment properties and MSEK 597 (-74) to revaluation of tax loss carryforwards. Hemfosa has no ongoing tax disputes. The effective tax rate for Hemfosa was +4.7 percent (-17.1), due to the measurement of tax loss carryforwards. Hemfosa's total tax loss carryforwards amounted to MSEK 4,758 (1,764) at December 31, 2016.

Profit for the year

Profit for the year amounted to MSEK 3,583 (2,339), corresponding to SEK 23.25 per ordinary share (16.28), after taking the pre-emptive rights of preference shares into account.

Other comprehensive income

During the year, translation into SEK of the Norwegian and Finnish operations generated a translation gain of MSEK 156 (-132) in other comprehensive income, due to the appreciation of the NOK and EUR.

Cash flow

Cash flow from operating activities before changes in working capital was MSEK 1,260 (1,100), corresponding to SEK 7.76 per ordinary share (7.27). The change in working capital was MSEK -152 (120).

Investing activities impacted cash flow in the amount of MSEK -3,246 (-3,943), of which investments in existing properties accounted for MSEK -893 (-566), acquisitions of subsidiaries and properties for MSEK -3,544 (-4,594), divestment of subsidiaries and properties for MSEK 1,279 (1,423) and other items for MSEK -89 (-207).

Financing activities had an impact of MSEK 2,622 (-2,862) on cash flow for the year. The implemented new share issue contributed MSEK 1,808 (165) to cash flow. The net of loan repayments and loans raised was MSEK --3,804 (3,139). A commercial paper program was established during the year and had a positive impact of MSEK 895 on cash flow. Hemfosa also issued a bond loan with issue proceeds of MSEK 750 and redeemed MSEK 200 of existing bond loans. During the year, MSEK 678 (399) was paid in dividends to Hemfosa's shareholders. Overall, the change in cash and cash equivalents in 2016 was positive at MSEK 483 (138).

Segments

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

Sweden is the largest segment and contributed 86 percent (92) of rental income during the year. Sweden will continue to represent the main focus of Hemfosa's property portfolio, although the aim is to also grow in other markets. The tables below present information on Hemfosa's net operating income plus a selection of key performance indicators for the quarter and for the year divided by country and also the total for the Group.

	Sweden				Norway				Finland				Total				
	Oct-Dec		Full-year		Oct-Dec		Full-year		Oct-Dec		Full-year		Oct-Dec		Full-year		
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Net operating income (MSEK)																	
Rental income	581	572	2,287	2,247	71	53	261	196	32	0	94	0	684	624	2,642	2,443	
Property expenses																	
<i>Operations</i>	-99	-95	-424	-411	-1	-1	-3	-2	-3	0	-6	0	-103	-96	-433	-413	
<i>Maintenance</i>	-66	-48	-207	-191	-2	0	-4	-3	1	0	-2	0	-67	-48	-212	-194	
<i>Property tax</i>	-22	-21	-90	-83	-1	-2	-3	-2	-1	0	-5	0	-24	-24	-97	-86	
Property management	-17	-17	-78	-78	-2	-2	-3	-2	0	0	0	0	-18	-20	-82	-81	
Net operating income	378	390	1,488	1,482	65	47	249	187	28	0	81	0	472	437	1,817	1,670	

Key figures, Dec 31	Sweden		Norway		Finland		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	2,565	2,518	287	206	147	45	2,999	2,768
Leasable area ¹ 000s sqm	2,362	2,451	160	119	105	37	2,627	2,607
Fair value of properties, MSEK	28,778	25,999	4,359	3,042	1,531	512	34,668	29,553
No. of properties	393	388	32	21	7	2	432	411
Yield, %	5.3	5.8	5.8	6.3	6.8	7.4	5.5	5.8
Economic leasing rate, %	90.1	89.5	99.3	100.0	92.9	100.0	91.1	90.4
Remaining lease term, years	5.4	5.4	8.7	10.2	6.2	8.6	5.8	5.9
Surplus ratio, %	65.2	66.0	95.4	95.4	86.2	0	68.8	68.4

¹ Excluding garage space

83%
of the Group's
property
value

SWEDEN

The property portfolio in Sweden had a value MSEK 28,778 (25,999), represented by 393 properties (388) with a rental value of MSEK 2,565 (2,518) and leasable area of 2,362,000 square meters (2,451,000). This segment accounted for 87 percent (92) of the Group's total rental income and 82 percent (89) of net operating income during the year.

Sweden is Hemfosa's core market, with a definite emphasis on community service properties. Although active transaction work is being conducted to further streamline the portfolio in the direction of this property type, the portfolio of the future will also contain other properties that complete the portfolio in a desirable manner. Geographically, the emphasis of the Swedish portfolio is on the Stockholm, Gothenburg and Öresund regions, as well as growth municipalities in central Sweden and along the coast of Norrland. The metropolitan regions of Stockholm and Gothenburg accounted for approximately 40 percent of the total property value. The largest tenants in Sweden were the Police Authority, the Municipality of Härnösand and the National Courts Administration. At December 31, 2016, the Swedish property portfolio accounted for 83 percent of Hemfosa's property value.

Development during the year

Rental income during the year totaled MSEK 2,287 (2,247) and net operating income MSEK 1,489 (1,482). The surplus ratio was 65 percent (66). The economic leasing rate was 90.1 percent (89.5) and the yield 5.3 percent (5.8). Of the Swedish property portfolio, 55 percent (57) of rental income and 56 percent (61) of net operating income derived from Community service properties.

During the year, the Swedish portfolio was supplemented with 35 properties, with a total underlying value of MSEK 2,031, including community service properties of MSEK 1,642. Notable among the major acquisitions were care properties in Stockholm, Uppsala and Gävle, a portfolio of school properties primarily in Stockholm and Västerås and a portfolio comprising both community service properties and other properties, mainly concentrated in Stockholm.

During the year, the property portfolio was streamlined through the sale of 29 properties, primarily Other properties, with an underlying value MSEK 1,329. The divested properties were mainly office properties, but also logistics and retail properties.

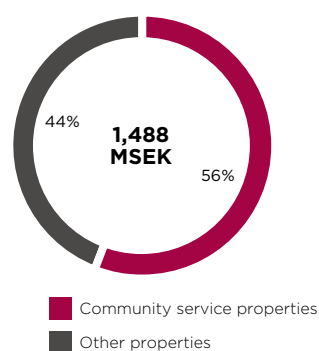
During the year, Hemfosa signed a ten-year lease with the If insurance company for previously vacant floor space in an office property in Mölndal. This building will be remodeled to tenant specifications, upgraded and extended with 2,000 square meters of floor area and is a key step in rejuvenating Mölndal's Södra Porten business park. Occupancy of the upgraded and customized premises is scheduled for June 2017.

Sweden (MSEK)	Oct-Dec		Full-year	
	2016	2015	2016	2015
Rental income	581	572	2,287	2,247
Property expenses				
<i>Operations</i>	-99	-95	-424	-411
<i>Maintenance</i>	-66	-48	-207	-191
<i>Property tax</i>	-22	-21	-90	-83
Property administration	-17	-17	-78	-78
Net operating income	378	390	1,488	1,482
Rental value, MSEK ¹			2,565	2,518
Leasable area, 000s sqm ^{1,2}			2,362	2,451
Fair value of properties, MSEK ¹			28,778	25,999
No. of properties ¹			393	388
Yield, %			5.3	5.8
Economic leasing rate, % ¹			90.1	89.5
Remaining lease term, years ¹			5.4	5.4
Surplus ratio, %			65.1	66.0

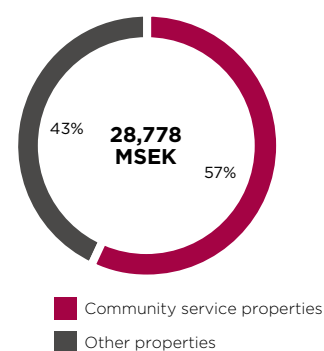
1 At year-end

2 Excluding garage space

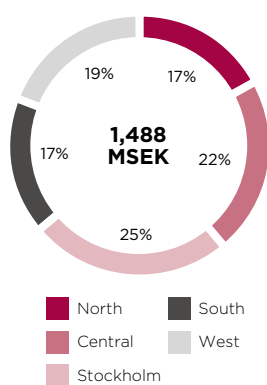
Net operating income by property type, Sweden Jan-Dec 2016



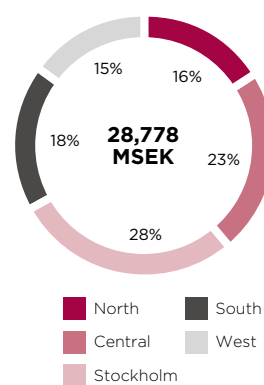
Fair value by property type, Sweden Dec 31, 2016



Net operating income by region, Sweden Jan-Dec 2016



Fair value by region, Sweden Dec 31, 2016



13%
of the Group's
property
value

NORWAY

The property portfolio in Norway had a value of MSEK 4,359 (3,042), represented by 32 properties (21) with a rental value of MSEK 287 (206) and leasable area 160,000 square meters (119,000).

The properties are mainly located in the Oslo region and consist exclusively of community service properties, with the operations ranging from office and judicial institutions to schools, health and personal care services. The largest tenants were Oslo University College, the Norwegian Labor and Welfare Administration and Østfold University College. At December 31, 2016, the property portfolio in Norway accounted for 13 percent of Hemfosa's total property value.

Development during the year

Rental income during the year totaled MSEK 261 (196) and net operating income MSEK 249 (187). The surplus ratio was 95 percent (95). The economic leasing rate was 99.3 percent (100.0). A lower year-on-year economic leasing rate was due to acquired vacancies. The yield was 5.8 percent (6.3).

In total, 11 properties were acquired during the year at an underlying property value of MSEK 635. Notable among the acquisitions were a senior citizens center in Bærum municipality, comprising 6,000 square meters of leasable area on a nine-year lease, and the Statens Park area of the municipality of Tønsberg, south of Oslo, comprising nine properties. The properties in Statens Park comprise some 30,000 square meters of leasable area and sites covering about 42,000 square meters of land, with one of the sites detailed planned for a new building.

During the year, Hemfosa acquired 20 percent of the shares in Offentlig Eiendom AS, a company that manages community service properties in Norway.

Norway accounted for 10 percent (8) of rental income and 14 percent (11) of net operating income during the year.

Norway (MSEK)	Oct-Dec		Full-year	
	2016	2015	2016	2015
Rental income	71	53	261	196
Property expenses				
<i>Operations</i>	-1	-1	-3	-2
<i>Maintenance</i>	-2	0	-4	-3
<i>Property tax</i>	-1	-2	-3	-2
Property administration	-2	-2	-3	-2
Net operating income	65	47	249	187
Rental value, MSEK ¹			287	206
Leasable area, 000s sqm ^{1,2}			160	119
Fair value of properties, MSEK ¹			4,359	3,042
No. of properties ¹			32	21
Yield, %			5.8	6.3
Economic leasing rate, % ¹			99.3	100.0
Remaining lease term, years ¹			8.7	10.2
Surplus ratio, %			95.4	95.4

¹ At year-end

² Excluding garage space

4%
of the Group's
property
value

FINLAND

The property portfolio in Finland had a value of MSEK 1,531 (512), represented by seven properties (2) with a rental value of MSEK 147 (45) and leasable area of 105,000 square meters (37,000).

Finland is the third market in which Hemfosa has established operations and the property portfolio there consists exclusively of community service properties, with the focus on the country's largest cities. At December 31, 2016, the property portfolio in Finland accounted for 4 percent (2) of Hemfosa's property value.

Development during the year

Rental income during the year amounted to MSEK 94 and net operating income to MSEK 81. The surplus ratio was 86 percent. Since Hemfosa's first acquisition in Finland was implemented in December 2015, no results are shown for Finland in 2015. The economic leasing rate was 92.9 percent (100.0). The yield was 6.8 percent.

During 2016, work continued on evaluating potential transactions in the Finnish market for community service properties. Three properties in southern Finland were acquired during the year at an underlying value of MSEK 521. Two of the properties are situated in Tampere and comprise a university building and an office building. The third property, a building housing public authorities, is located in Raahe, just south of Oulu. In addition, two properties were acquired in the Helsinki area, with the Police Authority and the Prosecution Authority as the main tenants. Finland accounted for 3 percent of rental income during the year and 4 percent of net operating income.

Finland (MSEK)	Oct-Dec		Full-year	
	2016	2015	2016	2015
Rental income	32	0	94	0
Property expenses				
<i>Operations</i>	-3	0	-6	0
<i>Maintenance</i>	1	0	-2	0
<i>Property tax</i>	-1	0	-5	0
Property administration	0	0	0	0
Net operating income	28	0	81	0
Rental value, MSEK ¹			147	45
Leasable area, 000s sqm ^{1,2}			105	37
Fair value of properties, MSEK ¹			1,531	512
No. of properties ¹			7	2
Yield, %			6.8	7.4
Economic leasing rate, % ¹			92.9	100.0
Remaining lease term, years ¹			6.2	8.6
Surplus ratio, %			86.2	0

¹ At year-end

² Excluding garage space

Current earnings capacity

The table below shows the current earnings capacity on a 12-month basis at December 31, 2016.

Current earnings capacity is to be considered only as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions.

Group's earnings capacity

MSEK	Dec 31, 2016
Rental income	2,774
Property expenses	-704
Property administration	-73
Net operating income	1,997
Central administration	-121
Share in profit of joint ventures	139
Financial income and expenses	-444
Profit from property management	1,571

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

- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income on December 31, 2016 based on current leases.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures for a standard year.
- Property tax has been calculated on the basis of the current tax assessment value of the properties at December 31. Ground rent paid is included in the amounts applicable at December 31, 2016.
- Costs for central administration and marketing have been calculated on the basis of the existing organization and the size of the property portfolio.
- Hemfosa's share of profit from joint ventures is calculated according to the same methodology as for Hemfosa, taking into account the size of the share of profit.
- The assessment of earnings capacity does not assume any financial income.
- Financial expenses have been calculated on the basis of the company's actual average interest rate at December 31, 2016, which was 1.98 percent.
- The earnings capacity of the foreign operations has been restated at the exchange rates prevailing at December 31, 2016¹.

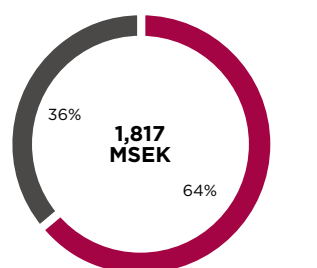
¹ The following exchange rates are applied: NOK/SEK of 1.0540 and EUR/SEK of 9.5669.

Property portfolio

Hemfosa's property portfolio is dominated by community service properties. Hemfosa is working determinedly to streamline the property portfolio towards community service properties, which represented 65 percent of Hemfosa's property value in 2016, with the aim of increasing that share. The property portfolio is growing in all three markets and Hemfosa considers itself a Nordic player in the market for community service properties.

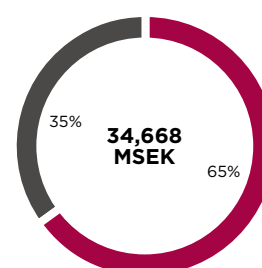
On December 31, 2016, the total property portfolio comprised 432 properties (411). The properties had a total fair value of SEK 34.7 billion (29.6), of which Community service properties accounted for SEK 22.4 billion (17.4), corresponding to 65 percent (59). The total leasable area was 2,627,000 square meters (2,607,000) with a rental value of MSEK 2,999 (2,768).

Net operating income by property type, Dec 31, 2016



■ Community service properties
■ Other properties

Fair value by property type Dec 31, 2016



■ Community service properties
■ Other properties

COMMUNITY SERVICE PROPERTIES

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

Community service properties contributed 61 percent (57) of Hemfosa's rental income during the year. Due to the specialization towards community service properties, Hemfosa occupies a unique position in its markets and the company has become a significant and powerful player in a short period of time. Hemfosa's strategy is to continue to grow in Community service properties, which generate stable cash flows and usually also have longer leases. At year-end, Community service properties accounted for 65 percent (59) of Hemfosa's total property value.

Development during the year

During the year, Hemfosa acquired Community service properties at a value of MSEK 3,213, with a total leasable area of 116,000 square meters.

Key figures per property category 31	Public service properties											
	School		Offices		Judicial system		Care services		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	560	473	582	485	399	320	296	250	14	8	1,850	1,535
Leasable area ¹ 000s sqm	421	366	456	381	278	233	251	233	14	9	1,420	1,222
Fair value properties, MSEK	7,230	5,504	6,659	5,171	4,547	3,717	3,814	2,869	176	102	22,427	17,363
No. of properties	76	55	54	42	41	38	105	103	8	6	284	244
Yield ² , %											5.8	6.1
Economic occupancy rate, %											94.4	95.0
Remaining lease term, years											6.5	7.0

1 Excluding garage space

2 According to earnings capacity

OTHER PROPERTIES

Other properties are the properties that cannot be defined as Community service properties and these mainly consist of office and logistics buildings and warehouses. This property type accounted for 39 percent (43) of Hemfosa's rental income during the period.

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

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

Development during the year

Streamlining of the property portfolio continued during the year and 25 properties, at an underlying property value of MSEK 1,232, in Hemfosa's Other properties segment were vacated.

Key figures per property category, Dec 31	Other properties							
	Offices		Logistics/Storage		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	717	691	260	304	171	238	1,148	1,233
Leasable area ¹ 000s sqm	582	595	422	521	204	270	1,207	1,385
Fair value of properties, MSEK	7,330	6,545	3,256	3,511	1,654	2,135	12,241	12,191
No. of properties	69	73	29	35	50	59	148	167
Yield ² , %							5.7	5.8
Economic leasing rate, %							85.7	84.8
Remaining lease term, years							4.4	4.4

1 Excluding garage space

2 According to earnings capacity

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

During the year, Hemfosa invested MSEK 893 in its existing property portfolio. The investments pertain to tenant-specific modifications and conversion and extension of properties in all regions of Sweden, and in Norway.

The largest investment project under way among Hemfosa's wholly owned properties is a 52,000-square-meter property in Haninge (Najaden), where refurbishment of the entire property is under way, including remodeling and upgrading of such features as facades, window sections and technical installations, and conversion and extension of a hotel. The project commenced in autumn 2015 and is scheduled for completion in early 2018. In Mölndal, remodeling and expansion is under way of a property totaling 11,000 square meters. The project commenced in the second quarter of 2016 and is scheduled for completion during the second quarter of 2017. Refurbishment is also in progress for the Swedish Prison and Probation Service and the Swedish Migration Agency in Norrköping. Hemfosa has also decided to develop and invest in three International English School properties in Sweden at a value of some MSEK 450.

In the properties owned indirectly, Hemfosa's largest investment is being implemented in the form of construction of a new, state-of-the-art specialist hospital and of a new local medical center at Gardermoen Oslo, Norway.

Investments in properties totaled MSEK 4,499 (4,789), of which property acquisitions accounted for MSEK 3,606 (4,223) and investments in the existing property portfolio for MSEK 893 (566). Streamlining of the portfolio resulted in Hemfosa divesting non-priority properties that were no longer compatible with the operations, in the form of entire portfolios and the divestment of individual properties. Divestments during the year totaled MSEK 1,329 (1,441).

Investments, acquisitions and divestments per segment, Dec 31	Sweden		Norway		Finland		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Investments in existing properties	883	555	10	11	-	-	893	566
<i>of which, Community service properties</i>	382	219	10	11	-	-	392	230
Acquisition of properties, MSEK	2,040	963	635	2,748	931	512	3,606	4,223
<i>of which, Community service properties</i>	1,647	871	635	2,748	931	512	3,213	4,131
Divestment of properties	1,329	1,441	-	-	-	-	1,329	1,441
<i>of which, Community service properties</i>	47	387	-	-	-	-	47	387

MARKET VALUE OF PROPERTY PORTFOLIO

The market value of Hemfosa's total portfolio of investment properties is assessed every quarter by external, independent property appraisers.

Valuation techniques

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

The yield requirement used in the estimate derives from sales of comparable properties. Significant factors when selecting required returns include an assessment of the object's future rent trend, changes in value and any development potential, as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow is prepared that extends at least five years into the future. With respect to income, current leases are used. For vacant spaces, an estimate is performed by individually assessing each property. The inflation assumption for Sweden is 1.0 percent for 2017 and 2.0 percent for 2018 and thereafter. The inflation assumption for Norway is 2.5 percent for 2017 and thereafter. The inflation assumption for Finland is 1.0 percent for 2017 and 2018, 1.5 percent for 2019 and 2.0 percent for 2020 and thereafter. Property expenses are estimated based on annual

historical trends. The valuation is based on a present-value calculation of cash flow and the present value of the market value at the end of the calculation period. Ongoing projects have been valued according to the same policy but less the remaining investment.

The weighted yield requirement was 6.2 percent (6.6), compared with an average yield requirement of 6.3 percent at September 30, 2016. The weighted cost of capital for calculating the present value of the cash flow and the residual value was 7.4 percent (7.7) and 8.4 percent (8.7), respectively.

The value of Hemfosa's property portfolio was MSEK 34,668 (29,553). The total change in value during the year was MSEK 5,115 (4,835).

Change in fair value of property portfolio per segment, Dec 31	Sweden		Norway		Finland		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Opening value for the year	25,999	24,718	3,042	-	512	-	29,553	24,718
Acquired properties	2,040	963	635	2,748	931	512	3,606	4,223
Investments in existing properties	883	555	10	11	-	-	893	566
Divested properties	-1,329	-1,441	-	-	-	-	-1,329	-1,441
Realized changes in value in profit for the period	46	91	-	-	-	-	46	91
Unrealized changes in value in profit for the period	1,139	1,113	348	296	62	-	1,548	1,409
Translation differences	-	-	325	-13	25	-	350	-13
Closing fair value	28,778	25,999	4,359	3,042	1,531	512	34,668	29,553

Shares in joint ventures

At December 31, 2016, Hemfosa was a partner in four joint ventures. Ownership is governed by shareholders' agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence. Shares in the profit of joint ventures is recognized in the Group's profit from property management, but is not included in Hemfosa's dividend-based profit.

MSEK	Söderport Holding AB		Gardermoen Utvikling AS		Other companies		Total	
	Dec 31		Dec 31		Dec 31		Dec 31	
	2016	2015	2016	2015	2016	2015	2016	2015
Capital share	1,009	832	641	209	27	31	1,677	1,075
Shareholding, %	50	50	65	65	50	50		
Share in profit/loss, Jan-Dec	286	254	254	0	1	1	542	255
<i>Of which</i>								
Profit from property management	124	131	0	0	0	0	124	131
Changes in value, properties	239	183	340	0	0	0	579	183
Changes in value, financial instruments	-6	29	-	0	-	-	-6	30
Deferred tax	-75	-68	-85	0	-	-	-160	-68
Other	4	-20	0	0	1	1	5	-20

SÖDERPORT HOLDING AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB. At December 31, 2016, Söderport owned properties worth some SEK 6.3 billion (5.6) with the emphasis on the Stockholm and Gothenburg areas.

During the year, Söderport divested one property in Malmö. The 13,000-square-meter property had been empty since October 2015. Prior to the sale, Söderport prepared a new zoning plan facilitating conversion into residential units. The underlying property value was MSEK 170.

Söderport acquired three properties from Sagax and three properties from Hemfosa during the fourth quarter. The properties were located in Stockholm and comprised a total of 38,000 square meters. The property value was MSEK 399, corresponding to the externally assessed market value.

At December 31, 2016, Söderport owned 54 properties (59).

Söderport Holding AB

MSEK	Dec 31	
	2016	2015
Rental income, Jan-Dec	544	542
Comprehensive income for the year, Jan-Dec	552	537
of which, Hemfosa's share (50%)	276	269
Market value of properties	6,330	5,631
Interest-bearing loans	3,450	3,257
Deferred tax liability	385	237
Derivatives, negative value, MSEK	424	412
Equity	2,018	1,665
of which, Hemfosa's share (50%)	1,009	833
No. of properties	54	59
Leasable area, 000s of sqm	686	670

GARDERMOEN CAMPUS UTVIKLING AS

Hemfosa owns Gardermoen Campus Utvikling AS (GCU) jointly with Aspelin Ramm Eiendom AS, a Norwegian development company. Hemfosa's ownership share amounts to 65 percent.

GCU is developing an area at Gardermoen Airport, Norway, into an important national hub for expertise in health and social care. GCU manages about 12.5 hectares of land, with a zoning plan covering about half of the area. The zoning plan has approved construction on up to 68,000 square meters. GCU is Hemfosa's largest development project and is the first of its kind for the company in terms of focus. The initiative is in line with Hemfosa's strategy: to focus on community service properties with stable cash flows and to capitalize on opportunities in a fluid property market.

The first phase of the investment in GCU comprises the project design and construction of a specialist hospital. GCU has signed a 25-year lease with Landsforeningen for Hjerte og Lungesyke (LHL). Construction of the hospital commenced in 2015 and is scheduled for completion in January 2018.

In addition, GCU has signed an agreement with the Municipality of Ullensaker for the construction of a new approximately 8,000-square-meter local medical center adjacent to LHL's hospital. The municipality has signed a 30-year lease, meaning that the property is fully leased. Construction work started in August 2016 and is scheduled for completion in January 2018.

At December 31, 2016, the properties had a fair value MSEK 1,579, corresponding to an unrealized change in value of MSEK 546 during the year.

At December 31, 2016, Hemfosa's investment in GCU amounted to MSEK 378.

Gardermoen Campus Utvikling AS

MSEK	Dec 31	
	2016	2015
Fair value of properties	1,579	317
Interest-bearing loans	429	-
Deferred tax liability	150	-
Equity	986	321
of which, Hemfosa's share (65%)	641	209
No. of properties	3	2

OTHER SHARES IN JOINT VENTURES

Hemfosa and Smebab Kommersiellt Holding AB each own 50 percent of a company in the Skanska Group, Gästgivaregatan Holding AB. Gästgivaregatan is a project development company formed to develop and add value to the Tellus 4 commercial property in Södertälje.

Hemfosa also owns shares in Strängnäs Culmen II AB. The company does not conduct any operations.

Financing

EQUITY

At December 31, 2016, Hemfosa's shareholders' equity totaled MSEK 15,568 (10,749), equal to an equity/assets ratio of 41.2 percent (34.2). Hemfosa's financial target is to have an equity/assets ratio that exceeds 30 percent. The Parent Company's equity amounted to MSEK 11,117 (8,985).

The number of ordinary shares was 157,728,249 and the number of preference shares 10,999,999. At year-end, MSEK 524 had been paid to holders of ordinary and preference shares of the dividends adopted by the 2016 AGM and the remaining dividends have been entered as a liability in the Statement of financial position.

EPRA NAV per ordinary share was SEK 93.87 (73.98).

INTEREST-BEARING LIABILITIES

During the quarter, Hemfosa established a commercial paper program with a limit of MSEK 2,000. In conjunction with this, the company issued MSEK 895 with terms of between three and 12 months. To manage the refinancing risk associated with the program, the company will mainly utilize covered backup facilities. Hemfosa also issued a non-covered bond loan totaling MSEK 750. The initial term of the bond loan is three years, at a floating interest rate of STIBOR 3m + 2.8 percent, equal to a first coupon of some 2.2 percent. In connection with the issue, Hemfosa bought back MSEK 202 of bonds outstanding, with maturity on April 4, 2017.

At 31 December 2016, Hemfosa's interest-bearing liabilities amounted to MSEK 20,666 (18,898), with MSEK 17,993 (17,672) pertaining to loans from credit institutions, MSEK 1,748 (1,200) to bond loans, MSEK 895 (0) to commercial paper, MSEK 11 (14) to vendor's mortgages and MSEK 20 (18) to other liabilities. Hemfosa has a committed covered lines of credit of MSEK 1,300 (1,300), as well as a further MSEK 500 in credit-approved covered line of credit. As mentioned above, the lines of credit are facilities to back up the outstanding commercial paper program, of which MSEK 895 was issued at year-end. Hemfosa also has overdraft facilities totaling MSEK 450 (325), which were unutilized at December 31, 2016. Hemfosa's cash and cash equivalents at year-end totaled MSEK 1,221. The Group also has loans raised in NOK pertaining to the property portfolio in Norway, as well as loans raised in EUR for the Finnish property portfolio.

The loan-to-value ratio was 59.4 percent (63.9). At December 31, 2016, the average interest rate was 1.98 percent (2.03). In some cases, the Group has entered into loan agreements with an interest-rate floor provision, meaning that STIBOR 3 months cannot be negative. Due to these loan agreements, Hemfosa is not able to fully capitalize on the lower interest rates.

Fixed-rate period distributed by instruments at December 31, 2016

	Overdraft facilities ¹ , MSEK	Swaps ² , MSEK	Interest-rate caps ² , MSEK	Amount, MSEK	Proportion, %
<1 year	20,598	-4,777	-4,446	11,375	55
1-2 years	0	3,370	1,902	5,272	26
2-3 years	0	497	1,420	1,917	9
3-4 years	27	710	911	1,648	8
4-5 years	0	200	213	413	2
>5 years	41	0	0	41	0
Total	20,666	0	0	20,666	100

1 All amounts recognized as liabilities in this chapter represent undiscounted amounts. The interest-bearing liabilities in the Statement of financial position include arrangement fees totaling MSEK 61 (63) and these must therefore be taken into account to attain uniformity between tables and recognized liabilities in the Statement of financial position.

2 Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 9,992 have been taken into account in contractual interest rates and terms. The underlying loans carry a floating interest rate that is mainly based on STIBOR 3 months.

Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates

have less impact on the Group's interest expenses. During the quarter, new interest-rate-cap agreements of MSEK 900 were entered into, and interest-rate swaps agreements of MSEK 575 were either entered into or extended. At December 31, 2016, the nominal value of Hemfosa's outstanding interest-rate swaps was MSEK 5,162 (5,767) and interest-rate caps MSEK 4,830 (2,286). Taking into account the fixed-income derivatives entered into and interest-rate caps, together with the loans that carry fixed interest rates, 56.0 percent (52.4) of Hemfosa's loan portfolio is interest-rate hedged. At the end of the quarter, the average remaining fixed-rate period was 1.3 years (1.3).

Fixed-rate period, interest-rate swaps at December 31, 2016

	Nominal amount, MSEK	Average interest rate, interest-rate swaps, %	Market value, MSEK
<1 year	385	0.1	2
1-2 years	3,370	1.2	76
2-3 years	497	0.0	3
3-4 years	710	1.3	2
4-5 years	200	0.6	4
>5 years	0	0	0
Total	5,162	1.0	87

The net change in interest-bearing liabilities during the quarter was MSEK 1,710 (1,235). The change derives from loans raised of MSEK 2,159 (1,394) for previously un-mortgaged community service properties, commercial paper programs and a non-covered bond. Loan repayments during the quarter totaled MSEK 417 (82), divided among MSEK 81 (15) for repayment in connection with sales of properties, MSEK 75 for loan refinancing, MSEK 60 (43) for ongoing repayment under loan agreements and MSEK 202 for the buyback of bonds. The remainder of the net change resulted from exchange-rate changes of SEK 32 (77).

For interest-bearing liabilities that become due for payment in 2017, the company extended approximately MSEK 2,000 and initiated discussions concerning extensions on market-based terms for a large part of the remaining amount.

At year-end, the total fair value of interest-rate swaps and interest-rate caps and swaps was MSEK -84 (-101). The average loan maturity term was 2.1 (2.7) years. All interest-rate swaps had a negative fair value at December 31, 2016.

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

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, MSEK ¹⁾	Total, MSEK
2017	5,768	28	324	54	378
2018	6,384	31	262	43	305
2019	4,203	20	141	6	147
2020	3,463	17	44	3	46
2021	735	4	4	1	5
2022-	115	1	42	0	42
Total	20,666	100	817	106	923

¹ The net rate in the table is attributable to swaps with negative value.

CURRENCY EXPOSURE

Due to the acquisition of properties in Norway and Finland, the Group is exposed to currency risk. Currency risks pertain to investments, income and expenses in foreign currency, in which the currency fluctuations impact profit/loss and other comprehensive income for the year. Hemfosa's currency risk has been identified to arise in part in connection with shareholders' equity in foreign subsidiaries and in part in connection with net flows in foreign currency, as well as in connection with acquisitions and divestments of foreign companies and properties when the transactions are frequently negotiated and agreed in the period prior to taking or handing over possession and Hemfosa is exposed to currency fluctuations in the intermediary period. Accordingly, Hemfosa is exposed to both currency flows and changes in exchange rates. At present, Hemfosa does not hedge its net equity exposure. It is not impossible that the company could enter into currency hedges from time to time.

Other disclosures

EMPLOYEES

At December 31, 2016, the number of employees was 59 (59), of whom 27 (26) were women. Hemfosa has offices in Nacka (head office), Gothenburg, Härnösand, Karlskrona, Karlstad, Kristianstad, Sundsvall, Västerås, Värnamo, Växjö, Oslo and Helsinki.

SIGNIFICANT RISKS AND UNCERTAINTIES FOR THE GROUP AND PARENT COMPANY

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner in its management of these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2015 Annual Report on pages 36–39 and 86–88.

Sensitivity analysis, December 31, 2016

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 28
Economic leasing rate according to earnings capacity	+/- 1	+/- 28
Property expenses according to earnings capacity	+/- 1	+/- 8
Net operating income according to earnings capacity	+/- 5	+/- 100
Changes in SEK/NOK exchange rates	+/- 10	+/- 162
Change in SEK/EUR exchange rate	+/- 10	+/- 85
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+ 60/-6
Interest expenses assuming change in average interest rate level ²	+/- 1	+/- 207
Revaluation of fixed-income derivatives attributable to shift in interest rate curves	+/- 1	+/- 110

¹ Taking into account derivative agreements

² Not taking into account derivative agreements

THE SHARE AND SHAREHOLDERS

The company's ordinary share was listed on Nasdaq Stockholm, Mid Cap, on March 21, 2014 under the ticker symbol "HEMF." The company's preference share was listed on NASDAQ Stockholm, Mid-Cap, on December 12, 2014 under the ticker symbol "HEMF PREF." On January 2, 2017, trading in the company's ordinary shares and preference shares were moved to Nasdaq Stockholm Large Cap.

The company implemented a rights issue during the year, for which the subscription period ended on 10 May 2016. The issue was fully subscribed. Through the rights issue, the company's share capital was increased by SEK 13,144,021 and thereafter amounts to SEK 84,364,124. The issue proceeds, following issue costs, amounted to MSEK 1,809.

At December 30, 2016, there were 168,728,248 Hemfosa shares, of which 157,728,249 were ordinary shares and 10,999,999 were preferential shares. The number of voting rights totaled 158,828,248.9. Each ordinary share carries one voting right and each preference share one tenth of a voting right.

The last price paid on December 30, 2016 was SEK 85 for the ordinary share and SEK 155.50 for the preference share. Total market capitalization was MSEK 15,117. At December 30, 2016, Hemfosa had 19,375 shareholders, of whom Swedish investors, institutions and private individuals owned 65.6 percent of the shares and 64 percent of the voting rights. International institutional investors owned 34.4 percent of the shares and 36 percent of the votes.

Owner distribution, December 31, 2016

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	14,885,225	-	8.8	9.4
Swedbank Robur Funds	12,761,926	125,000	7.6	8.0
Länsförsäkringar Fondförvaltning AB	12,411,722	-	7.4	7.8
Kåpan Pensioner	8,236,274	-	4.9	5.2
Lannebo funds	5,435,000	-	3.2	3.4
Handelsbanken Funds	5,134,375	-	3.0	3.2
JPM Chase NA	3,591,914	110,653	2.2	2.3
CBNY-Norges Bank	3,396,099	-	2.0	2.1
Other	91,875,714	10,764,346	60.9	58.6
Total	157,728,249	10,999,999	100.0	100.0

DIVIDEND PROPOSAL

Hemfosa's dividend policy is to pay a long-term dividend of 60 percent of distributable profit. Distributable profit is defined as profit from property management less taxes paid and shares in the profit of joint ventures. Distributable profit for the year amounted to MSEK 1,253.

For the 2016 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.40 per share with quarterly payment of SEK 1.10 per ordinary share. The proposed record dates are April 27, July 10 and October 10, 2017 and January 10, 2018. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10.00 per share with quarterly payment of SEK 2.50 per preference share, with the record dates being July 10 and October 10, 2017 and January 10, 2018 and April 10, 2017. The proposed dividend corresponds to 64 percent of distributable profit for 2016.

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer gives his assurance that this year-end report provides a true and fair overview of the company's and the Group's operations, financial position and earnings, and describes material risks and uncertainties facing the company and the companies included in the Group.

Nacka, February 17, 2017
Hemfosa Fastigheter AB (publ)
(Corp.Reg. No. 556917-4377)

Jens Engwall
Chief Executive Officer

This year-end report has not been examined by the company's auditor.

The information in this year-end report is such that Hemfosa Fastigheter AB is obligated to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was issued for publication under the auspices of the CEO on February 17, 2017 at 7:30 a.m. CET.

REPORTING DATES

Annual Report for 2016	Week 13, 2017
Interim report, January-March 2017	April 25, 2017
Annual General Meeting 2017	April 25, 2017
Interim report, January-June 2017	July 20, 2017
Interim report January-September 2017	November 8, 2017

CONTACT INFORMATION

Hemfosa Fastigheter AB
Tel: +46 8 448 04 80
Street address: Hästholmsvägen 28
Postal address: Box 2020, 131 02 Nacka
www.hemfosa.se

Jens Engwall, CEO, tel: +46 8 448 04 82, e-mail: jens.engwall@Hemfosa.se

Karin Osslind, CFO, tel: +46 8 448 04 84, e-mail: karin.ossind@Hemfosa.se

Condensed financial statements

Consolidated statement of profit/loss and comprehensive income

MSEK	Not	Oct-Dec		Full-year	
		2016	2015	2016	2015
Rental income		684	624	2,642	2,443
Property expenses including property administration		-213	-187	-825	-773
Net operating income	1	472	437	1,817	1,670
Central administration		-40	-28	-128	-112
Other operating income and costs		3	1	21	0
Share in profit of joint ventures		217	114	542	255
Financial income and expenses		-116	-118	-440	-450
Profit from property management		537	405	1,812	1,363
Changes in value of properties, realised		11	0	46	91
Unrealized changes in value of properties		292	383	1,548	1,409
Changes in value of financial instruments, realised		0	3	0	3
Changes in value of financial instruments, unrealised		23	15	18	-45
Profit before tax for the year		862	808	3,424	2,821
Current tax	2	-14	-4	-17	-5
Deferred tax		-11	-230	177	-478
Profit for the year		837	573	3,583	2,339
Other comprehensive income					
Translation differences for the period when translating foreign operations		-6	-45	156	-132
Comprehensive income for the year		831	528	3,739	2,207
<i>Profit/loss for the year attributable to:</i>					
Parent Company shareholders		821	570	3,556	2,324
Non-controlling interests		16	3	27	15
Profit for the year		837	573	3,583	2,339
<i>Profit/loss for the year attributable to:</i>					
Parent Company shareholders		815	526	3,709	2,191
Non-controlling interests		16	2	30	16
Comprehensive income for the year		831	528	3,739	2,207
Net profit per ordinary share, before and after dilution, SEK		5.02	3.99	23.25	16.28

Consolidated statement of financial position

MSEK	Dec 31	
	2016	2015
ASSETS		
Investment properties	34,668	29,553
Shares in joint ventures	1,676	1,075
Shares in associated companies	56	-
Other fixed assets	13	7
Total fixed assets	36,412	30,635
Current receivables	141	82
Cash and cash equivalents	1,221	732
Total current assets	1,362	814
TOTAL ASSETS	37,774	31,449
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity attributable to Parent Company shareholders	15,506	10,737
Non-controlling interests ¹	64	12
Equity	15,570	10,749
Non-current interest-bearing liabilities	14,639	17,228
Other long-term liabilities	87	106
Deferred tax liabilities	506	701
Total non-current liabilities	15,236	18,035
Current interest-bearing liabilities	5,966	1,670
Other current liabilities	1,001	994
Total current liabilities	6,968	2,664
Total liabilities	22,204	20,699
TOTAL EQUITY AND LIABILITIES	37,774	31,449

¹ Relates to 4.2 percent of Hemfosa Samfunnsbygg AS, a subsidiary owned by Immob Holding AS. During 2016, a new issue of shares in Hemfosa Samfunnsbygg AS was implemented, whereby Immob Holding's ownership share was increased from 2.8 percent to 4.2 percent. Change of ownership share is subject to approval at Hemfosa's Annual General Meeting 2017.

Consolidated statement of changes in equity shareholders' equity

MSEK	Shareholders' equity attributable to Parent Company shareholders				Total	Non-con- trolling interests	Total Share- holders' equity
	Share capital	Other contrib- uted capital	Transla- tion reserve	Retained earnings incl. profit for the year			
Opening equity, Jan 1, 2015	71	5,549	-	3,317	8,938	12	8,949
Transactions with the Group's shareholders, Jan-Dec 2015							
Contributions from and distributions to shareholders							
New share issue, preference shares	1	163	-	-	164	-	164
Dividend, preference shares	-	-	-	-157	-157	-	-157
Dividend, ordinary shares	-	-	-	-394	-394	-	-394
Changes in interests in subsidiaries							
Acquisition of subsidiaries with non-controlling interests	-	-	-	-4	-4	4	-
Divestment of part-owned subsidiary	-	-	-	-	-	-20	-20
Total transactions with the Group's shareholders	1	164	-	-556	-391	-14	-407
Total comprehensive income Jan-Dec 2015	-	-	-132	2,324	2,192	15	2,207
Closing equity, Dec 31, 2015	72	5,713	-132	5,084	10,737	12	10,749
Opening equity, Jan 1, 2016	72	5,713	-132	5,084	10,737	12	10,749
Transactions with the Group's shareholders, Jan-Dec 2016							
New issue, ordinary shares	13	1,795 ²	-	-	1,808	-	1,808
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-635	-635	-	-635
Increase in non-controlling interests	-	-	-	-	-4	22	18
Total transactions with the Group's shareholders	13	1,796	-	-745	1,060	22	1,073
Comprehensive income, Jan-Dec 2016	-	-	156	3,553	3,709	30	3,739
Closing equity, Dec 31, 2013	84	7,509	24	7,892	15,506¹	64	15,570

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

2 The amount includes costs totaling MSEK 6 for raising capital.

Statement of cash flow for the Group

MSEK	Oct-Dec		Full-year	
	2016	2015	2016	2015
Operating activities				
Profit from property management	537	408	1,812	1,363
Adjustments for items not included in cash flow	-217	-119	-541	-264
Income tax paid	1	0	-11	0
Cash flow from operating activities before changes in working capital	321	290	1,260	1,100
Cash flow from changes in working capital				
Changes in operating receivables	37	237	-56	22
Changes in operating liabilities	-67	-72	-96	98
Cash flow from operating activities	291	455	1,108	1,220
Cash flow from investing activities				
Acquisition of investment properties	-18	-9	-46	-103
Divestment of investment properties	7	35	16	45
Investments in existing properties	-363	-157	-893	-566
Acquisition of subsidiaries	-1,348	-436	-3,498	-4,491
Divestment of subsidiaries	341	16	1,264	1,378
Acquisition of joint ventures and associated companies	-1	-55	-77	-221
Other	-	64	-12	14
Cash flow from investing activities	-1,381	-541	-3,246	-3,943
Cash flow from financing activities				
New share issue	-	-	1,808	165
Loans raised	2,170	719,476	5,277	4,240
Repayment of loans	-418	-99,742	-3,804	-1,101
Redemption of existing swap agreements	-	-	-	-43
Dividend paid to shareholders	-193	-126	-678	-399
Other	8	-	18	-
Cash flow from financing activities	1,567	494	2,622	2,862
Cash flow for the period/year	477	408	483	138
Exchange-rate difference in cash and cash equivalents	1	-1	7	0
Cash and cash equivalents at the beginning of the year	744	325	732	594
Cash and cash equivalents at the end of the year	1,221	732	1,221	732

NOTE 1 SEGMENT INFORMATION

MSEK	Sweden Full-year		Norway Full-year		Finland Full-year		Total Full-year	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental income	2,287	2,247	261	196	94	0	2,642	2,443
Property expenses								
<i>Operations</i>	-424	-411	-3	-2	-6	0	-433	-413
<i>Maintenance</i>	-207	-191	-4	-3	-2	0	-212	-194
<i>Property tax</i>	-90	-83	-3	-2	-5	0	-97	-86
Property administration	-78	-78	-3	-2	0	0	-82	-81
Net operating income	1,488	1,482	249	187	81	0	1,817	1,670
Central administration							-128	-112
Other operating income and expenses							21	0
Share in profit of joint ventures							542	255
Financial income and expenses							-440	-450
Profit from property management							1,812	1,363
Changes in value, properties							1,594	1,501
Changes in value, financial instruments							18	-42
Profit before tax for the year							3,424	2,821

NOTE 2 TAX

The effective tax rate for full-year 2016 was +4.7 (-17.1), which differs from the nominal tax rate of 22 percent. This is because, after reassessing the possibilities of utilizing existing loss carryforwards, loss carryforwards of SEK 3.4 billion have been assigned a value, and because shares of MSEK 542 (255) in profit from joint ventures, which are included in profit from property management, constitute after-tax profit. The effective tax rate for the fourth quarter was -2.9 percent for the same reason; i.e. that shares in profit from joint ventures of MSEK 217 (114) constitute after-tax profit and that loss carryforwards of MSEK 300 have been assigned a value.

On the balance-sheet date, deferred tax assets attributable to loss carryforwards were recognized in an amount of MSEK 1,047 (388).

Reconciliation of effective tax, MSEK	Full-year 2016		Full-year 2015	
Profit before tax		3,424		2,821
Tax according to applicable tax rate for Parent Company	-22.0%	-753	-22.0%	-621
Profit from shares in joint ventures	3.5%	119	2.0%	56
Utilization of loss carryforwards not capitalized in prior years	-0.5%	-15	0.0%	0
Capitalization of loss carryforwards not capitalized in prior years	22.0%	751	0.8%	22
Deferred tax in connection with divestment of properties	1.5%	51	0.0%	0
Other	0.2%	6	2.1%	60
Recognized effective tax	4.7%	160	-17.1%	-483

NOTE 3 ACCOUNTING POLICIES

This condensed year-end report for the Group has been prepared in accordance with International Accounting Standards (IAS) 34 Interim Reporting, as well as applicable regulations of the Swedish Annual Accounts Act. The year-end report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim Reports. For the Group and Parent Company, the same accounting policies and calculation basis were used as in the most recent Annual Report. All amounts in this year-end report are stated in millions of kronor (MSEK), unless otherwise stated. The amounts in parenthesis pertain to the year-earlier period. Rounding-off differences may occur. Since July 3, the company has applied Guidelines - Alternative Performance Indicators, as issued by ESMA (European Securities and Markets Authority). In accordance with these guidelines, disclosures have been expanded in the event that financial measures not defined by IFRSs are used; see glossary, page 34.

NOTE 4 ESTIMATES AND JUDGMENTS

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

NOTE 5 FINANCIAL INSTRUMENTS

Hemfosa measures its financial instruments at fair value or amortized cost in the Statement of financial position, depending on the classification of the instrument. Financial instruments include rent receivables, derivative instruments and cash and cash equivalents among assets and interest-bearing liabilities, derivative instruments and accounts payable among liabilities. Derivative instruments are recognized at fair value following Level 2 measurement. Hemfosa has binding framework agreements, known as ISDAs, covering its trading in derivatives, which enable Hemfosa to offset financial liabilities against financial assets should, for example, a counterparty become insolvent; these are also known as netting agreements. No offsetting occurs at present.

	Carrying amount		Fair value	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Financial instruments, MSEK				
Assets measured at fair value	3	0	3	0
Assets measured at amortized cost	1,338	387	1,338	387
Liabilities measured at fair value	87	163	87	163
Liabilities measured at amortized cost	7,285	374	7,285	374

NOTE 6 FINANCING

For information on changes in financing, reference is made to pages 20–21 in this year-end report.

NOTE 7 RELATED-PARTY TRANSACTIONS

The Group owns shares in joint ventures; refer to pages 18–19 of this year-end report. At December 31, 2016, the Group had sureties of MSEK 137 (-) for the liabilities of joint ventures. At the same date, the Group had no receivables from joint ventures.

NOTE 8 SIGNIFICANT EVENTS AFTER YEAR-END

No significant events have occurred after year-end.

Income statement for the Parent Company

MSEK	Oct-Dec		Full-year	
	2016	2015	2016	2015
Net sales	9	13	34	53
Other external costs	-6	-8	-34	-33
Personnel expenses	-19	-8	-39	-30
Depreciation/amortization	0	0	0	0
Operating profit/loss	-16	-3	-39	-10
Profit from shares in Group companies	979	850	979	850
Interest income and similar items	5	13	15	286
Interest expenses and similar expense items	-13	-48	-24	-173
Profit after financial items	956	812	931	953
Appropriations				
Group contributions received and paid	53	-187	162	-187
Profit after appropriations	1,008	623	1,093	765
Tax	0	-	-24	-
Profit for the year	1,008	623	1,069	765

For full-year 2016, the Parent Company recognized profit after tax of MSEK 1,069 (765). The Parent Company's fee for central and property administrative services on behalf of Group companies was MSEK 34 (53). The Parent Company's investments in operations outside Sweden resulted in exchange-rate gains of MSEK 16 (loss: 110), which are recognized in interest expense and similar income statement items. Anticipated dividends from subsidiaries amounted to MSEK 979 (850).

Profit for the year total corresponds to comprehensive income for the year.

Balance sheet for the Parent Company

MSEK	Dec 31	
	2016	2015
ASSETS		
Tangible assets	1	0
Participations in Group companies	5,258	3,527
Non-current receivables from Group companies	477	523
Deferred tax asset	-	24
Total fixed assets	5,736	4,074
Current receivables from Group companies	8,898	7,103
Other current receivables	47	13
Cash and bank balances	671	286
Total current assets	9,616	7,402
TOTAL ASSETS	15,352	11,476
SHAREHOLDERS' EQUITY AND LIABILITIES		
Restricted equity	84	72
Unrestricted equity	11,033	8,913
Equity	11,117	8,985
Bond	750	1,200
Total non-current liabilities	750	1,200
Bond	998	-
Current interest-bearing liabilities	895	-
Current liabilities to Group companies	1,330	1,101
Other current liabilities	261	190
Total current liabilities	3,485	1,291
Total liabilities	4,235	2,491
TOTAL EQUITY AND LIABILITIES	15,352	11,476
Pledged assets and contingent liabilities		
<i>Pledged assets</i>		
Participations in Group companies	5,258	3,527
<i>Contingent liabilities</i>		
Sureties for liabilities in Group companies	14,273	12,639
Sureties for liabilities in joint ventures	137	-

At December 31, 2016, the Parent Company had shareholders' equity totaling MSEK 11,117 (8,985), of which restricted equity accounted for MSEK 84 (72). A rights issue of ordinary shares during the year increased the Parent Company's equity by a total of MSEK 1,809 after issue costs. The surety for liabilities in joint ventures pertains to the Norwegian partly owned company Gardermoen Campus Utvikling AS, which owns and is developing a health and medical care competence park by Gardermoen Airport.

Since bond loans of MSEK 998 fall due for payment during 2017, this item has been classified as a current liability, as opposed to the classification in the preceding year. During the year, Hemfosa redeemed MSEK 200 of existing bond loans and issued a new bond loan in an amount of MSEK 750 with an initial term of three years. Intra-Group liabilities totaled MSEK 1,330 (1,101) and intra-Group receivables MSEK 9,375 (7,626).

Glossary

Return on equity

Profit/loss for a rolling 12-month period in relation to average shareholders' equity during the period.

Loan-to-value ratio

Interest-bearing liabilities at the end of the period in relation to the fair value of the properties in the statement of financial position. The loan-to-value ratio is a measure of risk that indicates the degree to which the operation is encumbered with interest-bearing liabilities. The key figure provides comparability with other property companies.

Yield

Net operating income for a rolling 12-month period as a percentage of the carrying amounts of the properties, adjusted for the holding period of the properties during the period. The key figure indicates the yield from operational activities in relation to the properties' value.

Net operating income

Net operating income comprises the income and expense items directly connected to the property, meaning rental income and the expenses required to keep the property in operation, such as operating expenses, maintenance costs and personnel costs for those who take care of the property and tenant contacts. The indicator is used to provide comparability with other property companies, but also to illustrate operational performance.

Equity per ordinary share

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

Equity per preference share

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

Economic leasing rate

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

Property

Properties held under title or site leasehold.

Profit from property management

Profit from property management comprises net operating income plus property management and administration expenses as well as financial income and expenses. This earnings ratio does not include effects of changes in the value of investment properties and derivatives. These are reported separately in the Statement of profit/loss and are not included in distributable profit.

Profit from property management per ordinary share

Profit from property management for the period, less the pre-emptive rights of preference shares to a dividend, in relation to the weighted average number of ordinary shares.

Rental income

Rents charged plus supplements for heating and property tax.

Rental value

Rental income for the total leasable area.

IAS

International Accounting Standards. The international accounting standards issued by the independent body, the International Accounting Standards Board (IASB) and then processed and adopted by the EU. The rules must be complied with by listed companies in the EU.

IFRS

International Financial Reporting Standards. International accounting standards to be applied for the consolidated financial statements of listed companies in the EU from 2005.

Cash flow from operating activities per ordinary share

Cash flow from operating activities, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares.

Market value of properties

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

Preference share capital

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

Earnings per ordinary share

Earnings for the period, less the pre-emptive rights of preference shares to a dividend for the period, as a percentage of the weighted average number of ordinary shares.

Interest-rate swap

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

Interest-rate cap

An interest hedging instrument whereby the lender pays a variable interest up to a predetermined interest-rate level. The aim of interest-rate caps is to reduce the interest-rate risk.

Interest coverage ratio

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in income in joint ventures as a percentage of financial income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities.

Public service properties

Properties with directly or indirectly publicly financed tenants who account for at least 70 percent of rental income.

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Equity/assets ratio

Equity as a percentage of total assets.

Substansvärde per stamaktie (EPRA NAV)

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period. The purpose of this performance indicator is to show the fair value of net assets in a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivative instruments and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

Ground rent

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

Site leasehold

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

Dividend policy

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

Fair value of properties

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

Surplus ratio

Net operating income for the period as a percentage of the rental income. The surplus ratio shows the percentage of each Swedish krona earned that the company can keep. The key figure serves as a measure of efficiency that is comparable over time and among property companies.

BUSINESS CONCEPT

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

FINANCIAL OBJECTIVES

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

DIVIDEND POLICY

The dividend shall amount to 60 per cent of profit from property management long term excluding the share of profit/loss in joint ventures and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

STRATEGY

Hemfosa will generate long-term, high and stable growth combined with a strong cash flow by:

- developing and adding value to its property portfolio
- creating and maintaining long-term relationships with tenants by means of market-oriented and professional property management
- developing long-term relationships with government authorities, county councils and municipalities, as well as with private operators of community service properties
- increasing the share of community service properties to at least 75 percent of the total property value

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

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