

WITHOUT

OUR

CUSTOMERS

SWEDEN

WOULD

stand still

Annual Report 2017

Hemfosa
FASTIGHETER



The MOST IMPORTANT PEOPLE DESERVE THE *best* PROPERTY

Hemfosa is a specialist in the most important properties – premises for community services and publicly financed operations. The heart of society, a cog in the wheel of daily life. We are talking about preschools and schools, retirement and nursing homes, offices for public authorities, police stations and court houses. We want our efforts for tenants to be as good as their own efforts for society. We're experts in properties – and we are driven by developing them, ourselves and our relations. We have a genuine corporate culture and a responsible tenant-centric organization staffed by both highly experienced personnel and talented new employees. We take a long-term approach to our partnerships and complete transactions swiftly with a focus on generating value while maintaining a sustainable direction that benefits our owners, tenants, business partners and society at large.

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Hemfosa's formal and audited annual accounts are on pages 65–105.

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

HEMFOSA 2017

Leader in community service properties

During 2017, Hemfosa strengthened its position in the Nordic property market and continued its work to create the best properties for the most important people and services in society. Through a number of acquisitions of both individual properties and larger complex portfolios, Hemfosa's property portfolio grew at the same time as being developed through investments in remodeling and new builds.

SEK **41.1** billion

Property value, excl. shares in joint ventures

SEK **4,3** billion

Properties acquired during the year

From **0** to
SEK **41** billion
in nine years

2009	2010	2011	2012
Number of properties: 13	Number of properties: 164	Number of properties: 279	Number of properties: 204
Property value: MSEK 220	Property value: SEK 7.9 billion	Property value: SEK 15.1 billion	Property value: SEK 16.0 billion
Rental income: MSEK 8	Rental income: MSEK 529	Rental income: MSEK 1,257	Rental income: MSEK 1,573



Continued investments and streamlining

Q1

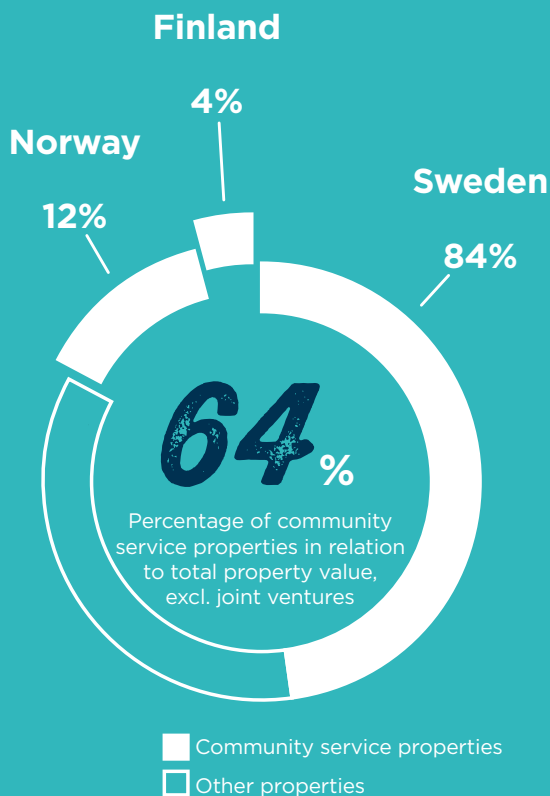
- Agreement signed to become the long-term sole owner of the specialist hospital and local medical center at Gardermoen, Norway, which Hemfosa co-owns in a joint venture with Aspelin Ramm.
- Söderport Holding AB, Hemfosa's joint venture, acquires 15 properties and divests one property.
- Additional streamlining through the divestment of 11 properties and acquisition of four community service properties in Sweden and Finland.
- Bonds issued in an amount of MSEK 750.



Delivering on long-term acquisition work

Q2

- Hemfosa's first incentive program targeted at all employees is implemented and acceptance is high, with 89 percent of the maximum number of warrants acquired.
- Sixteen community service properties acquired in a total of ten Swedish towns.
- Property portfolios with a high proportion of community services tenants acquired in Karlskrona and Örnsköldsvik, comprising 19 and five properties, respectively.
- Agreements signed for the acquisition of ten centrally located community service properties in Halmstad, whereby Hemfosa becomes an important player in community service properties in this city.
- Bonds issued in an amount of MSEK 250.



Geographical breakdown and type of property

INCREASED EARNINGS CAPACITY

Hemfosa's estimated earnings capacity, expressed as profit from property management in the existing property portfolio, increased about 15 percent in 2017. The increase in earnings derived primarily from a larger property portfolio, high-return project development, a stronger financial position and advantageous credit terms.

MSEK 1,803
December 31, 2017

MSEK 1,571
December 31, 2016

KEY PERFORMANCE DATA

	2017	2016
Rental income, MSEK	3,134	2,642
Profit from property management, MSEK	2,186	1,812
Profit after tax, MSEK	3,163	3,583
Profit after tax per ordinary share, SEK	19.22	23.25
Equity per ordinary share, SEK	101.01	86.95
Net asset value (EPRA NAV) per ordinary share, SEK	112.20	93.87
<i>Property value, SEK billion</i>		
- excluding shares in jointly owned companies	41.1	34.7
- including shares in jointly owned companies	46.2	38.9

2013	2014	2015	2016	2017
Number of properties: 195	Number of properties: 353	Number of properties: 411	Number of properties: 432	Number of properties: 472
Property value: SEK 16.3 billion	Property value: SEK 24.7 billion	Property value: SEK 29.6 billion	Property value: SEK 34.7 billion	Property value: SEK 41.1 billion
Rental income: MSEK 1,584	Rental income: MSEK 1,612	Rental income: MSEK 2,443	Rental income: MSEK 2,642	Rental income: MSEK 3,134



Stronger position in Norway

Q3

- Community service properties acquired in the Norwegian municipalities of Tønsberg and Eidsvoll.
- First step onto the west coast of Norway taken through the acquisition of a property in Bergen, while a community service property in Sarpsborg was acquired.
- 16 health and care service properties acquired in 10 locations across Sweden, including Gävle, Hässleholm, Skövde, Västerås and Gotland.



Analysis of strategic options

Q4

- The Hemfosa Board decides to evaluate the conditions for demerging the Group into two listed companies in order to generate greater shareholder value by additionally streamlining the business.

COMMENTS FROM THE CEO

A strong year with new initiatives

2017 was another important, exciting and powerful year in Hemfosa's history. We continued to grow through acquisitions, combined with interesting investments and new build projects. We primarily continued our work on offering the best properties for the important community services. These are services that we all encounter and need some time during our lives. In 2018, we have an important mission of becoming even more active in satisfying the needs of municipalities and other community agents to find properties for a growing population. During the current year, we are also evaluating the possibility of demerging the Group into two listed companies, following up on the Board's November decision aimed at ensuring the best possible value for Hemfosa's shareholders in the future too.

Hemfosa now has a property portfolio worth a total of SEK 41 billion. Community service properties valued at more than SEK 26 billion account for 64 percent of the portfolio and generate stable cash flows in Sweden, Norway and Finland. We also have an attractive portfolio of commercial properties primarily in high-growth regions, valued at some SEK 15 billion. During the year, we improved our profit from property management by about 21 percent year-on-year to SEK 2.2 billion, while a changed assessment of loss carryforwards in 2016 meant that after-tax profit for 2017 declined somewhat. We continued to report steadily increasing earnings capacity each quarter during the year. And Hemfosa continues to grow with a low financial risk – at year-end, the equity/assets ratio was 40.4 percent. This is a performance that we are satisfied with and that gives us a strong platform for 2018.

CLOSE COOPERATION WITH COMMUNITY SERVICES TENANTS

At Hemfosa, we specialize in understanding and satisfying the needs of community services by providing functional properties, flexible solutions and high-quality property management. During the year, we invested additional amounts in remodeling and new builds, in part to develop Hemfosa's property portfolio but also to create stronger relations with current and future business partners and tenants. There is a limited supply of available acquisition objects at what we consider reasonable prices, at the same time as there is considerable demand for new properties for use as, for example, preschools, schools and nursing homes. In this context, our experience, size and financial capacity has enabled us to take a more distinct grip of the market by such means as collaborations with municipalities, building contractors and service

*“I look forward to the **NEXT STEP** in the evaluation of a demerger into **TWO COMPANIES** with roots in Hemfosa's **EXCELLENT CORPORATE CULTURE** and entrepreneurship.”*



operators. A typical example is our collaboration with Emrahus, which constructs innovative, modern passive buildings for LSS (support and service for the disabled) homes in Sweden. In 2017, Hemfosa acquired two newly built LSS homes from Emrahus and reached agreement on continued cooperation, whereby Hemfosa will be offered an opportunity to acquire additional properties when they are ready for occupancy and leased.

ONGOING PROJECTS IN GARDERMOEN

Our first really large investment in a new build project is the specialist hospital and local medical center at Gardermoen in Norway, which we implemented in a joint venture with the property developer Aspelin Ramm. In this newly completed property, every detail is planned for sustainability – from construction and materials selection to function and maintenance. Equipment is now being installed in the specialist hospital to enable the start of advanced cardiovascular treatment. We are delighted and proud of this, our first hospital project which, together with the project team, we completed according to the established timetable, within budget and with a clean bill of health at final inspection. This gives us the confidence, experience and credibility to implement more advanced, large-scale projects involving community service properties moving forward. In March 2018, we acquired the remainder of the project and thus became the sole owner of the properties.

NEXT STEP IN HEMFOSA'S HISTORY

In November, we initiated a process aimed at evaluating what we believe is a wise next step in Hemfosa's development; a demerger of the Group into two listed companies. With a streamlined community service property company, we will be able to establish an even stronger position, in part by focusing more intently on project development and specialist know-how in the various operations conducted in our community service properties. Meanwhile, we have an excellent portfolio of

other properties and transaction competencies that can be given better prospects to develop their full potential on a standalone basis. We are now analyzing the opportunities and formats for such a demerger and this work is proceeding as planned. Among other activities, a new independent unit is being formed within Hemfosa comprising the portfolio of other properties, which may be spun off to holders of Hemfosa's ordinary shares and listed on Nasdaq Stockholm. The Board intends to return with more information to the shareholders in connection with the Annual General Meeting and the interim report for the first quarter of 2018. Should the Board proceed by proposing to the shareholders a spinoff of the new company, we will convene an extraordinary shareholders' meeting to consider the matter.

I look forward to the next step in the evaluation of a demerger into two companies with roots in Hemfosa's excellent corporate culture and entrepreneurship. I consider a demerger as a logical next chapter in Hemfosa's history. I believe that two strong and specialized companies would provide the best possible potential to add value for both our shareholders and our tenants – while also providing new challenges for us working in the operations. I personally feel a great sense of responsibility for helping to find the best way forward for Hemfosa and our shareholders.

Meanwhile, we will continue to work on developing our partnerships with tenants and our properties. We are evaluating growth opportunities in an interesting market, where we see exciting acquisition opportunities, good access to funding and growing demand for the development of community service properties. There is a lot to do and we never stand still at Hemfosa.

Jens Engwall, CEO

BUSINESS *model*

Owning and developing society's most important properties

Hemfosa's business model is based on the long-term ownership, development and management of properties that house various types of community services. Value is added by focusing on the tenant and actively participating in a changing property market – all with the aim of strengthening the position as the leading operator in community service properties in the Nordic region. Hemfosa aims to continue to grow and develop a property portfolio with a stable and high yield.

NINE YEARS OF RAPID GROWTH AND HIGH RETURNS

Hemfosa was founded in June 2009 by an experienced team. The idea was to generate and develop a transaction-intensive high-yield property operation. Hemfosa rapidly established an agile organization that built a solid property portfolio in Sweden. In 2014, the company's ordinary share was listed on Nasdaq Stockholm, as was its preference share. In early 2015, the first property transaction was completed in Norway and Hemfosa also established a presence in Finland late the same year.

Today, Hemfosa is a Swedish property company with a Nordic orientation and a focus on community service properties – primarily schools, healthcare and personal care properties, police stations, courts of law and offices for public authorities. The company also owns a portfolio of other properties, primarily offices in growth regions, as well as logistics and warehouse properties in attractive locations. Hemfosa has a proprietary property management organization strategically located in the countries where the company is active. Certain projects are also conducted in the form of joint ventures. Hemfosa's business model has generated strong growth and a high return for shareholders ever since the company's inception.

EARNINGS CAPACITY

Earnings capacity is an important measurement for describing the expected earnings of a property company at a specific point in time and based on certain assump-

tions; it must not be confused with a forecast and only serves as a basis for gaining an impression of the company's future earnings based on the existing portfolio. Hemfosa's estimated earnings capacity increased by some 15 percent during the year. The reasons underlying the increase were a larger property portfolio and project development generating a stable yield, a stronger financial position and advantageous financing terms.

Group earnings capacity 2014–2017

MSEK	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Rental income	3,191	2,774	2,516	2,244
Property expenses	-804	-704	-674	-641
Property administration	-81	-73	-76	-72
Net operating income	2,305	1,997	1,766	1,531
Central administration	-124	-121	-110	-94
Share in profit from joint ventures and associated companies	132	139	126	112
Financial income and expenses	-511	-444	-415	-402
Profit from property management	1,803	1,571	1,367	1,147

The earnings capacity should be considered as a theoretical instantaneous impression presented to illustrate Hemfosa's estimated earnings capacity at a specific time. The data does not include the possible effects of property transactions. 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 based on current leases.
- Operating and maintenance costs consisting of an assessment of operating costs and maintenance measures during a standard year.
- Property tax calculated on the basis of the current tax assessment value of the properties. Ground rent paid is included in the amounts.
- Costs for central administration and marketing calculated on the basis of the existing organization and the size of the property portfolio.
- Hemfosa's share in profit from joint ventures 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 calculated on the basis of the company's average interest rate.
- The earnings capacity for the international operations has been restated at the exchange rate prevailing on the balance-sheet date.

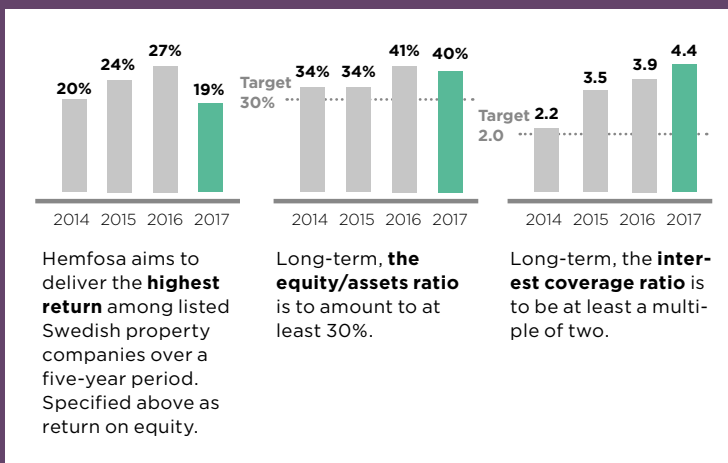
Evaluating a DEMERGER OF HEMFOSA

In November 2017, the Board of Directors decided to evaluate the conditions for demerging the Group into two listed companies for the purpose of creating greater shareholder value. Evaluation of a demerger is progressing and activities are under way to form a new independent unit within Hemfosa comprising the company's other properties, which will potentially be spun off to holders of Hemfosa's ordinary shares and listed on Nasdaq Stockholm. Should a decision be made to propose a spinoff of the new company, the Board will convene an extraordinary shareholders' meeting. The spinoff and listing, should the Meeting so resolve, will take place in the second half of 2018.

Business CONCEPT

Hemfosa's mission is to engage in the long-term ownership, development and management of community service properties and to create value through active participation in a changing property market in order to generate long-term, high and stable profitability.

FINANCIAL objectives



Hemfosa aims to deliver the **highest return** among listed Swedish property companies over a five-year period. Specified above as return on equity.

Long-term, the **equity/assets ratio** is to amount to at least 30%.

Long-term, the **interest coverage ratio** is to be at least a multiple of two.

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 services
- 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:

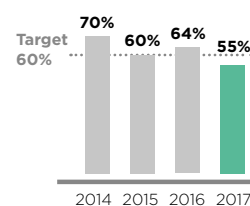
- generate growth
- maximize yield in relation to risks
- generate transaction gains

DIVIDEND policy

Considered long term, the dividend is to amount to 60 percent of profit from property management excluding shares of the 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. The Annual General Meeting held in April 2017 resolved on a quarterly payment of dividends on both the ordinary share and the preference share.

	2017	2016	2015	2014
Distributable profit, MSEK	1,589	1,253	1,103	580
Dividend per ordinary share, SEK	4.80 ¹	4.40	4.20	3.00
Dividend per preference share, SEK	10.00 ¹	10.00	10.00	-

¹ Proposed dividend.



The dividend is to amount to 60 percent of distributable profit over time.



HEALTH AND MEDICAL CARE SERVICES AT THE CUTTING EDGE

Sustainability AND INNOVATION AT *Gardermoen Campus*

The turf was broken in autumn 2015 and now the specialist hospital in Gardermoen, Norway, is ready - within the deadline, according to budget and with a clean bill of health at final inspection. The hospital and a local medical center, which were both built by Hemfosa jointly with the Norwegian development company Aspelin Ramm, mark the starting shot for a national and innovative hub for cutting-edge health and medical care at Gardermoen, close to Oslo. Hemfosa is now the proud sole owner of the fully leased properties, which achieve the highest environmental classification and are equipped with top-modern technical solutions.

The two properties were completed in January and all of the tenants started to move into the new premises during February. The campus area, which is close to Oslo Gardermoen Airport, comprises a total land area of 125 hectares, of which Hemfosa and Aspelin Ramm control more than half. The plan is that the area will ultimately constitute a major center of excellence in health and medical care, and comprise operations in such areas as research and education, rehabilitation, sickness therapy, offices and retail, all gathered in the same place.

“The aim of the project has been to create a new arena for health innovation, and it’s really cool to see the result. The hospital and the office premises are equipped with modern technical solutions and systems that will make life easier for staff, patients and visitors alike. It is also gratifying that the tenants have been able to move in completely according to timetable and will be able to start providing their services in the premises already this spring,” says Sverre Landmark, Director of Community Planning at Aspelin Ramm.

Properties with the highest environmental classification

“The project to develop Gardermoen Campus has focused keenly on innovative solutions and energy efficiency. An over-riding objective for the buildings has been to achieve the highest environmental classification in Norway, Energy Label A, and we succeeded in that. The finished building is also one of Norway’s most energy-efficient hospitals,” Sverre Landmark adds.

With innovative and effective energy solutions based on state-of-the-art energy equipment, the buildings will be completely self-sufficient in terms of electricity. The facilities in the area include an energy plant that generates renewable energy from groundwater, heat pumps and waste. The plant that supplies the properties with heat and cooling is also adapted to be able to supply energy to any future expansions. With support from the state organization Enova, which is responsible for promoting eco-friendly production and energy consumption, other aspects of the properties



Facts Gardermoen Campus

Number of properties: **2**

Total floor area: **38,000 sqm**

Average remaining lease term: **25 years**

Leasing rate: **100%**

Tenants include: **Norwegian Heart and Lung Association (LHL), Municipality of Ullensaker and a Vitus pharmacy.**



*“One of
NORWAY'S
most energy-
EFFICIENT
hospitals.”*

have also been built with a high degree of energy-efficiency measures. These include zone-controlled ventilation systems that are active in the rooms being used, and temperatures and the indoor climate set and adapted to various patient needs. This system provides an energy-recycling rate of up to 85 percent. There is also a special sun-protection system, including temperature and presence-controlled blinds in each room, which utilizes heat from the sun to heat the buildings.

Properties fully leased to established Norwegian care providers

Both the specialist hospital and the local medical center, also known as the Health Building, are fully leased to established Norwegian care providers. The Norwegian Heart and Lung Association (LHL) has signed a 25-year lease on the specialist hospital, where operations from two existing cardiovascular hospital will be co-located. With a newly built and top-modern hospital in Gardermoen, LHL wants to offer even better care to its current patients and also to be able to treat more patients.

The Municipality of Ullensaker, which has signed a 30-year lease for about half of the leasable area in the Health Building, wants to provide care services to the four adjacent municipalities – Ullensaker, Gjerdrum, Hurdal and Nannestad. LHL has also decided to locate its head office in the Health Building. Other tenants include PTØ, a treatment center for children and adolescents suffering from neurological disorders or injuries, and a Vitus pharmacy.

The various facilities offer a number of synergies for these operations, such as shared patient hotels, conference rooms, medical equipment and restaurants. The idea is that several health-related operations will be able to co-locate here and jointly constitute an expertise hub for health and medical care.

Exciting development opportunities for Gardermoen Campus

“On June 9, we will be inviting people to an opening festival, where all guests will be given an opportunity to experience the beautiful new buildings and the fantastic outdoor area. This will be a festival with round tours, art exhibitions and concerts, hopefully generating interest in the project and possibly finding new partnerships for developing the area,” Sverre Landmark relates.

Gardermoen is an expansive area offering interesting opportunities for more development projects moving forward. The proximity to Norway’s largest airport will also make it possible to attract competence and create accessibility for patients from other regions. The area also offers potential to develop properties on a total of about 120,000 square meters, of which completing these buildings accounted for 38,000 square meters. Thanks to the plan that this area will become the leading Nordic hub for health innovation, Hemfosa sees great future opportunities for implementing additional projects in the area, jointly with Aspelin Ramm.

MARKET OVERVIEW

Increased need of community service properties

Community service properties is the generic term for properties in which the tenants are public-sector agents or conduct publicly financed operations in, for example, schools, health and personal care services and judicial institutions. A few decades ago, these properties were almost exclusively owned by central and local government authorities, while today their ownership has been partially spread among a number of private property owners, of which Hemfosa is one of the largest in the Nordic region.

NORDIC MARKET FOR COMMUNITY SERVICE PROPERTIES¹

Community service properties are characterized by stable yield in relation to risk. With the central government, county councils or municipalities as principals, the tenants are regarded as highly creditworthy and they frequently sign up for long-term leases. The leasing rate is also higher than in other property segments, which is partly an effect of the properties generally being more customized than, for example, office premises. A larger degree of customization usually also results in higher rent levels and longer leases.

The public sector is the largest owner of community service properties in Sweden, while the remainder is owned by private operators. In recent years, a large number of community service properties in Sweden have been sold to private property owners by both county councils and municipalities and also by private individuals. The Norwegian and Finnish markets for community service properties are characterized by the same patterns, although the progress is not equally pronounced there. Specialized property companies, such as Hemfosa, Hemsö, Vacse, Samhällsbyggnadsbolaget, Rikshem and Stendörren, have emerged as a result of the growing market. Pension funds have also invested in community service properties, since they constitute an asset category that is highly suitable for them because of the long investment horizon and stable yield.

Considerable demand for community service properties

Demand for community service premises is governed primarily by population growth and demographics, and the increased interest in the segment is largely due to the societal trend in Hemfosa's markets, in the form of an aging population, a baby boom and large-scale immigration. In the years ahead, the Swedish population pyramid will shift to reflect a younger population, as well as an increased number of people in the 80+ category. This factor together with high immigration has not only led to the need for an estimated 700,000 new homes up to 2025 but also to the need for a total of some 7.7 million square meters of new land area for community service properties up to 2030. About 2 million square meters of new land area is required to meet the needs of elderly care, some 5 million square meters for schools and about 0.6 million square meters for preschools

This subjects society to major demands and, in many cases, municipalities and other community service operators look for external partners for developing such activities as new preschools, schools, retirement homes and nursing homes, often close to new residential areas in high-growth regions. Most municipalities will be in considerable need of new schools and retirement homes in the years ahead, and the private market will account for parts of this new production.

There is also a pent-up need of renovation and refurbishment of existing community service properties, whereby private property owners may have the resources and the incentives to satisfy these needs. Overall, the market trend has led to considerable and increasing interest in investing in and developing new community service properties in all of Hemfosa's three markets – Sweden, Norway and Finland. The yield has steadily decreased for elderly care premises and schools essentially throughout Sweden. The same trend is noticeable in Oslo and Helsinki.

SWEDEN

In full-year 2017, property transactions were implemented at a value of SEK 147.5 billion (for transactions exceeding MSEK 40) distributed over 489 transactions,

COMMUNITY SERVICE PROPERTIES

Hemfosa's definition of community service properties is properties with publicly financed tenants that account, directly or indirectly, for at least 70 percent of the rental value. These may be customized properties such as schools and care facilities, but also office premises if they are used in the operations of, for example, public authorities. There are players and property companies in the property market that define community service properties in a manner that differs from Hemfosa's definition.

¹ Market data from Newsec.

which was lower than the record volume of SEK 201 billion noted in 2016 but fractionally higher than the measured volume in 2015 (SEK 147 billion). During the year, acquisitions by foreign investors accounted for 23 percent of the transaction volume compared with 19 percent in 2016. Geographically, Stockholm accounted for the largest share of the total transaction volume. The Stockholm region increased its share from 33 percent in 2016 to 37 percent for full-year 2017. Regional capitals grew sharply in 2016 and then represented 28 percent of the transaction volume. This segment lost ground in 2017 and accounted for 24 percent. A geographical segment that recovered during the year was Gothenburg, which accounted for 12 percent of the total transaction volume.

Community service properties

Compared with 2016, investments in community service properties declined in 2017 from SEK 17.7 billion to SEK 14.8 billion, although the share of the total transaction volume continued to rise during the year. However, interest in community service properties remains considerable. Ten years ago in 2007, community service properties accounted for only 2 percent of the transaction volume, while the community service properties segment represented nearly 11 percent of the 2017 total.

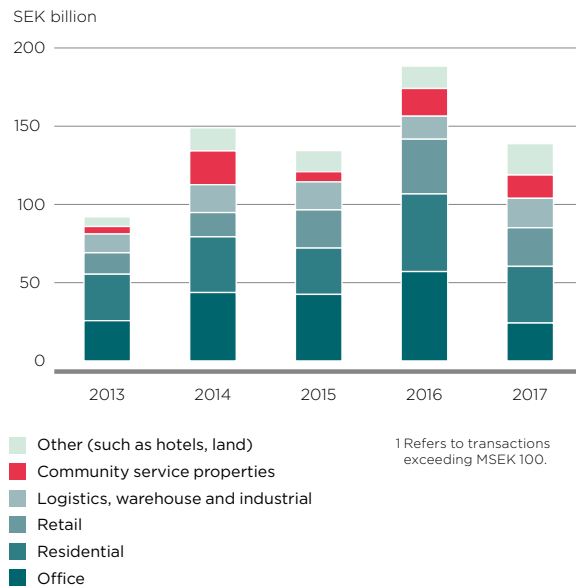
NORWAY

Thanks to favorable economic conditions, 2017 was a strong year in the Norwegian property market. The total volume of property transactions for full-year 2017 was about NOK 85 billion, up NOK 6 billion year-on-year. An interesting observation in 2017 was that an increasing number of investors found their way to markets far away from the most attractive areas, since the total yield for prime office and retail assets declined to levels of 3.75 percent. As uncertainty concerning the retail sector increases, many investors are choosing to diversify their property portfolios. This has led to industrial and logistics properties on long leases just outside Oslo being traded at new record levels.

Community service properties

The Norwegian market for community service properties is following the same trend as the Swedish market, but is at a less mature stage. The growing market has attracted a number of players, largely financial ones, to invest in community service properties in Norway. In the Oslo area, the market for community service properties, like that for other property classes, is characterized by high activity and high prices while the volatility in less central locations is lower.

Property transactions, Sweden¹



FINLAND

Activity was also high in the Finnish property market during 2017 and the full-year volume of property transactions totaled about EUR 10 billion, a new record level. Foreign investors were the dominant players during the year, accounting for 70–75 percent of transaction volume. The office, retail and logistics segment jointly accounted for more than 85 percent of the transaction volume. Meanwhile, it may be noted that rent levels in Helsinki have generally increased.

Community service properties

The market for community service properties in Finland is not as well developed as the Swedish market and is at a less mature stage of development compared with the Norwegian market. The Finnish municipalities’ ownership of community service properties is facing challenges due to the country’s relatively weak underlying economy. This is eventually expected to lead to parts of the municipalities’ property holdings being divested. In view of this, the market for community service properties in Finland may be said to be positioned a step behind development in the other Nordic countries and to have considerable potential.

Community service properties

SPECIALIST IN THE MOST IMPORTANT PROPERTIES

Hemfosa is a property company that specializes in acquiring, managing and developing community service properties, with tenants who conduct publicly financed operations, such as schools, healthcare and care services, judicial institutions and public authorities. Due to its specialization in community service properties, Hemfosa occupies a unique position in its markets and the company has become a significant and powerful player in Sweden, Norway and Finland.

PROPERTIES FOR COMMUNITY SERVICE OPERATIONS

Hemfosa is currently one of the largest private owners of community service properties in Sweden and a growing player in Norway and Finland. Hemfosa is also the only publicly traded company on Nasdaq Stockholm that focuses on this type of property in these markets. 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 of the rental income.

The properties include customized premises where operations are conducted in healthcare, elderly care and other care services, law enforcement, judicial and education, as well as office space used by, for example, public authorities. These are properties that are of vital importance to numerous societal functions and include premises that citizens encounter at various stages throughout their lives. As a result, many varying user requirements and rules and regulations have to be taken

into account. Having properties that also function well for the many employees who work in the operations each day is particularly important.

Publicly financed tenants, who can be both state/municipally owned and privately owned companies, are stable and creditworthy. The leasing rate for community service properties is generally high and the potential for long-term leases is greater than for other property categories. The usual length of a lease is between five and ten years, while lease terms of up to 25 years can be agreed for newly built properties. This is longer than for other commercial properties, for which the normal lease term is three to six years. In total, this means that Hemfosa has stable cash flows, lower leasing costs and a limited risk, which in turn provides potential for Hemfosa to continue to invest in new modern and functional properties where they are needed. The long leases also create conditions for long-term collaborations and partnerships with tenants for the development of existing and new premises.



COMMUNITY SERVICE PROPERTIES

Facts

- Hemfosa is one of the largest private owners of community service properties in Sweden and the only publicly traded company on Nasdaq Stockholm that focuses on this segment of the Nordic market.
- Hemfosa's definition of community service properties is properties with publicly financed tenants that account, directly or indirectly, for at least 70 percent of the rental value.
- Hemfosa divides its community service properties into five categories – Schools, Offices, Judicial institutions and Care services – as well as Other.

Advantages

Hemfosa regards ownership of community service properties as offering a number of advantages compared with other types of commercial properties.

- More stable yield
- Longer leases
- Limited risk
- Low sensitivity to economic development
- Stable rent levels
- High occupancy rate
- Geographic location less important
- Demographic trend expected to increase demand for community service properties
- Provides conditions for advantageous financing
- Opportunity to partner with tenants for the development of new properties

Challenges

Ownership of community service properties also represents challenges.

- Customization of premises – a major refurbishment may be required when a new tenant takes over a customized property
- Comprehensive regulatory framework
- Political risk

HEMFOSA'S COMMUNITY SERVICE PROPERTIES

Hemfosa's Norwegian and Finnish property portfolios exclusively consist of community service properties, while the portfolio in Sweden also includes other commercial properties, primarily office, logistics and warehouse properties and a smaller share of retail properties. Hemfosa's strategy is to continue to increase the share of community service properties to at least 75 percent of the total property value. At the end of the year, the proportion was 64 percent.

Long-term, close relations

Hemfosa acquires, manages and develops community service properties with a long-term perspective. This long-term approach is a significant factor underlying the close relations that Hemfosa has established with government authorities, county councils, municipalities and private operators of community service activities. A partnership often evolves whereby Hemfosa efficiently contributes to creating solutions when, for various reasons, the partner needs to change premises and/or establish an activity in new locations. This applies particularly to small and midsize growth municipalities, which in many cases need external support to create

premises for their growing community services and, in such cases, Hemfosa can offer premises in existing properties or extend or build new properties.

Hemfosa currently engages in close cooperation with a number of well-established, growing community players, such as Internationella Engelska Skolan, AcadeMedia, Humana, Aleris and Capiro. The central and local government tenants include the Police Authority, the Courts of Sweden, Stockholm County Council and the Western Götaland region.

Experience creates understanding

Hemfosa possesses a wealth of knowledge and has longstanding experience of having community services as tenants. As a result, the organization understands the particular requirements and needs frequently characterizing these operations, and is thus able to create suitable solutions, such as in the development of premises. Due to the operation conducted, certain community service properties are subject to more meticulous requirements in terms of the customization of premises; for example, the security of police buildings, the design of care centers and the layout of a school. A larger degree of customization usually also results in lease renewal at higher rent levels and longer leases.



In addition, the functionality of community service properties is exposed to increasing demands. In the school sector, premises are required that facilitate modern teaching methods in the form of availability, flexibility and creative learning environments and, in the care sector, demands are made for the design of care places that facilitate patient care, efficiency, privacy and a healthy work environment. In general, meticulous requirements are also set for a good indoor environment, materials selection and other sustainability aspects. Moreover, rules and regulations are amended continuously and are becoming increasingly extensive. Hemfosa has excellent knowledge of these areas and partners with leading architects, educationalists and operators in designing modern buildings that satisfy current requirements and needs and those of the future.

Growing need of new community service properties

Since demand for functional and customized community service properties is rising, not least in health and care services, driven by an aging population, as well as for education and child care, there is a distinct need for newly built premises for the expansion of operations in these areas, particularly in growing regions.

Hemfosa has the expertise and capacity to pursue new-build projects involving community service properties, which are then implemented together with established property developers and operators. It is quite common that municipalities provide access to land and arrange land allocation competitions for the construction of, for example, schools or nursing homes.

Collaboration with well-established actors in society

Hemfosa cooperates with a number of leading operators of community service properties, both publicly financed and private. Hemfosa's largest tenants include the Police Authority, the Municipality of Härnösand, the National Courts Administration, the Norwegian Labor and Welfare Administration (NAV) and the Municipality of Haninge. The following list presents additional Hemfosa tenants that provide community services.



Attendo
Omsorg på ditt sätt



Lärande



SVERIGES DOMSTOLAR



Engelka Skolan



Pyslingen Skolor



Kunskapsskolan



Academedia

Hemfosa recently won such a competition regarding a school in Järfälla Municipality, jointly with and Serneke and AcadeMedia. The school, at Söderhöjden in Järfälla, is scheduled for completion in 2021 and will have the capacity for 420 compulsory school pupils. This type of project enables Hemfosa to participate in the process from planning to completion and subsequently as a property owner and landlord. Hemfosa believes that this form of new build project, whereby the company is active across the value chain, will become increasingly important to ensuring that the operations continue to grow. Hemfosa plans to additionally strengthen the organization in this area.

In another new build project involving community service properties, Hemfosa, jointly with the property development company Aspelin Ramm, has built a top-modern specialist hospital and local medical center at Gardermoen, near Oslo, Norway. The properties constitute Hemfosa's largest investment project to date and mark the start of the development of an important national expertise hub in health and care services. The largest tenants are the Norwegian Heart and Lung Association (LHL) and the Municipality of Ullensaker. The project was completed in early 2018 and the tenants then moved in. Read more about the project on pages 8–9.

In other cases, Hemfosa gets involved and signs agreements for the acquisition of properties in connection with the project start or during construction once tenants have signed leases. Examples of projects of this type include the two LSS homes that Hemfosa acquired in 2017, which are constructed as passive buildings by Emrahus according to a specific concept. Read more about these LSS homes on pages 24–25.

Property portfolio focusing on a number of metropolitan areas in the Nordic region

The focus of Hemfosa's property portfolio is on the Stockholm, Gothenburg, Malmö and Norrland coast regions of Sweden, and on the Oslo and Helsinki regions. These regions jointly account for 75 percent of the total property value, corresponding to SEK 30.8 billion.

● Local offices



PROPERTY MANAGEMENT and DEVELOPMENT

Agile and flexible property management

To create long-term relationships with tenants, Hemfosa offers property management that is personal, efficient and market-oriented. The point of departure must always be that the tenants feel comfortable and secure in conducting their operations in Hemfosa's premises, regardless of the type of property, location or application. For Hemfosa, this involves being accessible, providing service within the agreed time and ensuring the quality of maintenance and upkeep. Property managers must be easy to contact and tenants must receive rapid and straightforward responses. In line with this, Hemfosa's organization is decentralized and agile.

SATISFYING TENANT NEEDS

While leases on community service operations are often signed for longer terms, requirements may change over time. A key element of Hemfosa's property management is to find modern, efficient and creative solutions that meet the requirements of tenants. Hemfosa can thereby partner in the development of their operations by creating efficient premises and modern technical solutions that benefit both tenants and the environment alike, while leading to sound finances.

A common situation is an operation that is growing and needs larger and more customized premises. In such cases, thanks to its size and local presence, Hemfosa can offer remodeling and extension of existing premises or relocation to other premises in the property portfolio. Another solution for creating opportunities for the tenant to grow is to build on land close to the existing property or in another location.

On behalf of an Internationella Engelska Skolan school in Sundsvall, conversion and extension is being performed in close cooperation with the tenant. The existing school premises are being upgraded while a completely new school building is constructed beside them to provide space for an additional 300 pupils and create generally more functional premises for both pupils and staff. The remodeling of a property in Borås is being planned for the same tenant.

During the year, Hemfosa won a procurement regarding new premises for the Norwegian judicial system, with 25 civil protection offices of the Civil Protection Agency being combined into a single authority. This will entail the remodeling of one of Hemfosa's existing community service properties in the area of Moss, close to Oslo, and the add-on of an additional story on top of the property to create modern premises that satisfy rigorous security requirements.

VALUE-CREATING INVESTMENTS

Certain of the acquired properties have a pent-up need for upgrading and modernization. Hemfosa has excellent opportunities and distinct incentives to implement these investments, since they result in leases on longer terms and higher rent levels. This may entail customizing premises to create modern and functional space for the tenant in connection with relocation or extension of leases. It could also be a way to attract completely new types of tenants to the property. The comprehensive refurbishment and customization of a vacant property completed in Härnösand in 2017 is one example of a remodeling project. New premises were created there for a secondary school for grades 7–9, which was ready for when the new school year started in August 2017. Further examples of value-adding investments include remodeling of office premises for the Migration Agency in Uppsala, the Employment Service in Luleå and the Prison and Probation Service in Norrköping.

CURRENT PROJECTS

The largest project in progress in Hemfosa's wholly owned properties is the development of the Söderbymalm 3:462 property in Haninge, where the former zoning plan only permitted office and hotel operations. A new zoning plan has been formulated, which permits the establishment of community services, such as retirement homes and schools, in addition to the existing premises. By taking a holistic approach to the property, Hemfosa has increased both the leasing rate and earnings capacity.

In Tønsberg, Hemfosa is working to develop Statens Park – a workplace hub for such Norwegian agencies as the Labor and Welfare Administration, the County Administrative Board in Vestfold, the Tønsberg District Court and the Tax Agency. Hemfosa, jointly with MAD Architects and Rambøll, is to develop Statens Park into a vibrant meeting place, with modern and efficient new office premises and into an area that is adapted to the preferences and needs of the tenants.

The largest ongoing projects in wholly owned properties, December 31, 2017

Municipality	Property	Type of property	Tenant	Area, 000s of sqm	Estimated investment, MSEK	Estimated completion, quarter, year
Haninge	Söderbymalm 3:462	Other	Hotell Winn and others	52	340	Q4, 2018
Sundsvall	Västhagen 1	Community services	Int. Engelska Skolan	12	146	Q1, 2018
Härnösand	Inspektorn 11	Community services	Municipality of Härnösand	20	105	Q1, 2018
Norrköping	Presidenten 1	Community services	Swedish Prison and Probation Service	12	74	Q2, 2018

Hemfosa's ten largest tenants at December 31, 2017

Operations	Rental income MSEK	Percentage of total rental income, %	Number of leases	Average remaining lease term, years
The Police Authority	155	4.9	54	4.2
Municipality of Härnösand	115	3.7	99	14.6
The Courts of Sweden	107	3.4	27	4.2
Telia Sverige AB	75	2.4	60	3.4
Swedish Migration Agency	63	2.0	26	3.5
NAV – Norwegian Labor and the Welfare Administration	61	1.9	21	4.5
Pysslingen preschools and schools	55	1.7	21	11.5
Haninge Municipality	53	1.7	35	7.8
Oslo University College	50	1.6	5	5.6
Swedish Employment Service	45	1.4	41	2.1
Total	779	24.8	389	6.3

Other actions to develop the property portfolio include energy-saving activities and operation and maintenance measures designed to both reduce the company's costs and restrict the environmental impact of Hemfosa's operations. Hemfosa's refurbishment projects always include efficiency enhancement of technical equipment and energy consumption to ensure that the investments will be financially sustainable and contribute to reducing the environmental impact. Read more about Hemfosa's sustainability efforts on pages 27–38.

ACTIVE PROPERTY MANAGEMENT

Work on finding tenants for vacant premises is conducted centrally and Hemfosa's in-house property management organization focuses actively on this based on considerable knowledge of the local market. The property managers have a wide network of contacts throughout Sweden, not least in the community services area, and

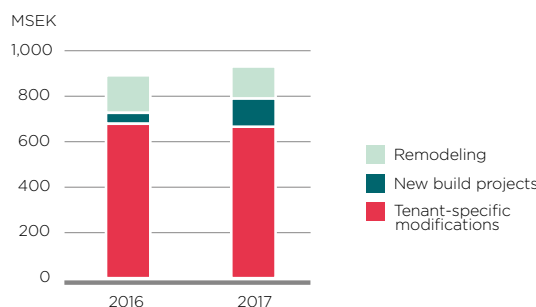
also have close relations with local real-estate agents – which are two important ingredients for finding suitable tenants. An example is the major new leasing in the Södra Porten area of Mölndal, where If has established its flagship insurance office in Sweden. In addition to leasing new premises, Hemfosa works actively and successfully on renegotiating and extending existing leases.

TENANTS AND LEASE STRUCTURE

Hemfosa has a number of major, well-reputed companies, public authorities and community services as tenants. At year-end, Hemfosa had 4,704 leases and the average remaining lease term was 5.5 years. The ten largest tenants' share of Hemfosa's rental income at December 31, 2017 was approximately 25 percent, divided among 389 leases, and the average remaining lease term for these was 6.3 years. At the same date, the rental value of Hemfosa's property portfolio was MSEK 3,397.

Investments in EXISTING PROPERTIES

In 2017, investments totaling MSEK 956 were made in the existing property portfolio, of which MSEK 942 pertained to Sweden, and MSEK 2 to Norway and MSEK 13 to Finland. Hemfosa's investment in the new build of healthcare properties in Norway was effected in 2017 through the joint venture, Gardermoen Campus Utvikling, GCU, and is not included in the information in the diagram.



Transactions

STREAMLINING GENERATES *growth and value*

The acquisition and sale of properties is a bearing feature of Hemfosa's business model for ensuring continued growth and creating value. Hemfosa has considerable expertise, a wide contact network and the resources to act swiftly and capitalize on the business opportunities that arise, which is a key competitive advantage, particularly in larger and complex property transactions.

During the nearly nine years that have passed since Hemfosa was formed, the company has implemented a significant number of acquisitions and sales involving both individual properties and larger, more complex property portfolios, frequently in swift processes. An acquisition of a property portfolio may be implemented to add an attractive larger holding of community service properties in a single transaction. A number of the properties originating from acquisitions of larger property portfolios can be sold on and thus generate a profit if they do not fit in with Hemfosa's property portfolio.

Hemfosa is frequently one of few operators with the expertise and financial resources to implement certain comprehensive and more time-critical transactions, such as portfolios of different property types or with a wide geographical spread. Examples of Hemfosa's ability to manage large-scale acquisitions are the three major portfolio transactions in Sweden that were finalized over a period of one month in spring 2017.

SOLID ACQUISITION EXPERTISE

Work on acquisitions is of vital importance to the growth of the operations and is also closely linked to property management and development. Thanks to solid expertise, experience and entrepreneurship, the employees are astute at assessing potential and risks prior to making quick decisions – an important foundation for Hemfosa's successful development.

Every single acquisition is analyzed on the basis of its unique prerequisites and great emphasis is placed on being able to identify, evaluate and manage the risks and opportunities associated with the properties. When Hemfosa evaluates a potential acquisition, the tenant and the operations conducted on the premises are key aspects of the assessment, particularly in community service properties on long leases, where a prerequisite for good long-term relations is that the tenant pursues serious and sustainable operations. Hemfosa itself is subject to corresponding requirements in the form of transparency, security, function, safety and sustainabil-

ity. Hemfosa also evaluates how premises or the zoning plan can be refined so that, for example, community services can be provided in properties that currently have no community service tenants.

The point of departure for transaction activities is to continuously evaluate and restructure the property portfolio on the basis of the company's strategy of focusing on community service properties and to generate a high and stable yield.

TRANSACTIONS 2017

2017 was a transaction-intensive year, when Hemfosa delivered on the long-term acquisition work that has been conducted since the new share issue in May 2016. At the same time, the market for community service properties in Sweden, Norway and Finland was characterized by high activity, many interested buyers and high prices in 2017 too. Although Hemfosa refrained from a number of transactions during the year when the price was adjudged as excessive, several attractive acquisitions of both larger portfolios and individual properties in Sweden were implemented, as well as a number of strategically important acquisitions in Norway.

Acquisitions in Sweden

During 2017, Hemfosa acquired properties at a total value SEK 4.3 billion, of which community service properties accounted for 57 percent and other properties for 43 percent. The other properties that were acquired are in good locations, many in growth municipalities, and have development potential.

Acquisitions in 2017 included three larger portfolios in Sweden. In May, Hemfosa entered into an agreement concerning the acquisition of a portfolio of properties in central locations in Örnköldsvik; a total of five properties with tenants including the Swedish National Employment Service, National Insurance Office and Migration Agency. Hemfosa was thus able to additionally strengthen its position along the coast of Norrland, one of the growth regions in which the company has a



presence. During the first half of the year, an agreement was also concluded concerning a portfolio of ten properties located centrally in Halmstad, with most of the rental income generated from tenants in the community services sector, including the Municipality of Halmstad and the Swedish Tax Agency. A third major transaction was finalized in June, when an agreement was signed concerning the acquisition of a portfolio of 19 properties in Karlskrona, which also predominantly had community services as tenants, such as the Police Authority, the National Board of Housing, Building and Planning and the Swedish Coast Guard. Hemfosa has its own property management personnel in the area and believes that there is good potential to both add value to existing properties and enhance operational efficiency.

During the year, Hemfosa also acquired a portfolio of 16 health and general care properties in ten locations in Sweden, which are fully leased to Humana AB, an operator of LSS and HVB homes in the properties.

Acquisitions in Norway and Finland

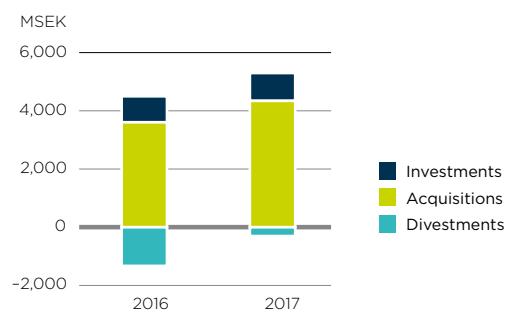
Acquisition activity was intensive in Norway, where Hemfosa acquired four community service properties, partly in new municipalities for the company. The property in Bergen is Hemfosa's first acquisition on the west coast of Norway, and it represents the start of Hemfosa's presence in the region. Through the acquisition of two

community service properties and developable land in Sarpsborg, Hemfosa further strengthens its involvement and position in the Østfold region of eastern Norway and, after the acquisition, the company owns central properties in all of the major towns in the region. Early in the year, a community service property was acquired in central Turku, Finland, with the Municipality of Turku's social services administration as a tenant.

Divestments

The property portfolio was streamlined during the year through the sale of 14 other properties at a total value of MSEK 301, including a successful divestment of a portfolio of retail properties in central Enköping and a number of individual sales.

Acquisitions, investments and divestments



People
YOU MEET.
ROOMS YOU
visit.
PROPERTIES
WE CANNOT
DO WITHOUT.

Healthcare and personal care properties

account for nearly 17 percent of the total value of Hemfosa's community service properties. Such operations as healthcare, hospitals, childcare and elderly care are conducted in our care properties.



Share of the community service properties' property value

HEMFOSA'S *properties*

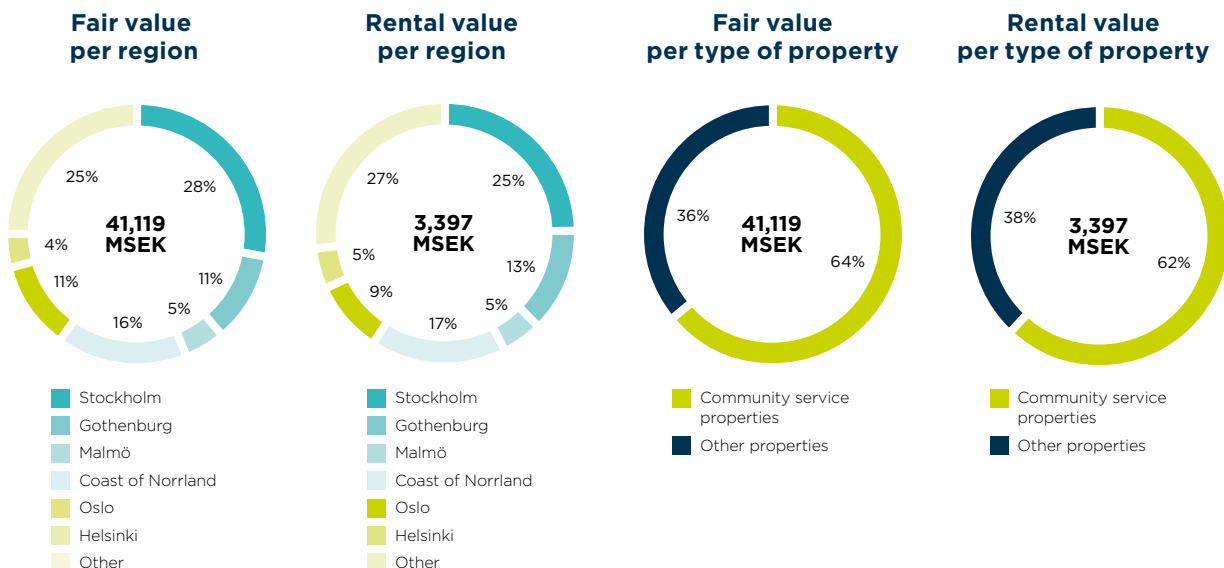
A growing portfolio

In 2017, Hemfosa continued to develop its portfolio of community service properties, which accounted for 64 percent of the Group's year-end property value. Hemfosa's other properties primarily comprise offices in growth locations and logistics and warehouse properties in prime locations.



Sweden is Hemfosa's core market, accounting for 84 percent of the Group's property value and with a definite emphasis on community service properties. Since the first acquisitions in Norway in 2015, Hemfosa has assembled a portfolio, primarily in the Oslo region and southern Norway, and since 2017 also in western Norway, through an acquisition in Bergen. At year-end, the Norwegian portfolio accounted for 12 percent of

Hemfosa's total property value and consists exclusively of community service properties. Finland is the third market in which Hemfosa has established operations and this property portfolio also consists exclusively of community service properties, with the focus on the country's largest cities. At year-end, the property portfolio in Finland accounted for 4 percent of Hemfosa's total property value.



Community service properties

At year-end, community service properties accounted for 64 percent of Hemfosa's property value and 62 percent of the rental value. The Norwegian and Finnish property portfolio is more streamlined than the Swedish one and consists exclusively of community service properties. At year-end, the average remaining lease term was 6.3 years, while the economic leasing rate was 95 percent. Hemfosa's largest tenants in community service properties are the Police Authority, the Municipality of Härnösand and the National Courts Administration.

SCHOOLS

School properties consist of compulsory schools, senior high schools and universities and generally require a high proportion of customized premises and outdoor space. The largest tenants include the Municipality of Härnösand, Oslo and Akerhus University College, and Pyslingen preschools and schools. Rental income from school properties accounts for 17 percent of Hemfosa's total rental income and 27 percent of rental income from the community service property type.

OFFICES

This category of properties comprises office premises in which the tenants conduct publicly financed operations but where the operations do not place equally high requirements for customization of the premises in terms of, for example, security or function. The largest tenants include the Norwegian Labor and Welfare Administration, the Swedish Migration Agency and the Swedish National Insurance Office. Rental income from office properties accounts for 23 percent of Hemfosa's total rental income and 36 percent of rental income from the community service property type.

JUDICIAL INSTITUTIONS

Properties in the judicial institutions category are usually customized on the basis of particular requirements

– in terms of security, for example. The largest tenants include the Police Authority in Sweden, the National Courts Administration and Politiet, the Finnish police authority. Rental income from judicial institutions accounts for 12 percent of Hemfosa's total rental income and 19 percent of rental income from the community service property category.

HEALTH AND CARE SERVICES

Operations in the health and care services category could be retirement homes, residential care facilities, healthcare centers, hospitals and child care centers. The premises for these operations frequently require some form of customization. The largest tenants include the Municipality of Härnösand, Espira Barnehager and the Municipality of Finspång. Rental income from health-care and personal care properties accounts for 10 percent of Hemfosa's total rental income and 16 percent of rental income from the community service property type.

OTHER

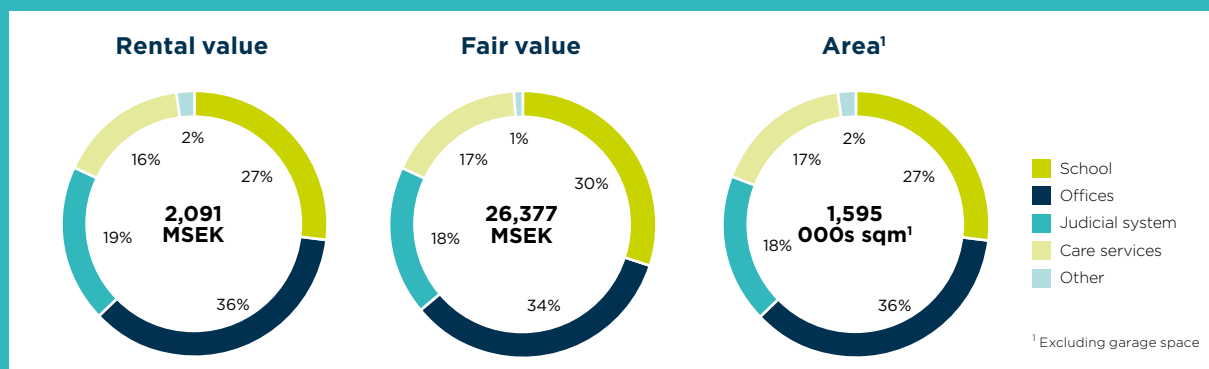
Other community service properties could be land, garages or warehouses. The largest tenants include the Swedish Fortifications Agency, the County Council of Västmanland and the Municipality of Härnösand. Rental income from other properties in the community service property segment accounts for 0.9 percent of Hemfosa's total rental income and 1.4 percent of rental income from the community service property type.

Community service properties

	2017	2016
Rental value, MSEK	2,091	1,850
Leasable area ¹ , 000s sqm	1,595	1,420
Fair value of properties, MSEK	26,377	22,427
No. of properties	321	284
Economic leasing rate, %	95	94
Remaining lease term, years	6.3	6.5

¹ Excluding garage space

COMMUNITY SERVICE PROPERTIES



Other properties

At year-end, other properties accounted for 36 percent of Hemfosa's property value and 38 percent of the rental value and mainly comprise offices, and logistics and warehouse properties. Other properties such as retail properties also accounted for a minor share. At year-end, the average remaining lease term was 4.2 years, while the economic leasing rate was 88 percent.

OFFICES

Hemfosa's other office properties are located centrally in primarily the metropolitan regions of Stockholm and Gothenburg, and also in such growth municipalities as Mölndal, Örnköldsvik, Sundsvall, Växjö and Västerås. Good-quality office properties in central locations are typically highly marketable, meaning that interest from other players in acquiring this type of property is generally considerable, particularly among local property owners. In growth municipalities, excluding Sweden's three largest cities, the supply of premises is generally more limited and tenants are thereby less inclined to move. This contributes to a stable supply and demand situation for office premises, as well as less volatile rent levels over time. The office tenants in growth municipalities are primarily active in the service sector and a normal lease term extends over three to five years. In the case of major modifications or new builds, the lease duration is longer, usually between five and ten years. Hemfosa regards the potential for adding value to the property portfolio and increasing the leasing rate as good. Rental income from office properties within Other properties accounted for 25 percent of Hemfosa's total rental income and 68 percent of the rental value within this type of property.

LOGISTICS AND WAREHOUSES

Logistics properties are fitted with terminals or storage space for inventory management, reloading and distribution to the tenants' customers or business partners. They are attractively located near major European grade highways and key transportation hubs in mainly southern and central Sweden. Hemfosa's logistics properties include a considerable share of modern logistics buildings with a highly flexible range of applications. Rental income from logistic and warehouse properties within Other properties accounted for 8 percent of Hemfosa's total rental value and 20 percent of the rental value within the other properties type.

OTHER

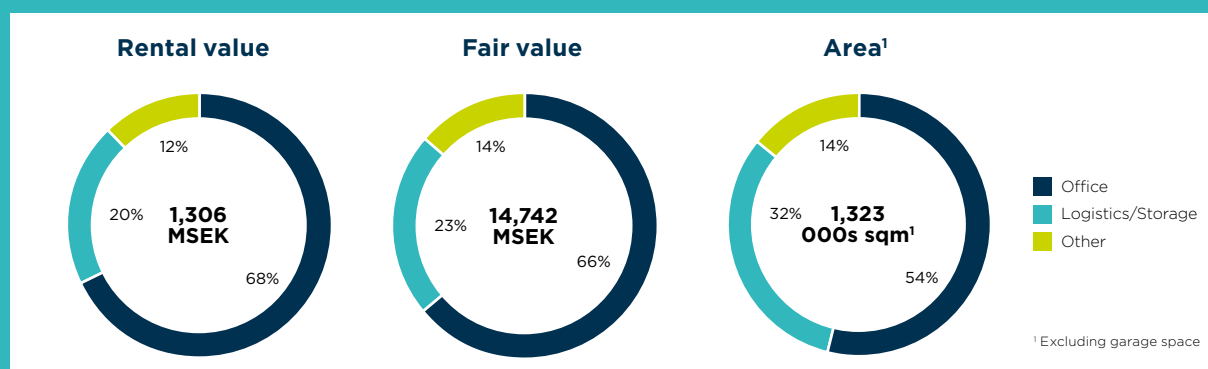
Also included in other properties is a minor share of, for example, retail properties. Rental income from these properties accounted for 4 percent of Hemfosa's total rental value and 12 percent of the rental value within the other properties type.

Other properties

	2017	2016
Rental value, MSEK	1,306	1,148
Leasable area ¹ , 000s sqm	1,323	1,207
Fair value of properties, MSEK	14,742	12,241
No. of properties	151	148
Economic leasing rate, %	88	86
Remaining lease term, years	4.2	4.4

¹ Excluding garage space

OTHER PROPERTIES





SAFE, SECURE *and* *smart* HOMES

EMRAHUS CREATES INNOVATIVE LSS HOMES TOGETHER WITH HEMFOSA

Emrahus has really given it thought. A home for people with special needs must provide support in daily life and not be an impediment. With this in mind, Emrahus creates intelligent LSS homes, known as Emrahomes, with a keen focus on smart solutions that support the residents' independence. This involves light, acoustics, floor plans and digital solutions that increase accessibility and reduce stress and conflicts. During the year, Hemfosa entered into cooperation with Emrahus and acquired two of its newly built LSS homes.

Emrahus started its journey in 2007, as a supplier of energy-efficient, well-designed single-family dwellings. Seven years later, with considerable knowledge of how to create attractive homes, Emrahus's first LSS home was certified according to an international standard for passive buildings. With the aim of contributing to the creation of more and better LSS homes, Emrahus develops projects and concepts for well-conceived and energy-efficient homes, where the focus is on the residents. In spring 2017, Hemfosa signed a contract to acquire two newly built LSS homes in Gävle from Emrahus and reached an agreement on continued cooperation, whereby Emrahus constructs LSS homes that Hemfosa acquires fully leased on completion. Certain municipalities want to build their own LSS homes, while others, particularly smaller municipalities, prefer to see an established property owner own and manage these homes.

"According to the National Board of Housing, Building and Planning, more than half of all municipalities

find it difficult to offer homes for persons with special needs. In addition, many of the currently existing LSS homes are not good enough or sufficiently customized for the purpose. We want to change that," says Robin Berkhuisen, CEO of Emrahus.

Solutions based on research and experience

Emrahus's LSS homes are designed following consultation with psychologists, work therapists and staff to reduce stress and increase security for both residents and staff. Using smart equipment and well-conceived floor plans, LSS homes are designed so that the residents feel safe, secure and able to live more independently in cozy environments. Emrahomes are also constructed as eco-friendly passive buildings with a low energy cost.

"The idea of the Emrahomes is that they will enable the residents to become more independent and dare to do things themselves. And the new technology that exists today offers amazing opportunities, such as



Facts about Emrahus

- Number of properties: **4**
- Total value: **MSEK 83**
- Total floor area: **2,141 sqm**
- Average remaining lease term: **15.5 years**
- Leasing rate: **100%**
- Business partner to Emrahus in the acquisition of newly built LSS homes

equipment and instructions through digital image support. For example, there are pictures in shower rooms showing that shampoo has to be rubbed into the hair and when you press the ‘eat food’ button, the lights are dimmed in the rest of the apartment to create calm and be able to focus during meals,” Robin Berkhuizen explains.

All Emrahomes units are built to function as real homes – they are adapted to the individual and flexible so that they satisfy various needs and stages of life. For example, they are built to provide expanded accessibility, in the form of extra space in all rooms and corridors. This enables all residents to stay in their LSS homes all of their lives, even if their physical conditions change. In addition, there are no cramped spaces, thus eliminating the risk of stress or conflicts arising. Research also shows that sharp colors and

patterns can be perceived as stressful, and therefore only down-to-earth colors are used in fittings and disturbing visual impressions, such as ventilation and sprinkler systems, are completely concealed.

Having an agile landlord is important

“As Emrahomes grows and more municipalities and private care providers demand LSS homes, it has become important for us to find long-term business partners who satisfy our requirements for a high service level and with whom we get on well. Hemfosa is a well-established operator in community service properties and we feel secure with them as an owner and landlord of the LSS homes,” Robin Berkhuizen adds.

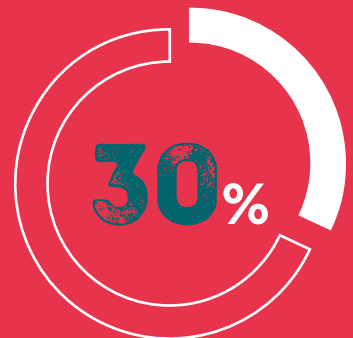
Berkhuizen explains that the landlord has to be agile and receptive in the management of Emrahomes units because faults have to be rectified as soon as possible in LSS homes, since even the slightest noise disturbance can have devastating consequences for the residents.

“It’s particularly important that residents and staff in Emrahomes feel safe and secure regardless of who takes care of the properties. Good partnerships are essential and we are delighted with the close cooperation we have developed with Hemfosa and the plans it has for more Emrahomes,” says Robin Berkhuizen in conclusion.

“THE new technology OF today OFFERS AMAZING opportunities.”

Fantastic PROPERTIES CREATE NEW *opportunities* FOR IMPORTANT OPERATIONS

School properties account for nearly 30 percent of the total value of Hemfosa's community service properties. The properties house compulsory schools, high schools, universities and colleges that are state and municipally operated as well as privately run.



Share of the community service properties' property value

HEMFOSA'S *responsibility*

Steps taken towards increased sustainability

Hemfosa intends to be a sustainable property owner and property manager. For us, sustainability efforts are a self-evident feature of daily work and this view pervades the entire company. The point of departure is long-term relationships in which Hemfosa and its business partners jointly create a platform for healthy financial results, consideration for the environment and social responsibility. Being a specialist in community service properties enables Hemfosa to serve as a long-term partner to our tenants by providing properties that add new opportunities for their important societal services.

Our tenants are predominantly active in what Hemfosa regards as the most important operations in society. These are schools and preschools, health and general care services, judicial institutions and other public authorities where a large number of people work, dwell, visit and live. By far the majority of these operations are long-term tenants of our premises and we want to grow and develop over time in line with new needs and demands. As a result, it is important for Hemfosa to offer our tenants long-term solutions, flexibility and opportunities to remodel and expand.

By being a responsible owner of community service operations and a partner with whom our tenants can grow and develop, Hemfosa can contribute to adding societal value in the markets we serve. A key part of this role is thinking intelligently and creatively when developing new solutions that satisfy tenant requirements, which may vary over time but are clearly evolving towards greater sustainability awareness. It is also important to have a stable financial position that enables long-term investments, also in locations outside metropolitan regions.

HEMFOSA'S SUSTAINABILITY EFFORT

At Hemfosa, we are inquisitive and target-oriented in what we do. This also characterizes our sustainability efforts.

In 2016, we initiated a more systematic sustainability effort, for which a dialog with Hemfosa's stakeholders served as a starting point. The mapping of material sustainability areas generated from this work has helped us become more focused in our sustainability work. Over the past year, we have increasingly integrated sustainability aspects into decision-making and operating activities.

The stated ambition of management and the Board is to continue to raise the importance of Hemfosa's sustainability work step by step.

Nacka, March 2018

Hemfosa's Group Management

HEMFOSA'S SUSTAINABILITY POLICY

- Hemfosa intends to be a sustainable property owner and property manager. For us, sustainability efforts are a self-evident feature of daily work and this view pervades the entire company.
- Our sustainability work must be highly visible to our tenants, customers, personnel and other stakeholders.
- Through our sustainability work, we contribute to improving the environment for both tenants and society at large, at the same time as the value of our properties is affected positively.
- Our corporate culture is characterized by humanitarianism and involvement.

ABOUT THE SUSTAINABILITY REPORT

For the 2017 fiscal year, Hemfosa has prepared a sustainability report inspired by the framework of G4 of the Global Reporting Initiatives (GRI); see Hemfosa's website for an index over the information included in the report. The CRI guidelines focus on materiality, governance and consideration of the entire value chain.

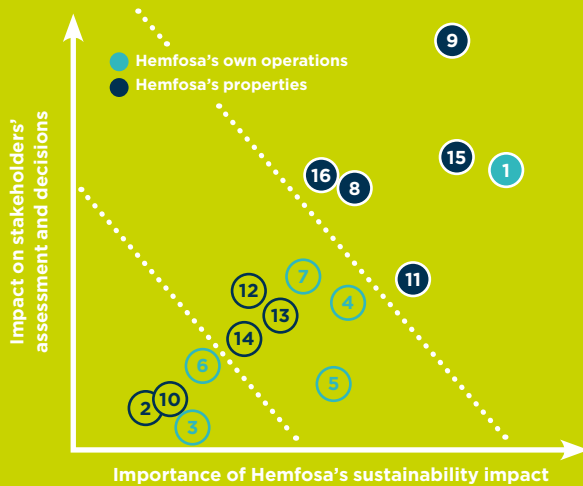
Hemfosa reports sustainability per fiscal year, which extends from January to December. The most recent report was published on March 28, 2017 in Hemfosa's Annual Report and pertained to the 2016 fiscal year. This report pertains to the 2017 fiscal year, unless otherwise stated.



MATERIALITY ANALYSIS

During 2016, Hemfosa implemented a materiality analysis by establishing the issues and the areas that are most important for our operations and the parties with which we interact; i.e. Hemfosa's stakeholders. The purpose of the materiality analysis is to ensure that governance of our sustainability efforts takes the right direction and focuses on the sustainability areas where Hemfosa has the greatest impact. The stakeholders, who consist of tenants and customers, employees, lenders, owners, suppliers and business partners, were asked to evaluate the aspects on the basis of material impor-

MATERIALITY ANALYSIS



SIGNIFICANT SUSTAINABILITY ASPECTS

The following aspects are regarded as most important for Hemfosa's stakeholders and operations

- 1 Economic performance
- 8 Materials selection in respect of environmental impact in new builds and redevelopment
- 9 Energy efficiency in Hemfosa's properties and offices
- 11 Health and safety of tenants and customers
- 15 Direct and indirect greenhouse gas emissions from leased properties and own operations
- 16 Requirements placed on suppliers regarding green thinking, employment and social conditions

Aspects included in the stakeholder dialog

HEMFOSA'S OWN OPERATIONS

- 1 Economic performance
- 2 Materials and product selection in respect of environmental impact (from office supplies and cleaning agents) within Hemfosa's own operations
- 3 Emissions of greenhouse gases from business travel and journeys associated with the operation and maintenance of Hemfosa's properties
- 4 Health and safety of Hemfosa's employees
- 5 Opportunity for training and skills development for Hemfosa's employees
- 6 Non-discrimination within Hemfosa's own operations
- 7 Anticorruption within Hemfosa's own operations

HEMFOSA'S PROPERTIES

- 8 Materials selection concerning environmental impact of new builds and redevelopment
- 9 Energy efficiency of Hemfosa's properties and offices
- 10 Water husbandry in Hemfosa's leased properties
- 11 Health and safety of tenants and customers
- 12 Dialog with stakeholders concerning tenant and customer satisfaction
- 13 Environmental certification of Hemfosa's properties
- 14 Efficient waste management for Hemfosa's tenants
- 15 Direct and indirect greenhouse gas emissions from Hemfosa's leased properties and its own operations
- 16 Requirements placed on suppliers regarding green thinking, employment and social conditions

tance to Hemfosa's operations and how they thought our management of the issues would affect their attitude to the company.

Hemfosa's stakeholders were asked to participate in a survey with the objective of identifying material focus areas that we should include in our sustainability reporting. In addition to this questionnaire-based survey, Hemfosa also engaged in an ongoing dialog with the stakeholders, in part through tenant meetings and contacts during day-to-day operations. In addition to the

stakeholders, Group Management was also assigned to evaluate Hemfosa's impact on the various sustainability aspects. As a result of the materiality analysis, in-house discussions and internal assessments, Hemfosa has elected to focus its sustainability work on six priority areas within the categories of financial responsibility, environmental responsibility and social responsibility. See the description in the figure on page 28. Hemfosa still regards these as the most material sustainability areas for the company to focus on.

Significant events

GREEN BANK LOANS

Hemfosa has raised a "green" loan for the first time, as part of its funding. The loan from Swedbank pertains to the specialist hospital at Gardermoen, Norway, of which Hemfosa became the sole owner in the first quarter of 2018; this property satisfies rigorous sustainability and environment requirements.

To qualify for a green loan, a number of sustainability criteria have to be met, including energy classification of the building. In addition to a somewhat lower interest rate, a green loan is evidence of a sustainable investment that fulfils high demands for sustainability.

ENERGY PROJECTS

At the Åkroken 1 property in Sundsvall - 11 tightly knit buildings containing premises leased by Mid Sweden University - Hemfosa is engaged in a project to assess the potential for eco-friendly energy supply through the use of groundwater.

During the year, we were granted permission by the Land and Environment Court to extract cooling and heat from an existing energy well and to construct another three energy wells. The project is expected to generate sufficient energy to supply the Mid Sweden University and the Västthagen area and also to provide potential to sell on electricity to adjacent student residences.

SOLAR ENERGY

During 2017, Hemfosa made a decision to install a solar cell facility at the Sicklaön property in Nacka, which is also Hemfosa's head office. In spring 2018, we will equip the property with 318 solar panels, which will generate an estimated 75,000 kWh per year.

By testing eco-friendly energy alternatives, we accumulate knowledge and commitment in the organization that will be valuable in future decisions and investments.



THE *ten* PRINCIPLES OF THE UN *Global Compact*

Since 2016, Hemfosa has also been affiliated to the UN Global Compact. Accordingly, Hemfosa supports and undertakes to work in accordance with the Global Compact's ten principles on human rights, labor law, the environment and anticorruption, which are based the UN's general declaration on human rights, the ILO's declaration on fundamental principles and rights at work, the Rio declaration on the environment and development and the UN's anticorruption convention.



WE SUPPORT

Human rights

1. Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining; and
2. make sure that they are not complicit in human rights abuses.

Employment terms

3. The member companies are asked to uphold freedom of association and acknowledge the right to collective bargaining;
4. eliminate all forms of forced and compulsory labor;
5. abolish child labor; and
6. eliminate discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anticorruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Financial RESPONSIBILITY

Since its inception almost nine years ago, Hemfosa has grown into a stable listed property company with favorable earnings. Our tenants in community service properties are largely publicly financed operations such as schools, health and care services, judicial institutions and public authorities. These tenants usually sign long leases that provide favorable stability to the operations and give Hemfosa a platform for satisfying the customers' short and long-term needs. Hemfosa works to ensure that its operations contribute to a sustainable society characterized by healthy growth and attempts to do this with as little impact as possible on people and the environment.

Hemfosa's financial value creation benefits the company's stakeholders – tenants, employees, shareholders, suppliers, lenders and society. A key element of our property management and development activities is to find efficient and innovative solutions that meet tenant requirements and preferences. New technology and materials, as well as cutting-edge construction methods, are usually both more cost-effective and more eco-friendly, at the same time as contributing superior solutions for tenants. Hemfosa's transaction activity is

conducted on the basis of a distinct financial-analysis and risk-assessment process, in which sustainability is a feature of the acquisition analysis. For Hemfosa, sustainability risks are closely connected to financial risks.

Hemfosa's focus on community service properties, with the state and municipalities as its largest tenants and with a long-term approach to their operations, generally equates with longer leases than for other commercial properties combined with low tenant mobility. This generates stable cash flows and thus represents a



limited financial risk. It also helps us to make long-term investments in, for example, schools and healthcare centers, which are important to local communities and society at large.

Hemfosa works to ensure a long-term robust financial trend by continuously developing expertise and a business-like approach throughout the organization, and by observing set guidelines for financing, risk, internal control and accounting. Thanks to efficient property management and by adding value to the property portfolio, we can increase our value over time. During the year, for example, equity per ordinary share increased by 16 percent. Hemfosa's earnings capacity, profit, financial position and key performance data are presented in this Annual Report; refer to the table of contents.

By conducting long-term work to reduce the environmental and climate impact of the properties, opportunities are provided for borrowing through "green" bank loans and bonds, which can result in lower borrowing costs for specific projects or properties. In the first quarter of 2018, Hemfosa raised its first green bank loan with Swedbank for financing the acquisition of the shareholding outstanding in a newly built specialist hospital close to Gardermoen, Norway, a project with a distinct environmental profile and that thus satisfies the meticulous requirements for green loans.

BUSINESS ETHICS AND ANTICORRUPTION WORK

Hemfosa has a stated policy to act credibly, honestly and transparently in all contexts, and that the company's employees, business partners and other players with whom the Group has contact also share this policy. Also of fundamental importance to Hemfosa is having good knowledge of and respecting competition law, environmental and work environment law, agreements and other provisions and regulatory frameworks that impact the operations. To facilitate this, Hemfosa works to counteract all forms of fraud, theft and irregularities, both intentional or through negligence.

Hemfosa has a Code of Conduct and an employee policy aimed at promoting good business ethics and countering all forms of corrupt behavior. There are also policy

documents stating guidelines for work in various operating areas, and for monitoring compliance with them, thus helping to reduce the risk of irregularities. Hemfosa has a control system for financial reporting and risk management, for which the Board is responsible. The internal control of financial reporting is designed to manage risks and ensure high reliability in the processes for preparing financial statements, and for ensuring compliance with reporting requirements and other requirements to which Hemfosa is subject as a listed company.

CODE OF CONDUCT

Hemfosa's corporate values, standpoints and processes for reporting suspicions are described in the Code of Conduct. The process makes employees and business partners aware of how they should react to irregularities, unethical or illicit activities or corruption, and how they should act should they suspect any such actions. For example, it describes the process for reporting suspicions through a whistleblower function. Since employees may consider it difficult to report a problem due, for example, to a sense of disloyalty to colleagues or employers, or concerns about reprisals from the party accused of fraudulent behavior, anonymous reports are accepted and the reporter's identity must always be protected.

The Code of Conduct is provided as an appendix to the Employee Handbook that every employee receives on joining the company. Since Hemfosa is a credible and honest company, business partners and other stakeholders are urged to report to the company any suspicions they may have concerning fraud or other irregularities. No suspicions were reported through the whistleblower function in 2017. Regular information and education are provided in the area of business ethics and anticorruption to systematically enhance the employees' knowledge of business ethics and anticorruption.

Managers in the Hemfosa Group are responsible for informing employees in their specific part of the organization, and business partners, of the contents and importance of the Code of Conduct. The Code of Conduct is assessed continuously by managers in the organization and annually in connection with the Board of Directors' assumptions.

ENVIRONMENTAL *responsibility*

Sustainability work is an important control parameter in property management and development and in transaction activities. The choices we make in respect of materials, energy solutions and procurement of goods and services affect society, people and the environment. By making considered choices, we help to counter negative environmental and climate impact and to reduce the risks to which our own operations are exposed. Hemfosa's environmental responsibility is based on the environmental policy adopted by the Board of Directors in April 2017.

By focusing proactively on the environmental aspects of the business, Hemfosa can contribute to a better environment for both tenants and society at large, while positively impacting the properties' value. During the year, we also noted increased demand for sustainable properties and solutions for premises, which is particularly noticeable among publicly financed tenants.

The prerequisites for success are excellent knowledge and commitment from employees combined with an ambition to continuously learn more about the environmental area. We impact the environment through our operations, for example via energy consumption and carbon emissions and the choice of materials, as well as suppliers. Hemfosa works continuously in these areas by developing

ongoing property management, in part to find solutions that are efficient for both the user and its own employees, and in part to find solutions that are cost-effective and long-term sustainable for society at large. How work in these areas is monitored and evaluated is described below. In addition to the areas outlined above, we view water consumption as an area for development. The aim for 2018 is to initiate work to identify possible measures to reduce water consumption in the property portfolio. Another area encompassed by Hemfosa's environmental responsibility is the waste generated by properties and from refurbishment and construction.

The transaction operation includes a developed acquisition and sales process in which sustainability issues are an important component. In connection with the acquisition of properties, audits of both land and buildings are performed to identify potential environmental risks and to assess the measures that could be implemented to ensure that the land is suitable for use from an environmental and health standpoint. Active work to reduce the company's own environmental impact is also conducted internally in the organization through considered choices in respect of, for example, travel and purchasing.

In all new builds or tenant renegotiations, Hemfosa currently offers green leases, which are based on an agreement template issued by the Swedish Property Federation. Green leases represent a way for the tenant and the property manager to work together to achieve more sustainable properties. During 2017, demand for green leases increased among our tenants. The objective is to continue to increase the number of green leases and to establish procedures for monitoring how the proportion of such leases is developing.

MATERIALS SELECTION

In project development, such as refurbishment and redevelopment, comprehensive environmental analyses are always performed early in the project to make sure that we choose the right materials and create a good indoor environment. When conducting an environmen-

HEMFOSA'S *Environmental policy*

To successfully conduct environmental and sustainability work, we have formulated an environmental policy that provides guidance for our work:

- We shall work actively to enhance the energy-efficiency of our buildings and premises.
- We shall be aware of the environmental risks and environmental liabilities associated with the properties and, when taking actions, draw up long-term sustainable solutions.
- We shall work with the tenants to achieve a healthy indoor environment.
- We shall implement environmentally compatible conversions and new builds.
- We shall subject our suppliers to environmental and sustainability requirements.
- We shall raise the level of environmental and sustainability expertise and awareness among our employees.

tal analysis, Hemfosa examines such aspects as energy consumption and energy-efficiency potential, as well as the use of materials that are long-term sustainable. In 2017, Hemfosa evaluated the SundaHus system, which it will start to apply in connection with refurbishments during the current year. SundaHus is a comprehensive solution for systematizing work on phasing out hazardous substances during the entire lifecycle of a building. Our objective is that the materials used in refurbishment will comply with at least a Level C classification under the SundaHus system. Implementation of SundaHus provides us with increased control over the materials that exist in our properties. The system will be used in operation and management, thus contributing to keeping documentation of the content of buildings up to date and to continued work on phasing out hazardous substances.

SUPPLIERS

In accordance with Hemfosa's Code of Conduct and the Property Owner Association's industry-wide Code of Conduct for Suppliers, we actively subject our suppliers to environmental and sustainability requirements in connection with procurement; also refer to page 36.

While managing and developing its properties, Hemfosa endeavors to primarily select local suppliers for the provision of, for example, labor, raw materials and products. An example of this is the remodeling and new build of an Internationella Engelska Skolan school in Sundsvall during 2016–2017, where local suppliers were used exclusively. When commissioning suppliers, there is a risk that these will not live up to the requirements placed by Hemfosa or that they hire a sub-supplier who does not comply with the stated guidelines. When remodeling or new-build projects are completed, we monitor how the



sustainability aspects have been handled and thus gradually accumulate increased experience and best practice in the organization. Hemfosa's assessment is that the material sustainability aspects have been observed in Hemfosa's completed and ongoing projects.

ENERGY CONSUMPTION

Since the property sector accounts for a large part of society's total energy consumption, it is important that property owners and property management organization take their responsibility for the issue. It is also a key consideration from a financial perspective, since the cost of heat, cooling and electricity represents a large proportion of total operating expenses. In connection with both new builds and property management, Hemfosa's point of departure is that properties impact the environment throughout their entire lifecycle. Since 2015, Hemfosa has exclusively used renewable electricity through agreements with the electricity producer Vattenfall. This means that all of the electricity supplied to the property portfolio derives from hydroelectric sources.

Reducing the use of energy for electricity and the heating and cooling of properties is a prioritized area for Hemfosa and is a key aspect of our environmental policy. In ongoing property management, regular actions are taken to reduce energy consumption in the existing property portfolio, such as reviews of operating times for ventilation or choosing more energy-efficient heating systems when older systems are replaced.

Energy efficiency in Hemfosa's properties

To monitor, reduce and increase the efficiency of energy consumption in the property portfolio, Hemfosa uses an energy monitoring system in all properties for which we have an agreement with the energy suppliers. During 2017, energy measurement was performed in 279 properties, compared with 270 in 2016. The properties that are not encompassed by this measuring have what are known as triple net leases under which the tenants themselves enter into agreements directly with the energy supplier.

On the basis of the information obtained from the system, Hemfosa can identify the sources of deviating

Environmental certification

In recent years, various forms of environmental certification systems have gained in significance in the property sector. These certifications help to emphasize for both property owners and tenants the requirements that can be placed on properties and they also drive development towards more environmentally compatible construction and operational methods. In connection with all major new builds and conversions, Hemfosa investigates the potential for some form of environmental certification. We currently have a total of 21 properties in our property portfolio that are environmentally certified. During 2017, three properties were certified according to Green Building. One property is also environmentally certified according to the international environmental certification system BREEAM. Our target for 2018 is to certify an additional four properties.

18 properties

GREENBUILDING

GreenBuilding is an EU initiative launched in 2004 to hasten energy-efficiency in the construction and property sector. The requirement is that the building must use 25 percent less energy than previously, or compared with the requirements of the National Board of Housing, Building and Planning.



2 properties

SWEDEN GREEN BUILDING COUNCIL

Sweden Green Building Council (SGBC) is a certification system based on regulations from the Swedish construction industry and public agencies, and on Swedish construction practices. SGBC certification provides a guarantee of a building's critical qualities in terms of energy, the indoor environment and materials. SGBC is used for new builds and existing buildings – housing, commercial premises and retail properties.



1 property

BREEAM

BRE Environmental Assessment Method (BREEAM) is an environmental certification system from the UK that is currently the most widespread of the international systems used in Europe. Assessments are made in the areas of project management, energy consumption, indoor climate, water husbandry, waste management, land use, impact on the surrounding area, building materials and pollution. Innovative technical solutions raise the ranking.

usage by comparing similar properties and measuring the trend in energy consumption both totally and per square meter. The energy measurement system monitors the property portfolio's use of district heating for heating and cooling as well as electricity (for properties and for operations). The software provides real time control over Hemfosa's property portfolio, including surveillance and alarm functions.

During 2017, total energy consumption in the properties measured declined year-on-year by 0.5 percent per square meter. Energy consumption per square meter for heating and cooling declined by just over 5 percent and about 34 percent, respectively. Energy consumption of electricity, which comprises electricity for properties and the tenants' electricity consumption, increased by nearly 5 percent per square meter, due to the increased leasing rate.

In addition to the energy measurement system, we have installed Ecopilot® in five properties to evaluate the properties' energy consumption by providing full control over the building's energy savings and reduced carbon emissions. The use of Ecopilot® has initially shown favorable results in the form of reduced energy consumption. Hemfosa is investigating whether additional properties have the right conditions for being equipped with Ecopilot®.

During 2017, Hemfosa installed ground source heating in four properties. In our properties used by the Mid Sweden University in Sundsvall, a project is under way to assess the potential for eco-friendly energy supply through the use of groundwater. During the year, Hemfosa was granted permission by the Land and Environment Court to extract cooling and heat from an

existing energy well and to construct another three energy wells. The project is expected to yield both energy and cost savings by supplying the Mid Sweden University and the Västhagen area with electricity and also by providing potential to sell on the electricity to student residences in the area. Evaluation of the outcome of these installations will be used as a decision base for future projects.

CARBON EMISSIONS

Direct and indirect carbon emissions from Hemfosa's leased properties

Hemfosa's greatest environmental impact derives from emissions of carbon gases from the heating and cooling of properties. In recent years, Hemfosa has conducted work to reduce emissions of carbon gases. One initiative for reducing carbon emissions is that since 2015 Hemfosa solely purchases 100-percent eco-labeled, renewable electricity for its property portfolio.

Carbon emissions from Hemfosa's measured portfolio increased year-on-year in 2017 from a total 3.95 kg per square meter of carbon dioxide to 4.15 kg of carbon dioxide per square meter, despite a reduction in energy consumption per square meter. The reason for this is that suppliers of district heating can change the fuel mix over time, which adversely impacted carbon emissions in 2017.

Of Hemfosa's carbon emissions, a negligible proportion – via oil, gas and service, company and car pool vehicles – has a direct impact (Scope 1). For this reason, Hemfosa reports its total carbon emissions as having an indirect impact; i.e. as purchased energy such as district heating and electricity (Scope 2).

Energy consumption¹

	2017 MWh total	2016 MWh total	2017 kWh/sqm	2016 kWh/sqm	Change kWh/sqm, %
Heat	127,587	130,405	69.13	72.65	-5.1
Cooling	611	796	0.33	0.44	-34.0
Electricity ²	116,499	107,881	63.12	60.10	4.8
Total	244,697	239,082	132.58	133.19	-0.5

Carbon emissions¹

	2017 metric tons CO ₂ total	2016 metric tons CO ₂ total	2017 metric tons CO ₂ /sqm	2016 metric tons CO ₂ /sqm	Change metric tons CO ₂ /sqm
Scope 2					
Heat	6,674	6,186	3.62	3.45	4.7
Cooling	7	10	>0.01	0.01	-37.1
Electricity ²	971	895	0.53	0.50	5.2
Total	7,652	7,091	4.15	3.95	4.7

¹ Pertains to 279 properties in 2017 and 270 properties in 2016, for which Hemfosa is a contractual partner with an energy supplier. For the remaining properties in the property portfolio, the tenants have triple net leases, under which they themselves are contractual partners of energy suppliers and account for the energy costs.

² Includes electricity for properties such as ventilation, pumps, outdoor lighting and elevators, as well as electricity used for operations, which includes the tenants' consumption.

Social RESPONSIBILITY

At Hemfosa, we specialize in community service properties, which means that the tenants largely conduct publicly financed operations such as schools, health and care services, judicial institutions and public authorities. Hemfosa is characterized by a wealth of knowledge and understanding of the special requirements and needs that frequently hallmark these operations. Our corporate culture is characterized by entrepreneurship, humanity and inclusion, which are supported by a flat and agile organization. Good business ethics and long-term, trusting relations are important starting points both internally and in our contacts with external parties. Health and safety are crucial areas for both employees and tenants.



REQUIREMENTS PLACED ON SUPPLIERS REGARDING GREEN THINKING, EMPLOYMENT AND SOCIAL CONDITIONS

Hemfosa acquires a large amount of materials and services from various suppliers, of which electricity, district heating, water, property upkeep, cleaning, painting and repairs of installations account for a large share. Hemfosa has identified requirements to be placed on suppliers as a significant sustainability aspect to focus on in our sustainability work. When signing new agreements, our purchasing and procurement process includes giving precedence to suppliers who are affiliated to the Swedish Property Federation's industry-wide Code of Conduct and subjecting suppliers to environmental and sustainability requirements in accordance with this Code. Attached to this Code of Conduct is a self-assessment

that has to be completed and signed annually to show the companies' compliance with the Code of Conduct. This self-assessment is completed and saved in an industry-wide database, thus providing access to more

UNDER THE SWEDISH PROPERTY FEDERATION'S

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

operators in the industry. By accepting the Code of Conduct, the supplier accepts that checks may be conducted to obtain assurance that the Code of Conduct is being observed. Such controls may also be implemented by an independent third party. Since we have concluded that the Swedish Property Federation's Code of Conduct is applicable primarily to suppliers in major cities, we plan to produce a supplementary examination procedure for checking suppliers in certain towns.

We continuously evaluate our supplier collaborations in respect of current agreements, which includes examining compliance with agreements and the Code of Conduct. As part of efforts to ensure control of the supply chain, Hemfosa endeavors to use a limited number of suppliers, which it believes increases potential for close cooperation and good insight.

Partnerships for greater community responsibility

Hemfosa pursues a policy of cooperating with organizations formed to help socially vulnerable persons in society, preferably with connections to the operations conducted by its tenants. As a feature of efforts involving Hemfosa's community responsibility, we have been collaborating with Samhall, a company whose mission is to integrate people with functional impairments into the labor market. As part of this collaboration, Hemfosa has signed a service agreement with Samhall concern-

ing a number of properties in various parts of Sweden, covering property upkeep such as cleaning of stairwells, lawn mowing and snow clearance. We will continue with this collaboration and are reviewing the potential to further develop it.

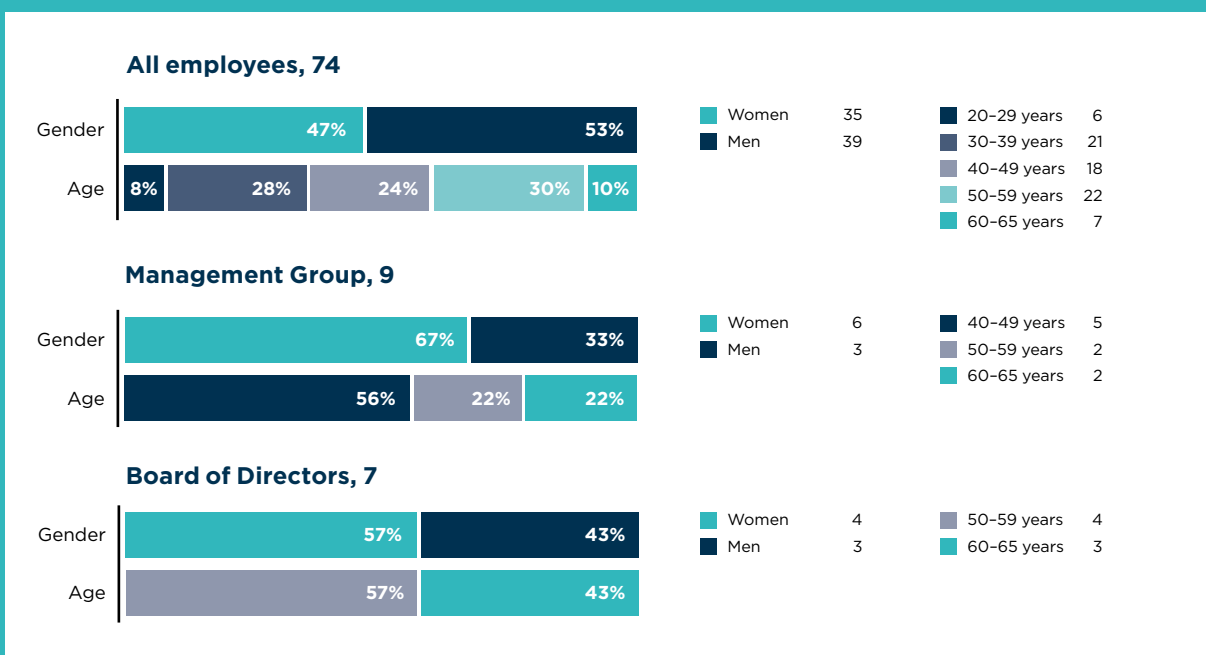
HEALTH AND SAFETY

Health and safety of tenants and customers

Our tenants must always rely on the fact that our properties offer an environment that is safe, accessible and healthy for those who work, visit or live in them. Ensuring that the properties are safe and adapted to special requirements is therefore a highly prioritized area for Hemfosa's operations, which are to a great extent governed by rules, regulations and laws. Examples of important safety features include handling icicles and snow falling from roofs, fire safety and electricity audits. Creating and maintaining efficient procedures and work methods for managing safety in and around our buildings is assigned a high priority and is an area that we continuously develop.

In respect of systematic fire safety, Hemfosa complies with all prevailing requirements from public authorities, thus entailing regular checks of technical fire and evacuation installations, training and exercises. When conducting this work, we occasionally use a computerized program provided by a nationwide chain specializing in fire and evacuation safety, in order to

Breakdown by gender and age



systematize this work. The use of this system contributes to efficient and safe management of systematic fire safety efforts and contributes to ensuring that planned measures are conducted in time and according to plan.

For various reasons, a need for decontamination or more widespread measures to rectify faults that could jeopardize health and safety may also arise in properties. From Hemfosa's standpoint, this primarily entails conducting systematic property management work in order to counter the causes of such problems. When a need for decontamination arises, we have the competencies and processes to efficiently rectify the problem according to applicable laws and regulations. Communication with the tenants who are affected is candid and frequent, and we work to resolve any such problems in a way that causes the minimum impact on tenants.

Hemfosa also has a responsibility to offer a safe and secure workplace to suppliers who work in our properties, such as in connection with property management, refurbishment and new builds. In addition to active and preventive health and safety work, the foundation for this is to lay down in agreements what requirements that Hemfosa and the supplier must each fulfil in this respect, above and beyond statutory requirements.

Employee health and safety

Corporate culture and employees

Hemfosa offers a creative, open and stimulating work environment with a focus on inclusion and personal development. We thus attach great importance to making sure that all employees are aware of and understand the company's business objectives and strategy. Thanks to close proximity to business decisions and inclusion in business development, employees are given the prerequisites for improved performance and increased satisfaction with their own work. The flat organization with short decision-making paths and decentralized responsibility is an important foundation for this and also provides excellent market familiarity and proximity to tenants. By accepting considerable personal responsibility for performing their work, the employees are offered great potential to decide on their own working hours, which can be of substantial value, particularly in creating a well-functioning employment situation with a balance between work and leisure.

Hemfosa's future development depends to a great extent on the knowledge, experience and commitment of the employees. The company has decided to have a relatively small organization in order to work effectively and swiftly. It is believed that a healthy work environment, interesting duties and the opportunity for personal development contribute to this. As part of efforts to prevent ill health, Hemfosa offers regular medical checkups to all employees, and all of Hemfosa's employees are covered by medical expenses insurance. During 2017, Hemfosa's sick leave corresponded to 0.6 percent.

Focus on expertise

For Hemfosa, a distinct focus on expertise and performance is the path to lasting business success. The specific focus on community service properties and transactions requires both relevant experience, broad networks of contacts and a wealth of employee knowledge.

Since our formation and not least in recent years, we have worked actively to safeguard skills development and ensure the supply of qualified expertise at all levels of the rapidly growing company. A key part of this is permitting employees to grow within the organization with gradually increasing responsibility. The fact that a number of employees have taken on new executive roles in the past two years and joined the company's Management Group exemplifies this approach. In addition, the organization has been strengthened through new expertise through recruitment of highly qualified employees.

Equal opportunities, diversity and equal treatment

To ensure that all of the skills inherent in the organization are utilized optimally and for the employees to feel that they are able to develop, every individual must be judged strictly on their own merits. Expertise must also be decisive in efforts to have the best employees join the company. The conditions, rights and development opportunities of all employees must be equal throughout the company and not be dependent on gender, background, origin or age. Hemfosa aims to ensure that all employees feel that they are active in a safe and productive work environment where they all have equal opportunities, the potential for development and are treated in the same manner.

Equal opportunities, diversity and equal treatment are assigned great importance in skills supply to the company; these aspects must also be upheld by the company for both ethical and legal reasons. Hemfosa's Code of Conduct includes guidelines governing equal opportunity and diversity efforts and the aim is that this work will be a natural feature of operations. This is central to recruitment work, business development and the development of Hemfosa as a workplace. We also work actively according to our Code of Conduct to eliminate all forms of discriminatory treatment of employees and to promote good business ethics within Hemfosa. The Code of Conduct is adopted annually by the Board and, in this connection, compliance with it is examined. Hemfosa is also working to ensure that governance through the Board is characterized by equality and diversity; also refer to Corporate Governance Report section.

Hemfosa has an even distribution between men and women in most areas of its operations. Of the company's total workforce of 74 employees, women account for 47 percent, while they account for 67 percent of members of the Group Management. Women account for 57 percent of the Members of the Board.

FINANCING

Hemfosa's operations are financed by a combination of shareholders' equity, interest-bearing liabilities and other liabilities, primarily interest-bearing liabilities in the form of debts to credit institutions, bonds and a commercial paper program. Shareholders' equity accounts for about 42.5 percent of the financing, while interest-bearing liabilities represent some 46.7 percent. Bonds and commercial paper jointly account for 10.7 percent and other liabilities for about 0.1 percent.

EQUITY

At December 31, 2017, Hemfosa's shareholders' equity totaled MSEK 17,807 (15,570), equal to an equity/assets ratio of 40.4 percent (41.2). Hemfosa's financial target is that the equity/assets ratio should exceed 30 percent. The Parent Company's equity amounted to MSEK 11,214 (11,117) at December 31, 2017. At year-end, preference capital totaled MSEK 1,791 (1,791). The 2017 Annual General Meeting resolved to pay dividends totaling MSEK 694 to ordinary shareholders, and MSEK 110 to preference shareholders, subject to quarterly payment. At year-end, dividends of MSEK 575 had been paid, with the remaining dividends expensed in the Statement of financial position.

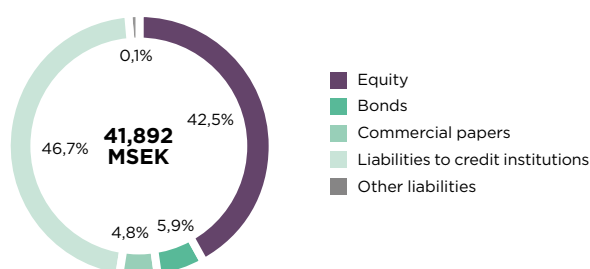
INTEREST-BEARING LIABILITIES

Hemfosa's interest-bearing liabilities comprise bank loans, bonds and commercial paper. At December 31, 2017, Hemfosa's interest-bearing liabilities amounted

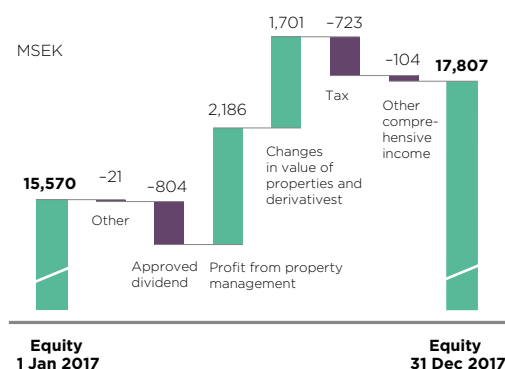
to MSEK 24,110 (20,666), with MSEK 19,619 (17,993) pertaining to loans from credit institutions, MSEK 2,473 (1,748) to bonds, MSEK 1,995 (895) to commercial paper, MSEK 7 (11) to vendor's mortgages and MSEK 16 (20) to other liabilities. Hemfosa has committed covered lines of credit of MSEK 1,800 (1,300). The lines of credit are facilities to back up the outstanding commercial paper program, of which MSEK 1,995 was issued at year-end. Hemfosa also has overdraft facilities totaling MSEK 450 (450), which were unutilized at December 31, 2017. Hemfosa's year-end cash and cash equivalents totaled MSEK 541 (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 net loan-to-value ratio was 57.1 percent (55.9). At December 31, 2017, the average interest rate was 1.94 percent (1.98).

Capital structure



Changes in equity during the period



Fixed-rate period

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. 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. At December

31, 2017, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,706 (5,162) and interest-rate caps MSEK 11,405 (7,000). All interest-rate swaps had a negative fair value at December 31, 2017.

At December 31, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 4,706 (5,162) and interest-rate caps MSEK 11,405 (7,000). Taking into account the concluded interest-rate swaps and interest-rate caps, together with the loans that carry fixed interest rates, 69.1 percent (56.0) of Hemfosa's loan portfolio is interest-rate hedged. At year-end, the average remaining fixed-rate period was 1.5 years (1.3).

Change in loan portfolio

MSEK	Dec 31 2017	Dec 31 2016
Interest-bearing liabilities at the beginning of the year	20,666	18,960
Repayment of bank loans	-3,794	-3,602
New bank loans	5,527	3,604
Issue of commercial paper	1,100	895
Issue of bonds	1,973	750
Redemption of bonds	-1,248	-202
Exchange-rate difference	-114	261
Interest-bearing liabilities at year-end	24,110	20,666

Key performance data concerning the loan portfolio

MSEK	Dec 31 2017	Dec 31 2016
Net loan-to-value ratio, %	57.1	55.9
Average interest rate, %	1.94	1.98
Average remaining fixed-rate period, years	1.5	1.3
Average remaining loan maturity, years	2.3	2.1
Interest-rate hedged portion of liabilities, %	69.1	56
Fair value of derivatives, MSEK	-34	-84

Financial policy

The overall objectives of Hemfosa's financing operations are:

- to ensure that the financing operations are subject to efficient controls and conducted under orderly financial conditions;
- that Hemfosa is perceived as a professional business partner;
- to safeguard the company's loan financing;
- to formulate financial strategies and risk management in accordance with the prerequisites for the operations;
- to achieve the best possible net financial items within the given risk mandate.

Hemfosa intends to be a professional borrower and work to ensure that the company will always be offered financing on the best terms available in the market, based on comparable borrowers and comparable collateral. In property acquisitions where the financing is a feature of the business transaction, the terms and conditions for the financing should be considered from the viewpoint of the entire business transaction. In order to minimize interest rate and funding risks, the bullet points below act as guidelines for Hemfosa's financial policy:

- The company's total loan-to-value ratio may not exceed 75 percent (calculated at market value)
- The company's interest-payment capacity may not be lower than an interest coverage ratio of 2.0

- The company must have at least four main creditors
- Not more than 25 percent of the loan liability may fall due for renegotiation during the same 12-month period
- Back-up facilities corresponding to at least the volume of commercial paper outstanding are to be available at each point in time
- The average term for the loans may not be shorter than 1.5 years. The basis for the company's choice of strategy for managing the interest-rate risk comprises the choice of an interest-rate maturity strategy for the loans combined with a selection of derivative instruments to alter the interest-rate risk.

Currency exposure

The acquisition of properties in Norway and Finland exposes the Group to currency risk. Currency risks pertain to investments, income and expenses in foreign currency, whereby 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 both to currency flows and changes in exchange rates. At present, Hemfosa does not hedge its net equity exposure. It is not impossible that Hemfosa could enter into currency hedges from time to time.

Fixed-rate period distributed by instrument, December 31, 2017

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	24,050	-1,372	-9,503	13,175	55
1-2 years	0	497	2,526	3,024	13
2-3 years	23	674	3,617	4,314	18
3-4 years	0	200	1,619	1,819	8
4-5 years	0	0	1,740	1,740	7
>5 years	38	0	0	38	0
Total	24,110	0	0	24,110	100

Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 16,111 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.

Maturity structure, interest-bearing liabilities, December 31, 2017

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest rate, derivatives, MSEK ¹	Total interest, MSEK
2018	6,871 ²	28	386	47	432
2019	4,945	21	252	8	260
2020	6,404	27	146	3	149
2021	3,183	13	81	1	81
2022	2,605	11	40	0	40
2023-	103	0	37	0	37
Total	24,110	100	941	58	999

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

² Taking into account back-up facilities of SEK 1.8 billion to secure commercial paper.

Fixed-rate period, interest-rate swaps December 31, 2017

	Nominal amount, MSEK	Average interest rate, interest-rate swaps, %	Market value, MSEK
<1 year	3,334	1.1	35
1-2 years	497	0.0	2
2-3 years	674	1.3	3
3-4 years	200	0.6	3
4-5 years	-	-	-
>5 years	-	-	-
Total	4,706	1.0	43

Sensitivity analysis, interest expenses December 31, 2017

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+94/-19
Interest expenses assuming change in average interest rate ²	+/- 1	+/-241
Remeasurement of fixed-income derivatives resulting from a shift in interest rate curves	+/- 1	+/-66

¹ Taking derivative agreements into account

² Not taking derivative agreements into account

Currency exposure

	Dec 31 2017	Dec 31 2016
Exposure in MEUR	82	90
Exposure in MNOK	2,707	2,202

Sensitivity analysis, currency exposure December 31, 2017

	Change, %	Earnings effect, MSEK
Change in SEK/EUR exchange rate	+/- 10	+/-80
Changes in SEK/NOK exchange rates	+/- 10	+/-269

RISK MANAGEMENT

RISKS AND UNCERTAINTIES

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 systematically when managing these and other risks and uncertainties.

Operations and ORGANIZATION

Rental income

Risk description:

The leasing rate and the amount of rental income largely depend on the company's own input but are also affected by economic conditions.

A long-term downward trend in market rents adversely impacts the company's rental income and a recession increases the risk of large-scale vacancies in the portfolio. When a vacancy occurs, this could entail costs for customizing the premises for a new tenant, and a risk that the vacancy will be long-term. In a recession, the risk that tenants may not be able to fulfill their rental obligations to Hemfosa increases.

Both rental income and cash flow will be affected if the above risks are realized.

Risk management:

- Hemfosa's property portfolio is geographically diversified, with a large number of tenants with differentiated lease tenures.
- A high proportion of the tenants conduct publicly financed community services characterized by a long-term approach and with a high credit rating.
- The risk of bad debts is also managed by conducting credit assessments of tenants for all new leases and continuously during the lease term. If necessary, the lease may have to be supplemented with surety, a rental deposit or a bank guarantee. All rents are paid in advance on a quarterly or monthly basis.
- Hemfosa enters into a number of leases with major tenants, usually per unit or per property and subject to differentiated lease tenures. See the table showing the largest tenants on page 17 of this Annual Report.
- A certain level of vacancies may have a positive effect, since it provides scope in the form of new leasing and flexibility in relation to existing tenants.

Property expenses

Risk description:

Operating expenses consist primarily of rates-based costs such as costs for electricity, cleaning, water and heat.

Unforeseen and major repairs could have an adverse impact on profit and the company's financial position, as could maintenance costs to uphold a property's standard. Similarly, changed or increased requirements from the market and public authorities could lead to refurbishment or upgrading costs. Certain community service properties are subject to specific requirements in terms of, for example, accessibility, indoor climate and environmental requirements, which can change over time.

Risk management:

- Hemfosa works continuously to increase the efficiency of property management in terms of, for example, improved energy systems that reduce energy consumption and environmental impact.
- By means of long-term planning of maintenance of the properties, Hemfosa keeps maintenance costs under control and unforeseen and major repairs can be minimized.
- All properties are insured against major impact from damage.
- Hemfosa's property management organization possesses good knowledge of and continuously monitors requirements in respect of community service properties and any changes in these so that it can plan necessary measures at an early stage.

Transaction-related risks

Risk description:

Property acquisitions are a key component of Hemfosa's strategy.

In order to complete an acquisition, suitable investment objects must be on the market at reasonable price levels. Acquisitions may also be exposed to risks associated with the seller and the acquired operation.

Risk management:

- Hemfosa occupies a strong position in the transaction market in the Nordic region, with extensive experience and excellent knowledge of complex portfolio transactions.
- The organization has a large network of contacts within and favorable knowledge of the players active in the market for community service properties, including long-term partnerships with a number of established operators, thus generating opportunities for acquiring properties and development projects.
- The process for evaluating a potential transaction is well established in Hemfosa's organization. Both tenants and the condition of the property are assessed in order to support the valuation and decision-making.

Operations and ORGANIZATION

Project development

Risk description:

Hemfosa works continuously with tenant-specific modifications and project development, and also engages in major projects, including new builds of community service properties jointly with other players.

Large-scale, customized projects entail considerable investments, which could lead to an increased credit risk if tenants fail to fulfill their obligations to pay rent and Hemfosa is unable to find other tenants for the particular premises.

In the event of delays or when cost calculations are exceeded, there is a risk that Hemfosa's costs will increase.

Risk management:

- In connection with tenant-specific modifications, Hemfosa is able to renegotiate leases so that they are adapted to the level of investment. When negotiating, the tenant's ability to complete an investment is always assessed.
- Hemfosa generally only enters into agreement on the takeover of newly built properties after completion and when floor areas are fully leased.
- The development and new-build projects in which Hemfosa is involved are normally conducted in joint ventures with experienced project development companies. Hemfosa has a good track record in terms of the outcome of time schedules and cost calculations in those projects in which the company has been involved.

Tax

Risk description:

The regulatory framework governing taxation of the type of business operated by Hemfosa is complex and comprehensive in terms of both income tax and VAT/property taxation and can vary from jurisdiction to jurisdiction. Moreover interpretation and application of these regulations by courts of law can change over time.

Changes in these regulations, or in their interpretation by judicial bodies, could impact Hemfosa's earnings and position either positively or negatively.

The regulations governing the recognition of taxes, and the property sector's application of these accounting regulations, are also complex.

Examples of changes in regulations that could adversely impact Hemfosa are raised tax rates, weaker opportunities to make tax deductions for interest expenses, weaker tax depreciation opportunities or restrictions on opportunities to utilize loss carryforwards.

Although the Swedish Tax Agency is normally permitted to reassess a company's taxation within two years of the end of a fiscal year, taxations can be reassessed up to five years back in time in certain cases. From time to time, Hemfosa has cases in progress, and ongoing dialogs, with the Tax Agency regarding individual taxation matters. The Tax Agency makes tax rulings that can be appealed and reviewed in administrative courts of appeal (Administrative Court, Administrative Court of Appeal and the Supreme Administrative Court of Appeal). Since the regulatory framework is complex, the Tax Agency's review possibilities are comprehensive and the judicial bodies' interpretation and reviews take place in many stages, it can take a long time to establish the correct application of legislation. This may entail that actions taken or completed transactions that were previously considered permissible according to the regulatory framework may need to be reappraised at a later juncture.

Risk management:

- Hemfosa carefully follows political developments and continuously monitors regulatory developments to identify proposed changes in rules and regulations at an early stage. This monitoring ensures firstly that Hemfosa will understand the effects of any regulatory changes well in advance and secondly that Hemfosa is well prepared should new regulations necessitate alignment of internal processes to ensure compliance with the new rules.
- Hemfosa complies with the laws and practices existing on every date of filing tax returns. To additionally assure the quality of both tax returns and financial reporting, Hemfosa continuously checks its assessments of complex tax issues with external experts. Hemfosa's assessments and calculations in the tax area are reassessed at the end of each reporting period.
- Hemfosa's finance and accounting functions, property management organization and transaction team interact through clear-cut processes both to satisfy the regulatory requirements for continuous accounting and payment of taxes and to identify and manage tax risks.

Operations and ORGANIZATION

Environmental risks

Risk description:

Properties affect the environment, in part during construction and continuous upkeep, and in part in the operations that are conducted in them.

According to the Swedish Environmental Code, the party that operates a business that has contributed to environmental contamination may be held responsible for remediation. If the business operator is unable to perform or defray the cost of such remediation, the party who owns the property may be held responsible. This means that under certain conditions claims could be made against Hemfosa for soil decontamination or remediation relating to the presence or suspicion of contamination in a building, soil, catchment areas or groundwater.

Properties with a negative environmental profile in terms of, for example, energy consumption can be viewed as less attractive for tenants and generate higher energy costs relative to other properties while giving rise to costs for being upgraded.

Risk management:

- Hemfosa is of the opinion that the company's properties are not exposed to any material environmental risks. Nor is there any knowledge of material environmental claims that have been directed against Hemfosa.
- Acquisitions of new properties are always preceded by environmental investigations to determine the properties' environmental status, thus minimizing the risk that Hemfosa acquires properties with some form of environmental debt.
- Hemfosa works in accordance with the environmental policy adopted by Board with the overall objective of reducing negative environmental impact.
- When conducting project engineering and in day-to-day property management, the focus is on energy-efficiency enhancements in order to reduce the properties' climate impact. Among other measures, Hemfosa has installed an energy measurement system for monitoring the energy consumption of properties and assessing where potential exists for improving energy performance.
- Hemfosa also endeavors to make environmentally compatible choices of materials and to safely manage waste and chemicals in our properties.

Changes in property value

Risk description:

Changes in value affect the company's profit and key performance indicators.

The value of the properties is affected by a number of factors, in part property-specific circumstances such as the leasing rate, rent level and operating expenses, and in part such market-specific circumstances as the required yield and the cost of capital, which are derived from comparable transactions in the property market.

Risk management:

- Hemfosa owns a large number of properties that are geographically spread over three markets, which gives a balanced risk profile.
- Hemfosa's focus on community service properties results in stable tenants with a high credit rating and long leases.
- The market value of Hemfosa's total portfolio of investment properties is assessed every quarter by external, independent property appraisers. Hemfosa's properties are recognized at fair value in the Statement of financial position on page 73.

Internal processes and controls

Risk description:

Within the framework of its continuing operations, Hemfosa could be adversely impacted by faulty procedures, inadequate control or irregularities within and outside the organization.

Risk management:

- Hemfosa complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating a company's internal control over financial reporting, which contains the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.
- Hemfosa has policy documents/handbooks for the governance of internal processes in such areas of operation as transactions, property management, financial reporting and insider trading.
- Hemfosa's Code of Conduct contains guidelines for the conduct of employees in certain situations, including an established whistleblowing procedure.

Employees and skills

Risk description:

Hemfosa's future development depends to a great extent on the knowledge, experience and commitment of Group Management and other key personnel. The company has decided to have a relatively small organization in order to work effectively and alertly, which could result in a certain dependence on individual employees.

Risk management:

- Hemfosa is working to steadily strengthen the organization in order to reduce dependence on specific individuals in terms of education and additional recruitments. Since its inception, Hemfosa has been successful in the recruitment of key competencies.
- The skills requirement is evaluated continuously to adapt the organization to prevailing needs and active work is conducted to promote internal manager supply.
- To minimize the dependence on individuals, the company has documented job descriptions and clear process maps.

Financing

Interest-rate risk

Risk description:

Interest-rate risk refers to the risk that changes in interest rates could affect Hemfosa's interest expenses, which represent the company's single largest cost item.

In the longer term, changes in interest rates have a material effect on Hemfosa's profit and cash flow.

Risk management:

- Interest-rate swaps and interest-rate caps are used to limit the interest-rate risk and increase the predictability of Hemfosa's profit from property management. Hemfosa mainly works with floating interest rates in its loan agreements.
- By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates do not fully impact the Group's interest expenses.
- Interest-rate caps and swaps are entered into to adapt the company's fixed-rate periods to the decided financial policy and existing loan agreements.

Financing

Risk description:

Hemfosa's strategy is to continue to grow through acquisitions.

If raising loans becomes more difficult or more expensive, this would adversely impact the company's potential to acquire properties and implement investments and projects. To this should be added the risk that financing cannot be obtained or renewed when the loan expires, or only at sharply higher costs.

Risk management:

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

Liquidity risk

Risk description:

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term to be able to honor the Group's payment obligations.

Risk management

- Hemfosa performs its work by using short-term liquidity forecasts that establish payment obligations on a week-by-week basis and also by using long-term rolling 12-month liquidity forecasts. The forecasts are updated continuously on a weekly and quarterly basis.
- In accordance with the financial policy, continuous work on refinancing the long-term loans concerned is conducted. The financial policy also addresses the matter of the investment of surplus liquidity. In addition, the Group has overdraft facilities to ensure more flexible cash management and to effectively deal with peaks and troughs in payment streams.

Currency exposure

Risk description:

Due to Hemfosa's presence in Norway and Finland, the Group is exposed to currency risk.

Currency risks pertain to investments, income and expenses in foreign currency, whereby currency fluctuations impact profit/loss and other comprehensive income for the year.

Risk management

- Hemfosa's currency exposure is limited to equity, because both properties and external financing are raised in the same currency.
- The overall assessment is that it is currently most cost-effective not to hedge net exposure associated with equity. It is not impossible that the company could enter into currency hedges from time to time.

SENSITIVITY ANALYSIS

The sensitivity analysis shows how Hemfosa's full-year earnings would be affected, positively or negatively, should selected income and cost items change. The effect of changed income statement items is calculated based on earnings capacity.

December 31, 2017	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 32
Economic leasing rate according to earnings capacity	+/- 1	+/- 32
Property expenses according to earnings capacity	+/- 1	+/- 9
Net operating income according to earnings capacity	+/- 5	+/- 115
Changes in SEK/NOK exchange rates	+/- 10	+/- 269
Change in SEK/EUR exchange rate	+/- 10	+/- 80
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+ 94/- 19
Interest expenses assuming change in average interest rate ²	+/- 1	+/- 241
Remeasurement of fixed-income derivatives resulting from a shift in interest rate curves	+/- 1	+/- 66

¹ Taking derivative agreements into account

² Not taking derivative agreements into account

Ordinary AND PREFERENCE SHARES

Hemfosa as an investment

Hemfosa’s ordinary share and preference share have been listed on Nasdaq Stockholm since March 21, 2014 and December 12, 2014, respectively. Effective January 2, 2017, both share classes were moved from the Mid Cap segment to the Large Cap segment. At year-end, Hemfosa’s market capitalization slightly exceeded SEK 19.3 billion.

Hemfosa has two classes of shares: ordinary shares and preference shares. The difference between the classes of shares comprises different voting rights and different rights to the company’s assets and profit. At December 31, 2017, there were 168,728,248 Hemfosa shares, of which 157,728,249 were ordinary shares and 10,999,999 were preferential shares. Hemfosa’s share capital amounted to SEK 84,364,124.

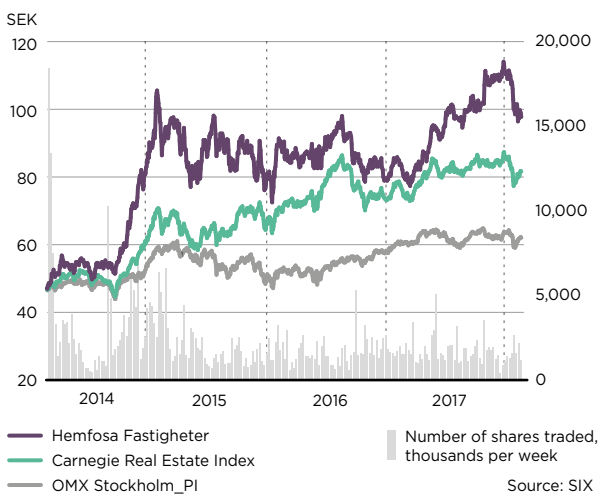
ORDINARY SHARE

The closing price for the ordinary share on December 29, 2017 was SEK 109.90, representing a price increase of 28.5 percent during the year. During the same period,

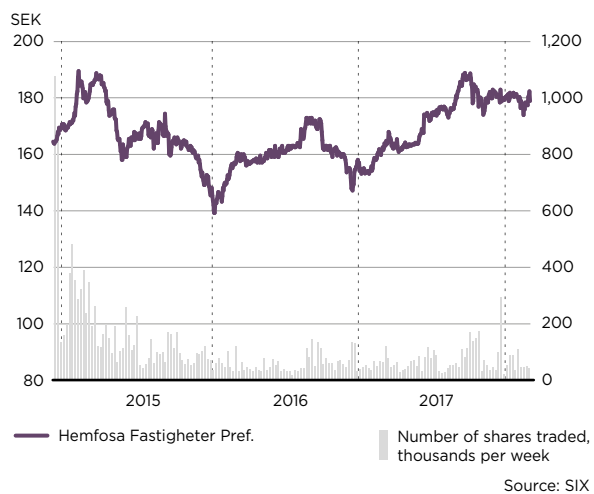
the Nasdaq Stockholm PI index rose 5.8 percent, while the Carnegie Real Estate Index rose 5.4 percent. A total of 930,110,421 ordinary shares valued at SEK 7,422,268,054 were traded during 2017. On an average trading day, 370,559 ordinary shares were traded. Of total trading in Hemfosa’s ordinary shares, 74.6 percent occurred on Nasdaq Stockholm, 16.0 percent on Cboe CXE, 6.5 percent on Cboe BXE, 2.1 percent on Turquoise and 0.8 percent on other exchanges.

Each ordinary share carries one voting right, while preference shares carry one tenth of a voting right. The Hemfosa ordinary share is traded under the “HEMF” ticker.

Ordinary share



Preference share



Warrants program for employees

A warrants program for employees of the Hemfosa Group has been established in accordance with the resolution of the AGM held in April 2017. A maximum of 1,450,000 warrants were issuable with a total dilution effect of not more than about 0.85 percent of the total number of shares and 0.90 percent of the total number of votes in the company, assuming that all warrants were exercised to subscribe for shares. A total of 52 employees acquired a combined total of 1,294,000 warrants, corresponding to 89 percent of the maximum number of warrants, conferring rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022. The 156,000 warrants that were not subscribed for were canceled. After the end of the year, 10,000 warrants were bought back and will be canceled.

In accordance with an AGM resolution, the Board has also offered an incentive program comprising synthetic options to employees of Hemfosa's Norwegian and Finnish organization. A total of 61,500 options were subscribed for, equal to 56 percent of the total number of synthetic options on offer. These options entail exercise rights during the periods May 1-31, 2022 and August 1-31, 2022. Hemfosa is entitled to issue ordinary shares instead of paying cash remuneration to holders of synthetic options.

PREFERENCE SHARE

The closing price of the preference share on December 29, 2017 was SEK 180.40, representing a price increase of 22.9 percent during the year. Preference shares carry one tenth of a voting right while ordinary shares carry one voting right. Preference shares provide preferential rights, in precedence to ordinary shares, to an annual dividend of SEK 10.00 per preference share. Of total trading in Hemfosa's preference share, 97.2 percent occurred on Nasdaq Stockholm and 2.8 percent on other exchanges. Hemfosa's preference share is traded under the "HEMF PEF" ticker.

DIVIDENDS

Hemfosa's dividend policy implies that dividend payment will total 60 percent of distributable profit over the long-term, defined as profit from property management less taxes paid and shares in the profit of joint ventures. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares. Distributable profit for the year amounted to MSEK 1,589. For the 2017 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.80 per ordinary share with quarterly payment of

Trend in share capital

	Date	Change in number of ordinary shares	Change in number of preference shares	Changes in share capital, MSEK
Paid in share capital	Jan 2013	50,000	-	0
New issue, ordinary shares	Jun 2013	22,207,103	-	22
New issue, ordinary shares	Jun 2013	2,792,897	-	3
Reduction in ordinary shares	Jun 2013	-50,000	-	0
Share issue offsetting debt, ordinary shares	Mar 2014	30,937,495	-	31
New issue, ordinary shares	Mar 2014	9,782,608	-	10
New share issue, preference shares	Dec 2014		5,000,000	5
Share split 2-for-1	May 2015	65,720,104	5,000,000	-
Private placement, preference shares	Sep 2015		999,999	1
New issue, ordinary shares	May 2016	26,288,041	-	12
Total		157,728,249	10,999,999	84

For further information on the share capital trend, see Note 26.

SEK 1.20 per ordinary share. The proposed record dates are April 20, July 10 and October 10, 2018 and January 10, 2019. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per preference share. The proposed record dates for the dividend on preference shares are July 10 and October 10, 2018 and January 10 and April 10, 2019. The proposed dividend corresponds to 55 percent of distributable profit for 2017.

SHAREHOLDER INFORMATION

At December 31, 2017, Hemfosa had 23,092 shareholders, of whom Swedish investors, institutions and private individuals owned 55.8 percent of the shares. Foreign international institutional investors owned 44.2 percent of the shares. The eight largest owners jointly controlled 33.8 percent of the share capital and 34.7 percent of the voting rights.

Owner distribution, December 31, 2017

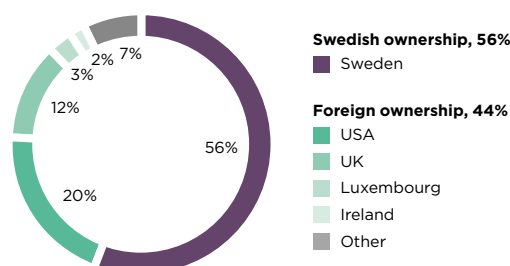
Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	9,441,045	-	5.6	5.9
Länsförsäkringar Fondförvaltning AB	9,317,037	-	5.5	5.9
Kåpan Pensioner Försäkringsförening	8,236,274	-	4.9	5.2
Swedbank Robur funds	7,691,644	-	4.6	4.8
Handelsbanken Funds	6,025,549	-	3.6	3.8
JPM Chase NA	5,453,788	332,197	3.4	3.5
SEB Investment Management	4,794,586	-	2.8	3.0
CBNY-Norges Bank	4,049,446	-	2.4	2.6
Other	102,718,880	10,667,802	67.2	65.3
Total	157,728,249	10,999,999	100.0	100.0

For share-related key figures, see page 64.

Ownership structure by size of holding at December 31, 2017

Holdings	No. of shareholders	Share capital, %	Voting rights, %
1-500	16,453	1.42	1.09
501-1 000	3,014	1.36	1.06
1,001-5,000	2,697	3.44	2.59
5,001-10,000	336	1.45	1.06
10,001-15,000	121	0.88	0.73
15,001-20,000	71	0.76	0.66
20,001-	400	90.69	92.82
Total	23,092	100.0	100.0

Percentage of share capital December 31, 2017



Source: Euroclear

Corporate

GOVERNANCE REPORT

At Hemfosa, the purpose of corporate governance is to ensure that rights and obligations are allocated among the company's various bodies in accordance with applicable laws, regulations and processes. Efficient and transparent corporate governance enables the owners to assert their interests in relation to the company's management while ensuring in a clear-cut division of responsibility between management and the Board and also in other parts of the company, thus enabling decisions to be taken efficiently and enabling Hemfosa to act swiftly when new business opportunities arise.

Hemfosa is a Swedish public limited-liability company whose shares were listed on Nasdaq Stockholm in March 2014. Corporate governance in Hemfosa is based on laws, the Articles of Association, the Nasdaq Stockholm Issuers Rules, the Swedish Corporate Governance Code (the Code) and the rules and recommendations issued by relevant organizations. The Code is based on the "comply or explain" approach. This means that a company applying the Code may choose to depart from specific rules, but must then provide an explanation for such non-compliance, and describe the solution chosen instead. The Code is available at www.bolagsstyrning.se, where the Swedish model for corporate governance is also described. During 2017, Hemfosa complied with the Code without any deviations. During the year, Hemfosa also applied the Nasdaq Stockholm Rule Book for Issuers and generally acceptable practices in the stock market.

This Corporate Governance Report is being issued in accordance with the Swedish Annual Accounts Act and the Code and provides an account of Hemfosa's corporate governance during 2017.

GENERAL MEETING OF SHAREHOLDERS

Under the Swedish Companies Act, General Meetings of Shareholders are the company's highest decision-making body and shareholders are entitled to pass resolutions concerning the company at such meetings. Provisions regulating General Meetings of Shareholders are contained in the Swedish Companies Act, the Code and in Sections 12 and 13 of the Articles of Association. In addition to what is stipulated by law, it is stated in Hemfosa's Articles of Association concerning a shareholder's entitlement to attend a General Meetings of Shareholders that pre-notification must be completed no later than the day specified in the notice to attend the Meeting.

Notice to attend a General Meeting is issued by publishing the notice on the company's website and placing an advertisement in Post- and Inrikes Tidningar (the Swedish Official Gazette). At the same time, information confirming that official notification has taken place is published in Svenska Dagbladet or, should the national distribution of Svenska Dagbladet be discontinued, in Dagens Nyheter. The AGM is to be held at the location of the Board of Directors' registered office or in Stockholm and the AGM is to be held within six months of the end of the fiscal year. The company's fiscal year extends from January 1 to December 31.

Annual General Meeting 2017

Among other resolutions, Hemfosa's 2017 AGM resolved on a private placement of not more than 1,450,000 warrants as a feature of the introduction of a warrants program for employees of the Hemfosa Group. The AGM also resolved to approve the decision previously made by the Board of Directors on July 4, 2016 to issue new shares in the subsidiary Samfunnsbygg AS. In addition, the AGM resolved to authorize the Board on one or more occasions during the period up to the close of the following AGM, either applying or disapplying the existing shareholders' preferential rights, to decide on the issuance of new ordinary shares. The total number of ordinary shares issuable pursuant to this mandate may correspond to no more 10 percent of the total number of ordinary Hemfosa shares at the time of exercising the authorization. Furthermore, the AGM resolved to authorize the Board to make decisions on the buyback and transfer of the com-

HEMFOSA'S 2018 AGM

Hemfosa's 2018 AGM will be held on **April 18, 2018** in Stockholm. Shareholders were entitled to have a matter addressed at the AGM assuming that a written request to this effect had been received by the Board no later than **February 28, 2018**. A form for notifying intention to attend the AGM will be available on www.Hemfosa.se.

Hemfosa always endeavors to ensure that the Board of Directors, Group Management, Nomination Committee and the auditor attend general meeting of shareholders.

pany's own ordinary shares. The buyback of the company's own shares is subject to the limit that the company's holding of treasury shares never exceeds 10 percent of all of the Hemfosa shares. The transfer of ordinary shares may not exceed the total number of treasury shares held by Hemfosa at every point in time. These authorizations have not been utilized.

THE HEMFOSA SHARE AND SHAREHOLDERS

The number of shares in the company on December 31, 2017 was 168,728,248, divided between two classes of shares: 157,728,249 ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 158,828,248.9. The preference shares provide entitlement and precedence to an annual dividend of SEK 10 per preference share but confer no further rights to the company's assets. The preference shares are limited in terms of the number of voting rights that each share carries, namely 1/10 of a voting right per preference share. At year-end, the share capital amounted to SEK 84,364,124 and the quotient value per share was SEK 0.5.

The number of shareholders on December 31, 2017 was 23,092. No shareholders, directly or indirectly, hold shares that represent one tenth or more of the votes for all shares in the company.

ARTICLES OF ASSOCIATION

Hemfosa's Articles of Association were adopted by the AGM on May 7, 2015 and are presented in full at www.Hemfosa.se.

The Articles of Association state that the company is to, directly or indirectly, own and manage properties and property-related assets and engage in related activities. The Board of Directors has its registered office in Nacka. The company is not permitted to take any decisions that conflict with the Articles of Association without first referring such a matter to a shareholders' meeting for resolution and a possible amendment of the Articles of Association. The Articles of Association contain no specific clauses governing the appointment or dismissal of Board members or regarding amendment of the Articles of Association.

Nomination Committee 2018

Hemfosa's Nomination Committee prior to the 2018 AGM comprises the following members: Thomas Ehlin, who was appointed by the largest shareholder in terms of votes, is Chairman of the Nomination Committee. Prior to the 2018 AGM, the Nomination Committee held three minuted meetings during 2017.

- Thomas Ehlin, Chairman Fourth AP Fund
- Eva Gottfridsdotter-Nilsson, Länsförsäkringar Fondförvaltning AB
- Lennart Francke, Swedbank Robur Funds
- Gunnar Balsvik (Kåpan Pensioner)
- Bengt Kjell, Chairman of the Hemfosa Board

NOMINATING COMMITTEE

The AGM of Hemfosa on March 4, 2014 adopted instructions for the Nomination Committee's work. According to the instructions, the task of the Nomination Committee, which is to include the Chairman of the Board and four representatives of the four largest shareholders in the company in terms of voting rights according to Euroclear's transcript of the shareholders' register at August 31, is to issue proposals to the AGM concerning the number of Board members and the composition of the Board, including the Chairman of the Board, and proposals concerning director fees, including any separate fees for Committee work. The Nomination Committee is also to present a proposal concerning the Chairman of the AGM and, where applicable, for auditors and their fees. Insofar as it is considered necessary, the Nomination Committee is also to present proposals concerning amendments to the current rules of the Nomination Committee.

BOARD OF DIRECTORS

According to the Articles of Association, Hemfosa's Board of Directors is to comprise at least four and no more than ten members. The AGM on April 25, 2017 resolved to reelect Bengt Kjell, Jens Engwall, Anneli Lindblom, Per-Ingemar Persson, Caroline Sundewall

The company's five largest shareholders on December 31, 2017

Shareholders	Number of ordinary shares	Number of preference shares	% of voting rights
Fourth AP Fund	9,441,045	-	5.9
Länsförsäkringar Fondförvaltning AB	9,317,037	-	5.9
Kåpan Pensioner Försäkringsförening	8,236,274	-	5.2
Swedbank Robur funds	7,691,644	-	4.8
Handelsbanken Funds	6,025,549	-	3.8

and Ulrika Valassi as Board members. In addition, Gunilla Högbom was elected as a new Board member. For information about the Board members, their assignments outside the Group and their shareholdings in Hemfosa, refer to the “Board of Directors and auditors” section on pages 58–59.

The Board is required to satisfy the shareholders’ long-term interests and is ultimately responsible for the company’s organization and the administration of the company’s affairs. The Board has adopted Rules of Procedure for the Board of Directors and an instruction for the CEO. The Board has also established a number of overall policies, guidelines and instructions for the company’s operations. These include a financial policy, communication policy, insider policy, IT policy and a Code of Conduct. All of these internal governing documents are evaluated at least once annually and also updated continuously to comply with legislation, or should other requirements arise. According to the Code, a majority of the Board members elected by the AGM shall be independent in relation to the company and the company’s management. At least two of these are also to be independent in relation to the company’s major shareholders. The company’s Board is deemed to meet the independence requirements, since six of the

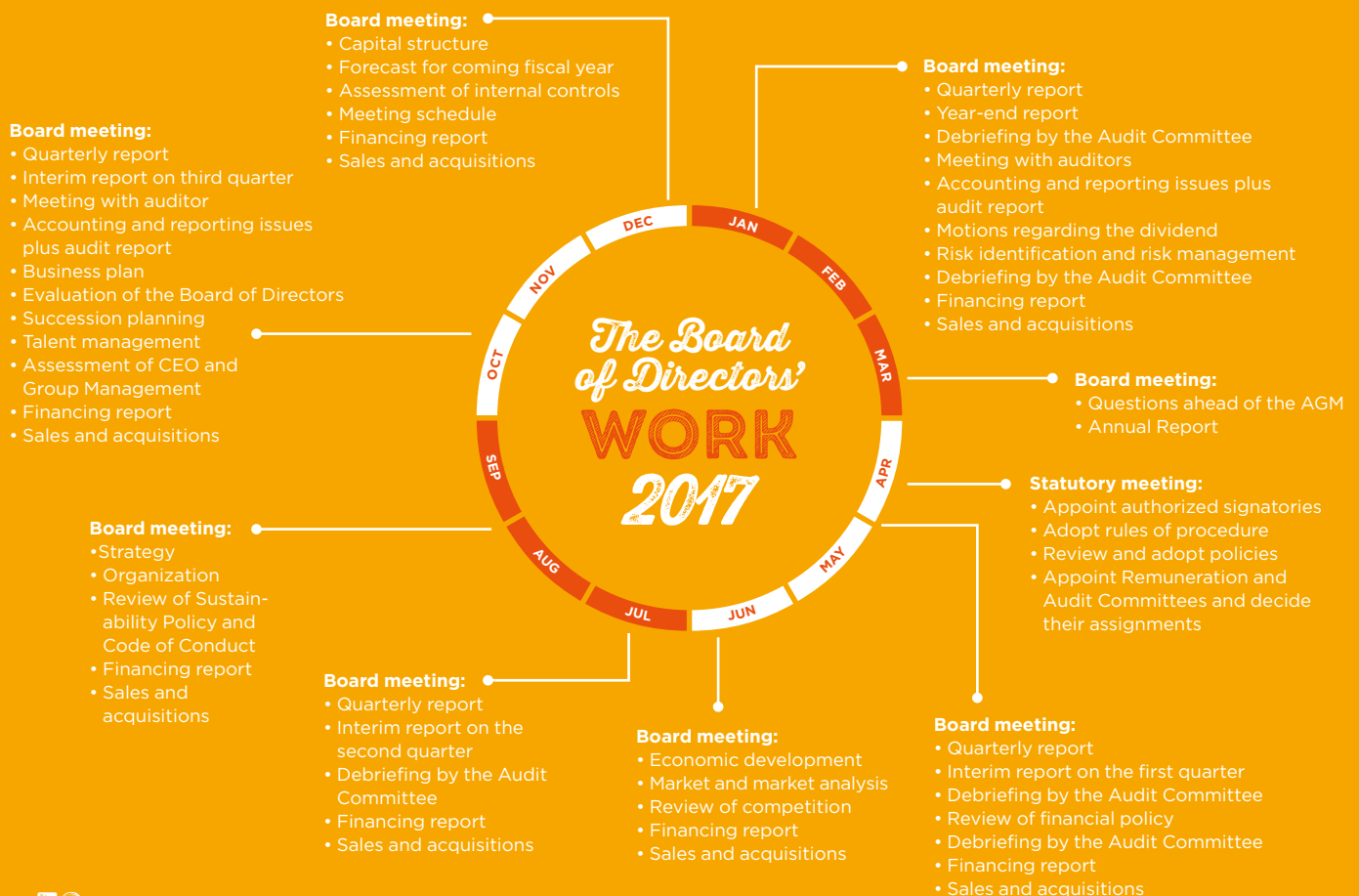
seven AGM-elected Board members are independent in relation to the company and Group Management. The CEO, Jens Engwall, is not deemed independent in relation to the company and company management. All of the Board members have been deemed to meet the independence requirement in relation to major shareholders.

Chairman of the Board

The Chairman of the Board is elected by a general meeting of shareholders and directs the work of the Board of Directors. The Chairman of the Board is required to ensure that the work of the Board of Directors is conducted efficiently, that the Board fulfils its commitments and that the Board’s decisions are executed by the company and company management. The Chairman is to ensure that the Board receives the information and the decision base necessary for making well-founded decisions.

Board of Directors’ work during 2017

The company’s Board held 26 meetings during 2017, including a statutory Board meeting. The agenda ahead of each scheduled Board meeting included a number of standing items: The CEO’s review of the operations, acquisitions, divestments and investments, organization



and organizational development as well as financial reporting. In 2017, the Board addressed the establishment of an incentive program for all employees, several major acquisitions, divestments and investments, as well as financing and refinancing. In November, the Board also decided to evaluate the possibility of demerging Hemfosa into two listed companies. The relatively large number of meetings held during the year was primarily due to a number of strategy meetings prior to and in connection with the decision to evaluate a demerger of Hemfosa. Another reason for the large number of meetings was a number of separate financing decisions (meetings that focused solely on financing).

Composition of the Board

The composition of the Board of Directors in 2017, the year the members were elected to the Board, their date of birth, total director fees, the members' independence and their attendance of Board meetings in 2017 are presented below.

Evaluation of the Board and the CEO

Once annually, in accordance with the Board of Directors' rules of procedure, the Chairman of the Board

initiates an evaluation of the Board's work. The 2017 evaluation was performed via a questionnaire answered by the Board members. In addition, the Chairman of the Board had some separate contacts with the members. The purpose of the evaluation was to gain an impression of the Board members' views concerning how the work of the Board is conducted and the type of measures that could be implemented to increase the efficiency of the Board's work. Another aim was to gain an impression of the type of matters that the Board should be given more scope to address and the areas that could potentially require additional experience and expertise on the Board. The results of the evaluation were reported within the Board and were forwarded by the Chairman of the Board to the Nomination Committee.

Committees

The Board currently has two committees: an Audit Committee and a Remuneration Committee. The members of the committees are appointed for one year at a time at the statutory Board meeting and the work conducted by the committees and their decision-making rights are regulated in annually adopted committee instructions. The committees have a preparatory and

Composition of the Board

AGM-elected ¹	Elected, year ²	Born in	Total annual fee, SEK ³	Independent of shareholders	Independent in relation to company and management	Attendance Board meetings
Chairman of the Board						
Bengt Kjell	2013	1954	450,000	Yes	Yes	26/26
Members						
Jens Engwall	2013	1956	-	Yes	No	24/26
Gunilla Högbom	2017	1958	235,000	Yes	Yes	16/16
Anneli Lindblom	2013	1967	260,000	Yes	Yes	26/26
Per-Ingemar Persson	2016	1956	200,000	Yes	Yes	25/26
Caroline Sundewall	2013	1958	235,000	Yes	Yes	26/26
Ulrika Valassi	2013	1967	200,000	Yes	Yes	26/26

¹ Training and education, others assignments, shareholdings in the company, etc. of current members of the Board are presented on pages 58–59 of the Annual Report.

² The table also states the year from which each member's Board assignments in the Group commenced.

³ For additional details, see the "Director fees" section on page 55. The fees reported in the table above pertain to the annual period in office.



administrative role. The matters addressed at committee meetings are minuted and reported at the next Board meeting.

Audit Committee

The Audit Committee works according to an annually established agenda and is tasked with monitoring the company's financial statements and the efficiency of the company's internal control and risk management activities. The Audit Committee also keeps itself informed of the audit of the Annual Report and the consolidated financial statements and evaluates the way in which the audit contributes to the reliability of the financial statements. The Committee is also tasked with reviewing and monitoring the auditor's independence and objectivity, paying particular attention to whether the auditor provides services outside the scope of his/her audit. Prior to the AGM, the Audit Committee is also to submit a recommendation to the Nomination Committee concerning the choice of auditor. According to the Swedish Companies Act, Committee members may not be employed by the company and at least one member must be adept in accountancy or auditing. The Audit Committee during 2017 comprised the Board members Anneli Lindblom (Chair), Caroline Sundewall and Gunilla Högbom.

During 2017, the Audit Committee held five meetings, which were all attended by all of the members. The meetings addressed such matters as the company's interim reports, the orientation of the external audit and the company's internal control of financial statements.

Remuneration Committee

The Remuneration Committee is tasked with preparing matters in respect of remuneration policies for the CEO and other senior executives, as well as individual remuneration for the CEO in accordance with the remuneration policy. The policies encompass the relationship between fixed and any variable components of the remuneration as well as the link between performance and remuneration, the principal terms of any bonus and incentive schemes and the general terms for non-monetary benefits, pensions, employment termination and severance pay. The Board in its entirety determines the remuneration and other terms of employment for the CEO. However, share-based incentive schemes for Group Management are determined by the AGM. The Committee is also to assist the Board in monitoring the system by which the company complies with laws, stock-exchange rules and the Code of rules governing the disclosure of information related to remuneration of the CEO and other senior executives, and to monitor

and evaluate any schemes that are ongoing or have been concluded during the year for variable remuneration of the CEO and other senior executives, the application of guidelines for remuneration of the CEO and other senior executives that the AGM is legally obliged to resolve as well as current remuneration structures and levels. According to the Code, the Chairman of the Board may chair the Committee and other AGM-elected members must be independent in relation to the company and company management. In 2017, the Remuneration Committee comprised the Board members Bengt Kjell (Chair), Ulrika Valassi and Per-Ingemar Persson, all of whom were adjudged to be independent in relation to the company and Group Management.

In 2017, four meetings of the Remuneration Committee were held, which were all attended by all of the members. The meetings addressed such matters as the company's guidelines for remuneration of senior executives and remuneration levels for the CEO and other senior executives, as well as the incentive program for all employees that was introduced during the year.

REMUNERATION

The AGM on April 25, 2017 resolved that until the next AGM an annual fee of SEK 450,000 would be paid to the Chairman of the Board and that SEK 200,000 would be paid to each of the other Board members who are not employed by the company. It was also resolved that fees for Committee work amounting to SEK 60,000 were to be paid to the Chairman of the Audit Committee and SEK 35,000 to each of the other members of the Audit Committee.

GROUP Management

Group Management* comprises:

- Jens Engwall, CEO
- Karin Osslind, CFO
- Linda Eriksson, Head of Finance
- Ann-Sofie Lindroth, Head of Financial Control
- Mikael Weiland, Head of Business Development
- Annika Ekström, Head of Property Management
- Stina Lindh Hök, Head of Transactions
- Ylva Hult Palmryd, Head of Legal
- Simon Venemyr Ottersland, COO Norway

* Bengt Claesson, Head of Business Development, has been a member of Group Management since February 2018. Jenny Lindholm has been Acting Head of Transactions and a member of Group Management since October 2017.

The Meeting also resolved, on condition that it is cost neutral for the company and after written agreement between the company and the Board member, that the company may permit the invoicing of director fees through a company that is wholly owned by the Board member. Where this occurs, the invoiced fee will be increased by an amount corresponding to statutory social security contributions and statutory value-added tax.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is appointed by the Board and is responsible for the daily management of the company and the Group's activities in accordance with the Board's instructions and regulations. The division of responsibilities between the CEO and the Board is defined in the Board's Rules of Procedure, as well as the CEO Instructions and Delegation of Authority established by the Board. The CEO functions as Chairman of Group Management and makes decisions in consultation with other members of Group Management. Group Management meets every month or otherwise as required.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

In accordance with the guidelines adopted at the company's AGM on April 25, 2017, Hemfosa is to apply the remuneration levels and employment terms and conditions required to be able to recruit and retain a management team with high expertise and the capacity to achieve set goals. The forms of remuneration will be designed to motivate senior executives to do their utmost to ensure shareholder interests.

Accordingly, the forms of remuneration are to be on market terms and competitive. They will also be simple, long-term and measurable. Remuneration of senior executives may comprise a fixed and variable portion. The fixed salary for senior executives is to be market-aligned and based on expertise, responsibility and performance. The intention of any variable portion is to reward clear target-related performance and improvements in simple and transparent structures, and is to be capped. An outcome must relate to the fulfilment of pre-set goals with respect to results, cash flow and growth. Variable remuneration of senior executives must not exceed four months' salary and is not to be pensionable. The variable salary is capped at MSEK 3 for senior executives in the Group.

Senior executives may be offered incentive programs that are to primarily be share or share-price based. The aim of an incentive program must be to ensure long-term commitment to the company's development and be implemented on market-based terms. Share and share-price based incentive programs must be resolved by the AGM. The non-monetary benefits paid to senior executives are designed to facilitate the work of senior

executives and correspond to what may be deemed reasonable in relation to standard practice in the market in which each senior executive is active.

Pension conditions for senior executives are to be based on defined-contribution pension plans and comply with or correspond to the general pension plan, the ITPI plan in Sweden. Termination salary and severance pay for a senior executive must not exceed a total of 18 months' salary if termination is initiated by the company and six months if termination is initiated by the senior executive. In this context, the term "senior executives" pertains to the CEO, CFO and other members of Group Management. The Board of Directors is entitled to deviate from the above guidelines for remuneration of senior executives if there are special reasons to do so in an individual case.

In the 2017 fiscal year, remuneration was paid to the CEO and certain other senior executives in accordance with the table in Note 5.

AUDITOR

The company's financial statements and accounting records, and the administration of the Board and management, are reviewed and audited by the company's auditor. At the AGM on April 25, 2017, the registered firm of accountants KPMG AB was elected auditor for the period up to the end of the 2018 AGM. Authorized Public Accountant Björn Flink was appointed Auditor in Charge.

The auditor shall report significant accounting errors and suspected irregularities to the Audit Committee. On at least two occasions per year, normally in connection with the meeting to address the annual accounts, the auditor is to report his/her observations during the audit of the company and assessment of the company's internal control to the company's Board. The auditors also participate in the Annual General Meeting to present the Auditors' Report, which describes the audit process and any observations made.

In 2017, above and beyond the audit assignment, KPMG was engaged for additional services, primarily tax and transaction counseling. Such services were always, and solely, provided insofar as they are consistent with the regulations in the Swedish Auditing Act and FAR's rules of professional conduct pertaining to the objectivity and independence of auditors.

DIVERSITY POLICY

Hemfosa, through the Nomination Committee, applies regulation 4.1 of the Swedish Code of Corporate Governance as its diversity when presenting proposals for the election of Board members. Under this regulation,

the composition of the Board, considering the company's operations, development stage and circumstances in general, must be appropriate and characterized by versatility and breadth in terms of the competencies, experience and background of the AGM-elected members. An even gender distribution is to be sought. The purpose of the diversity policy is to satisfy the importance of having sufficient diversity on the Board of Directors in terms of gender, age and nationality, as well as experience, professional background and fields of activity.

The Nomination Committee concluded ahead of the 2017 AGM that the proposed members represent the versatility and breadth in respect of expertise, experience and background that is needed to understand the company's operations. It was also concluded that the proposal entails that the Board would consist of four women and three men and that the proportion of men would be nearly 43 percent. This was established in accordance with the Corporate Governance Board's objective of a proportion of approximately 40 percent for the least represented gender.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND RISK MANAGEMENT

Hemfosa's internal control of financial reporting is designed to manage risks and ensure high reliability in the processes for the preparation of financial statements, and for ensuring compliance with applicable reporting requirements and other requirements to which Hemfosa is subject as a listed company. According to the Swedish Companies Act and the Code, the Board is responsible for the internal control of the company's financial reporting. Hemfosa complies with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for evaluating a company's internal control over financial reporting, which contains the following five components: control environment, risk assessment, control activities, information and communication, and monitoring.

The control environment

The division and delegation of responsibilities have been documented and communicated in internal governing documents for the Board and the company including:

- Board of Directors' rules of procedure
- CEO instructions
- Delegation of Authority
- Attestation ordinance
- Other internal governing documents (such as the accounting manual and business policy).

All internal governing documents are regularly updated to include changes in, for example, legislation, accounting standards or listing requirements, and when otherwise required.

Risk assessment

In accordance with the Rules of Procedure, the Board and the Audit Committee undertake an annual evaluation of the company's internal control. Risks considered to exist are identified and measures are established to reduce these risks. The auditor is invited to present his/her report of the effectiveness of the internal control activities to a Board meeting and the Audit Committee.

The material risks that Hemfosa has identified are errors in the accounting records and measurement of properties, credit risk, refinancing risk, interest-rate risk, taxes and VAT, as well as the risk of fraud, loss or the embezzlement of assets.

Control activities

Since the company's accounting system is structured so that the conclusion of agreements, payment of invoices and so forth must comply with the decision paths, signing and payment authorizations set out in the internal governing documents, an underlying control structure has been established to counteract and prevent the risks identified by the company.

In addition to these control structures, a number of control activities are performed to further detect and correct errors and deviations. Such control activities comprise monitoring at various levels of the organization, such as the Board's monitoring and verification of compliance with Board decisions, a review and comparison of profit/loss items, reconciliation of accounts and approval and recognition of business transactions by the accounts department.

Information and communication

Hemfosa has built an organization to ensure that the company's financial reporting is correct and effective. The internal governing documents clarify who is responsible for what, and the daily interaction between the officers concerned ensures that the necessary information and communication reaches all relevant parties.

Group Management is regularly supplied with financial information about the company and its subsidiaries in respect of the development of leasing and other property management work, reviews and monitoring of ongoing and future investments and liquidity planning. The Board is informed by Group Management in respect of risk management, internal control and financial reporting.

The company's communication policy ensures that all information disclosed both externally and internally is correct and issued at the appropriate time on each occasion.

At various meetings, all Hemfosa employees have been able to participate and influence the formulation of relevant internal policies and guidelines and, in so doing, have been directly involved in the development of these internal governing documents.

Follow-up activities

As presented above, regular follow-up activities are performed at all levels of the organization. The Board performs regular evaluations of the information submitted by the company's management and the auditors. The company's auditors also personally report their audit observations and assessment of the internal control activities directly to the Board. Monitoring undertaken by the Board to develop internal control activities and to ensure that actions are taken concerning any problems and proposals that arise. This control is largely the responsibility of the Audit Committee.

Evaluation of the need for a separate internal audit function

Hemfosa currently has no internal audit function. The Board has addressed this matter and concluded that the existing follow-up and evaluation structures provide a satisfactory basis. On the whole, this has resulted in it not being considered warranted to have a special internal audit unit. The decision is re-evaluated annually.

DIFFERENCES IN RELATION TO THE CODE

Hemfosa applies the Code. As mentioned above, the Code is based on the "comply or explain" principle. This means that a company applying the Code may choose to depart from specific rules, but must then provide an explanation for the non-compliance. During 2017, Hemfosa complied with the Code without any deviations.

BOARD OF DIRECTORS *and* AUDITORS



1 Bengt Kjell, born in 1954

Chairman of the Board of the company since 2013, and Chairman of the Remuneration Committee. Chairman of the Board in the Group since 2009.

Education: Graduate in business administration, Stockholm School of Economics.

Other assignments: Chairman of the Board of SSAB och Expasum AB and Deputy Chairman of Indutrade AB. Board member of AB Industrivärden, ICA Gruppen AB and Pandox AB, among other companies.

Shareholding in the company (incl. any shares held by related parties): 2,405,000 ordinary shares.

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

2 Jens Engwall, born in 1956

Member of the Board and CEO of the company since 2013. Board assignments within the Group since 2009.

Education: Master of Engineering from the Royal Institute of Technology in Stockholm

Other assignments: Board member of Bonnier Fastigheter AB, Quantafuel AS and Hemfosa Gård AB, among other companies.

Shareholding in the company (incl. any shares held by related parties): 3,445,275 ordinary shares and 150,000 warrants.

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

3 Anneli Lindblom, born in 1967

Board member of the company since 2013 and Chairman of the Audit Committee. No previous assignments in the Group.

Education: School of Economics Degree, Frans Schartaus Business Institute, Stockholm.

Other assignments: CFO of Acando AB (publ). Chairman of the Board of NoClds AB and Board assignments within the Acando Group.

Shareholding in the company (incl. any shares held by related parties): 2,400 ordinary shares.

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

4 Per-Ingemar Persson, born in 1956

Board member of the company since 2016, and member of the Remuneration Committee. No previous assignments in the Group.

Education: M.Sc., Lund Technical University

Other assignments: Chairman of the Board of NEWS AB and ELU Konsult AB. Board member and Deputy Chairman of Wahlborgs Fastigheter AB. Board member of a number of wholly owned or associated companies in the Veidekke Group, PEKE Konsult AB and the Botildenborg Foundation.

Shareholding in the company (incl. any shares held by related parties): 2,400 ordinary shares.

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

5 Caroline Sundewall, born in 1958

Board member of the company since 2013, and member of the Audit Committee. No previous assignments in the Group.

Education: Graduate in business administration, Stockholm School of Economics.

Other assignments: Board member and CEO of Caroline Sundewall AB. Board member of Mertzig Asset Management AB, Elanders AB, Sintercast and Cramo Oy. Chair of the Board of the Streber Cup Foundation.

Shareholding in the company (incl. any shares held by related parties): 6,000 ordinary shares and 2,000 preference shares.

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

6 Ulrika Valassi, born in 1967

Board member of the company since 2013, as well as member of the Remuneration Committee. Former member of the Audit Committee.

Education: Graduate in business administration, Uppsala University.

Other assignments: Board member and chair of the Audit Committee of Ålandsbanken Abp. Board member of Hypoteket Bolån Sverige AB.

Shareholding in the company (incl. any shares held by related parties): 3,200 ordinary shares.

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

7 Gunilla Högbom, born in 1958

Board member of the company since 2017, and member of the Audit Committee. No previous assignments in the Group.

Education: Master of Engineering from the Royal Institute of Technology in Stockholm

Other assignments: CEO of Fastighets AB Virtuosen. Board member Sydholmarna Kapitalförvaltning AB, Archus AB and the Danvikshem Foundation.

Shareholding in the company (incl. any shares held by related parties): —

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

Holdings at December 31, 2017.

Auditor

KPMG AB
Auditor-in-charge:

Björn Flink, born in 1959
Auditor of the Group since 2015.
Authorized Public Accountant and partner at KPMG.

Other audit assignments:
Akademiska Hus, AxFast, MTR and Stenvalvet
Other assignments: Board member of FAR, the industry organization for accounting consultants, auditors and advisors.

Management

1 Jens Engwall, born in 1956

CEO

For further information about Jens Engwall, refer to the section "Board of Directors" on page 59.

2 Karin Osslind, born in 1955

CFO

Education: Graduate in business administration, Stockholm School of Economics.

Other assignments: Assignments within the Group.

Shareholding in the company (incl. any shares held by related parties): 237,628 ordinary shares, 4,000 preference shares and 75,000 warrants.

3 Mikael Weiland, born in 1958

Head of Business Development

Education: Degree in Industrial Economics, Linköping University.

Other assignments: Board member of Emendare AB.

Shareholding in the company (incl. any shares held by related parties): 1,614,940 ordinary shares and 75,000 warrants.

4 Annika Ekström, born in 1965

Head of Property Management

Education: Master of Engineering from the Royal Institute of Technology in Stockholm.

Other assignments: —

Shareholding in the company (incl. any shares held by related parties): 24,666 ordinary shares and 75,000 warrants.

5 Stina Lindh Hök, born in 1973

Head of Transactions

Education: Master of Engineering from the Royal Institute of Technology in Stockholm.

Other assignments: —

Shareholding in the company (incl. any shares held by related parties): 12,210 ordinary shares and 50,000 warrants.

6 Ann-Sofie Lindroth, born 1976

Head of Financial Control

Education: Master's Degree in Business Administration, Lund University

Other assignments: —

Shareholding in the company (incl. any shares held by related parties): 6,480 ordinary shares and 50,000 warrants.

7 Linda Eriksson, born in 1975

Head of Finance

Education: Master of Engineering from the Royal Institute of Technology in Stockholm.

Other assignments: —

Shareholding in the company (incl. any shares held by related parties): 1,000 ordinary shares and 50,000 warrants.

8 Ylva Hult Palmryd, born in 1976

Head of Legal

Education: Bachelor of Law, Uppsala University

Other assignments: —

Shareholding in the company (incl. any shares held by related parties): 5,346 ordinary shares and 75,000 warrants.

9 Simon Venemyr Ottersland, born in 1976

COO Norway

Education: MSc in International Finance, Griffith University Australia

Other assignments: Chairman of Immob Drift AS and Pusnes Eiendom AS, among other companies, Board member of Offentlig eiendom AS and Lillehammer politibygg AS, among other companies.

Shareholding in the company (incl. any shares held by related parties): —

Bengt Claesson, Head of Business Development, has been a member of Group Management since February 2018. Jenny Lindholm has been Acting Head of Transactions and a member of Group Management since October 2017.

Details apply to December 31, 2017.



OUR CLIENTS *are accustomed* TO MAKING *decisions*

Judicial institutions account for nearly 18 percent of the total value of Hemfosa's community service properties. Our properties for judicial institutions include police stations and courts of law.



Share of the community service properties' property value

MULTI-YEAR REVIEW

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

Full-year	2017	2016	2015	2014	2013
Rental income	3,134	2,642	2,443	1,612	1,584
Property expenses and property administration	-902	-825	-773	-538	-537
Net operating income	2,232	1,817	1,670	1,074	1,047
Central administration	-137	-128	-112	-74	-79
Other operating income and expenses	11	21	0	62	0
Profit from shares in joint ventures and associated companies	567	542	255	239	125
Financial income and expenses	-487	-440	-450	-480	-770
Profit from property management	2,186	1,812	1,363	821	323
Change in value of properties	1,651	1,594	1,500	695	-214
Change in value of financial instruments	50	18	-42	-277	23
Current tax	-30	-18	-5	-2	-
Deferred tax	-693	177	-478	-113	99
Profit for the year	3,163	3,583	2,339	1,124	231
Other comprehensive income/loss	-104	156	-132	-	-
Comprehensive income for the year	3,059	3,739	2,207	1,124	231
Earnings per share before dilution, SEK	19.22	23.25	16.28	9.78	7.14
Earnings per share after dilution, SEK	19.21	23.25	16.28	9.78	7.14

Consolidated statement of financial position, MSEK

Dec 31	2017	2016	2015	2014	2013
Investment properties	41,119	34,668	29,553	24,718	16,284
Shares in joint ventures	2,096	1,676	1,075	609	455
Shares in associated companies	123	56	-	-	-
Derivatives and other fixed assets	17	13	7	10	32
Current receivables	190	140	82	94	66
Cash and cash equivalents	541	1,221	732	594	284
Total assets	44,086	37,774	31,449	26,025	17,121
Equity	17,807	15,570	10,749	8,949	2,369
Interest-bearing liabilities	24,038	20,605	18,898	15,760	13,660
Derivatives	43	87	103	105	118
Deferred tax liabilities	1,184	506	701	492	430
Other liabilities	1,019	1,006	997	718	544
Total equity and liabilities	44,086	37,774	31,449	26,025	17,121

Consolidated statement of cash flow, MSEK

	2017	2016	2015	2014	2013
Cash flow from operating activities, before changes in working capital	1,612	1,260	1,100	581	196
Cash flow from changes in working capital	-70	-152	120	46	65
Cash flow from investing activities	-4,955	-3,247	-3,943	-7,504	-503
Cash flow from financing activities	2,732	2,621	2,862	7,187	284
Total cash flow	-681	482	138	310	42

Key performance data

Key financial data

	2017	2016	2015	2014	2013 ³
Return on equity, %	19.0	27.1	23.7	19.7	13.6
Equity/assets ratio, % ²	40.4	41.2	34.2	34.4	13.8
Net loan-to-value ratio, properties, % ²	57.1	55.9	61.5	61.4	82.1
Debt/equity ratio, multiple ²	1.3	1.3	1.8	1.8	5.8
Interest coverage ratio, multiple ²	4.4	3.9	3.5	2.2	1.3

Share-related key figures, ordinary shares

	2017	2016	2015	2014	2013 ³
Profit from property management, SEK per share ^{1,2}	13.16	11.49	9.22	7.11	12.92
Profit after tax, SEK per share before dilution ¹	19.22	23.25	16.28	9.78	7.40
Profit after tax, SEK per share after dilution ¹	19.21	23.25	16.28	9.78	7.40
Equity, SEK per share ¹	101.01	86.95	65.71	53.71	94.76
Net asset value (EPRA NAV), SEK per share ^{1,2}	112.20	93.87	73.98	71.91	116.40
Cash flow from operating activities before changes in working capital ¹	9.52	7.76	7.27	4.99	7.84
Dividend, SEK per share	4.35	4.20	3.00	-	-
Weighted average number of shares, 000s	157,728	148,149	131,440	109,954	25,000
Number of shares outstanding at balance-sheet date, 000s	157,728	157,728	131,440	131,440	25,000

Share-related key figures, preference shares

	2017	2016	2015	2014	2013
Equity, SEK per share	162.85	162.85	162.85	162.50	-
Dividend, SEK per share	10.00	10.00	10.00	1.25	-
Number of shares outstanding at balance-sheet date, 000s	11,000	11,000	11,000	10,000	-

Property-related key figures

	2017	2016	2015	2014	2013
Number of properties at year-end	472	432	411	353	195
Rental value at year-end, MSEK ²	3,397	2,999	2,768	2,520	1,738
Leasable area at year-end, 000s of sqm	2,918	2,627	2,607	2,516	1,713
The properties' fair value in the balance sheet, MSEK	41,119	34,668	29,553	24,718	16,284
Property value, SEK per sqm	14,092	13,195	11,336	9,824	9,556
Economic leasing rate, %	92.5	91.1	90.4	90.7	90.0
Surplus ratio, % ²	71.2	68.8	68.4	66.6	66.1
Yield, % ²	5.4	5.5	5.8	6.1	6.4

1 Due to the new issue of ordinary shares, historical key figures for 2015 and 2016 have been recalculated using a correction factor. This does not apply to the year 2013.

2 Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA) which, in common with other performance measures, are described in the glossary on page 127. Components included in these performance measures are reported on page 16 of the year-end report for January-December 2017.

3 Performance measures for 2013 have not been recalculated pursuant to the voluntary change in accounting policies that was decided in December 2015.

Administration

REPORT

The Board of Directors and the CEO of Hemfosa Fastigheter AB (publ) ("Hemfosa"), postal address Box 2020, SE-131 02 Nacka and Corp. Reg. No. 556917-4377, hereby submit the Annual Report and consolidated financial statements for the 2017 fiscal year.

Comparisons within parentheses pertain to the preceding year. Since the financial statements are presented in millions of Swedish kronor (MSEK), rounding-off differences may arise.

OPERATIONS

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

Hemfosa's operations focus on community service properties, 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. Due to this specialization, Hemfosa occupies a unique position in its markets and has quickly established a position as a significant and powerful player. Hemfosa's strategy is to continue to grow in community service properties, which generate stable cash flows and usually also have longer leases.

Hemfosa owns commercial properties in Sweden, Norway and Finland with a fair value of SEK 41.1 billion (34.7). At year-end, the property portfolio comprised 472 properties (432) with leasable area of 2,918,000 square meters (2,627,000) and a rental value of MSEK 3,397 (2,999). The economic leasing rate was 92.5 percent (91.1).

Sweden constitutes Hemfosa's core market, with a distinct focus on Community service properties. Although active transaction work is being conducted to further streamline the portfolio towards this property type, the portfolio of the future will also contain other properties that desirably complete the portfolio. Geographically, the focal point of the Swedish portfolio is on the Stockholm, Gothenburg and Malmö regions, and the coast of Norrland.

The property portfolio in Norway and Finland accounted for some 16 percent of Hemfosa's total property value on the balance-sheet date. The properties are primarily located in the Oslo region of Norway and in major metropolitan regions of Finland, and exclusively comprise community service properties.

ORGANIZATION

Hemfosa's operational organization consists of a property management organization that is supported by Group-wide functions. All property management is performed by in-house personnel.

In Sweden, Hemfosa's property portfolio is divided into five regions: North, Stockholm, Central, West and South. Each region is headed by a regional manager with operational responsibility for the properties in the region. Hemfosa has a total of 11 local property management offices in Sweden, which manage properties in the various regions.

The Norwegian organization comprises property management, accounting/analysis, administration and a country head, who is based in Oslo.

The Finnish organization currently comprises a country head. Accounting/analysis and support in connection with property transactions are sourced from local business partners.

Hemfosa's Group-wide functions are located at the Head Office in Nacka, Stockholm. These are Transactions and Analysis, Business Development, Accounting, Financing, Legal Affairs and Marketing/Communication.

Hemfosa's Group Management has nine members and is presented in the Corporate Governance Report on pages 55 and 60–61 of this Annual Report.

At December 31, 2017, the number of employees in Hemfosa was 74 (59).

CORPORATE GOVERNANCE

A separate Corporate Governance Report is presented on pages 50–57 of this Annual Report.

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

The most recent Annual General Meeting (AGM) resolved on guidelines for remuneration of senior

executives. The guidelines largely entail that members of company management are to receive salaries and other terms of employment that are market aligned. Remuneration may be paid in the form of a fixed and a variable increment. Pension conditions are to be based on defined-contribution pension plans and comply with or correspond to the general pension plan, the ITP1 plan in Sweden. Termination salary and severance pay for a senior executive is not to exceed a total of 18 months' salary, if notice is served by the company and six months if notice is served by the executive.

OPPORTUNITIES AND RISKS

Hemfosa is exposed to various operational and financial risks through its business activities. Financial risks involve market, liquidity and credit risks associated with financial instruments.

By analyzing risk exposure and how this can be managed in the short and the long term, the risks can also constitute opportunities in many cases. A more exhaustive description is provided in Note 19 Financial risks and risk management on pages 42–45.

Change in value, properties

The change in value of properties is of vital importance to a property company's risk level. Hemfosa's properties are geographically spread over three markets, which gives a balanced risk profile. The focus on community service properties results in stable tenants with a high credit rating and long leases.

Credit risk

Credit risk is the risk that a counterparty is unable to fulfil its commitments, thus resulting in a loss for Hemfosa. The most significant credit risk faced by Hemfosa is that its tenants are unable to honor their rental payments under leases. The share of directly or indirectly publicly financed tenants in the lease portfolio accounted for approximately 62 percent of rental value on the balance-sheet date. These tenants represent a lower credit risk. According to the leases, rents are paid in advance, which helps to reduce the credit risk.

MSEK	2017	2016
Losses on rents and accounts receivable	1	3
Total rent notified	2,948	2,608

Currency risk

As a result of Hemfosa's investments in Norway and Finland, the Group is exposed to currency risk. 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. For more information, see Note 19.

Interest-rate risk

Changes in interest rates could result in a change in fair value, changes in cash flow and fluctuations in the company's profit. Hemfosa is exposed to interest-rate risks due to its loan liabilities. To limit the effects of changes in interest rates, the Group has entered into and regularly enters into derivative agreements in the form of interest-rate swaps and interest-rate caps. This increases the predictability of profit from property management, while changes in interest rates have less impact on interest expenses.

Liquidity risk

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term in relation to the Group's payment obligations. Hemfosa continuously works with short and long-term liquidity forecasts, as well as refinancing issues connected to its current loans. Hemfosa uses overdraft facilities to ensure secure and flexible cash management, and to manage peaks and troughs in payment streams.

SUSTAINABILITY EFFORT

Hemfosa Fastigheter aims to be a good community citizen and a responsible landlord. The point of departure is long-term relationships whereby Hemfosa and its business partners jointly create a platform for healthy financial results, consideration for the environment and social responsibility. The sustainability aspect is to pervade all parts of the business and be considered when making decisions. In a dialog with stakeholders and in a materiality analysis, Hemfosa has decided on the areas that are most relevant. The focus is on energy consumption, emissions of greenhouse gases, materials selection and requirements for suppliers. Hemfosa's environmental policy states that the organization is to focus actively on energy optimizing its buildings and premises. The company will keep itself informed of the environmental risks associated with the properties and strive to increase competencies and awareness in the environmental and sustainability fields. Hemfosa aims to develop solutions that are sustainable long term and engage in environmentally compatible conversions and new builds, while subjecting its suppliers to environmental and sustainability demands. Together with the tenants, the company is to work to achieve a healthy indoor environment. Read more about the company's environmental work under the heading Hemfosa's Responsibility on pages 27–38 of this Annual Report, which together with page 67 constitutes the company's sustainability report.

Hemfosa's sustainability effort

The guidelines for the company's sustainability efforts are established by the Board of Directors and executed by Group Management. The sustainability aspect is to pervade all parts of the operations and be considered in decisions. Hemfosa's governance activities in the areas of anticorruption, the environment and human rights as well as social conditions and employees are summarized below. It is also specified where in the Annual Report that it is possible to read more about the various areas.

	ANTICORRUPTION	ENVIRONMENT	HUMAN RIGHTS	SOCIAL CONDITIONS AND EMPLOYEES
	Hemfosa has set guidelines for promoting good business ethics and countering fraud, theft and irregularities, and the Group has a process for reporting suspicions.	Hemfosa has governing documents for its environmental activities and has established a materiality analysis showing the areas that it is most relevant to focus on. The focus is on energy consumption, emissions of greenhouse gases, materials selection and requirements for suppliers.	Hemfosa applies a Code of Conduct for employees and suppliers, with applicable laws and the regulatory framework as the starting point, as well as the UN's principles on human rights, labor practices, environment and anticorruption.	Hemfosa has governing documents whose aim is that all employees will perceive their work environment as safe, equal, developmental and productive. Health and safety is also a high-priority area in respect of tenants and suppliers.
POLICY AND GOVERNING DOCUMENTS	<ul style="list-style-type: none"> • Hemfosa's Code of Conduct • The property owners' industry-wide Code of Conduct for suppliers • Whistleblower guidelines • Control system for financial reporting 	<ul style="list-style-type: none"> • Hemfosa's environmental policy • Hemfosa's Code of Conduct • The property owners' industry-wide Code of Conduct for suppliers • SundaHus for refurbishment 	<ul style="list-style-type: none"> • Hemfosa's Code of Conduct • The property owners' industry-wide Code of Conduct for suppliers 	<p><i>Hemfosa's Code of Conduct includes</i></p> <ul style="list-style-type: none"> • Equal opportunities and equal treatment • Guidelines for work on occupational health and safety, and the work environment <p><i>Other governing documents</i></p> <ul style="list-style-type: none"> • The property owners' industry-wide Code of Conduct for suppliers
CONTROL AND MONITORING	<ul style="list-style-type: none"> • Information on the Code of Conduct and the whistleblower function issued to employees and business partners • Review of the Code of Conduct in connection with employment, plus follow-up • Follow-up and assessment of supplier partnerships • Annual assessment of the Code of Conduct in connection with the Board of Directors' assumptions 	<ul style="list-style-type: none"> • Information on the Code of Conduct for employees and business partners • Continuous follow-up in relation to policy documents • Follow-up and assessment of supplier partnerships in relation to agreements and Code of Conduct • Assessment of the Code of Conduct in connection with the Board of Directors' assumptions 	<ul style="list-style-type: none"> • Since 2016, Hemfosa has been a member of the UN's Global Compact and undertakes to work according to its principles • Follow-up and assessment of the Code of Conduct for employees • Follow-up and assessment of supplier partnerships • Assessment of the Code of Conduct in connection with the Board of Directors' assumptions 	<ul style="list-style-type: none"> • Regular surveys of the work environment • Evaluation of health and safety work for tenants as part of property management • Assessment of the application of the Code of Conduct by managers and annually in connection with the Board of Directors' assumptions
ADDITIONAL INFORMATION	<p><i>Read more about:</i></p> <p>Business ethics and anti-corruption page 31</p> <p>Whistleblower function page 31</p>	<p><i>Read more about:</i></p> <p>Environmental policy page 32</p> <p>Materials selection page 32</p> <p>Suppliers page 33</p> <p>Energy consumption page 34</p> <p>Carbon emissions page 35</p>	<p><i>Read more about:</i></p> <p>Code of Conduct pages 31, 38</p> <p>Health and Safety page 37</p> <p>Equal opportunities, diversity and equal treatment page 38</p>	<p><i>Read more about:</i></p> <p>Requirements placed on suppliers, pages 33, 36</p> <p>Health and Safety page 38</p> <p>Equal opportunities, diversity and equal treatment page 38</p> <p>Diversity policy page 56</p>

COMMENTARY ON FINANCIAL DEVELOPMENT DURING THE YEAR

Earnings

Net operating income

Rental income for the year totaled MSEK 3,134 (2,642). The increase of 19 percent was attributable to a larger property portfolio and lease renegotiations, signing of new leases and indexation according to leases. Rental income also includes other property income of a nonrecurring nature, which amounted to MSEK 186 (9) for the year. At December 31, 2017, Hemfosa's property portfolio totaled 2,918,000 square meters of leasable area (2,627,000). The economic leasing rate was 92.5 percent (91.1).

Property expenses amounted to MSEK 817 (743) and costs for property administration to MSEK 85 (82). The change in the full-year surplus ratio was due primarily to other property income of a nonrecurring nature. The yield for the entire portfolio was 5.4 percent (5.5).

Profit from property management

Central administration costs totaled MSEK 137 (128). Financial expenses totaled MSEK 488 (444). At December 31, the average interest rate in the loan portfolio was 1.94 percent (1.98).

Profit from property management excluding shares in profit from joint ventures and associated companies amounted to MSEK 1,619 (1,270), an increase of 27 percent.

The share in profit from joint ventures and associated companies amounted to MSEK 567 (542), which constitutes profit after tax in the part-owned companies. The comparatively lower share in profit from joint ventures for the quarter and the full year was due to a major revaluation of a part-owned property in the preceding year, which affected profit from property management in total.

Tax

The tax expense totaled MSEK -723 (160), of which MSEK -566 (-419) was due to changes in deferred tax liabilities attributable to investment properties. In the fourth quarter of 2016, a new assessment was made of loss carryforwards in the Group. The revaluation in this connection resulted in deferred tax income, which is the reason for the higher profit after tax in the preceding year. Hemfosa's effective tax rate during the year was -19 percent (+5). The deviation from the Parent Company's nominal tax rate of 22 percent was primarily due to the share in profit from joint ventures and associated companies comprising profit after tax.

Equity

At December 31, 2017, Hemfosa's shareholders' equity totaled MSEK 17,807 (15,570), equal to an equity/assets ratio of 40.4 percent (41.2). Hemfosa's financial target is that the equity/assets ratio will exceed 30 percent.

Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to MSEK 24,110 (20,666) at December 31, 2017. Interest-rate swaps and interest-rate caps have been entered into to limit the impact of increased market interest rates. These are measured at fair value in the statement of financial position, with changes in value recognized in profit/loss. At December 31, 2017, the derivative instruments had a negative fair value totaling MSEK 34 (84) and the change in value was MSEK 50 (18).

Cash flow

Cash flow from operating activities, before changes in working capital, amounted to MSEK 1,612 (1,260). Cash flow from operating activities totaled SEK 1,542 (1,108).

SIGNIFICANT EVENTS DURING THE FISCAL YEAR

- In Sweden, we took possession of three major portfolios, primarily comprising community service properties, in the towns of Örnsköldsvik, Halmstad and Karlskrona. The total leasable area was about 184,000 square meters and the average remaining lease term about 4.7 years. The property value of the portfolios was SEK 2.7 billion. In addition, both community service properties and other properties in Sweden were acquired individually for a total of SEK 1 billion.
- In Norway, properties with a total value of some MSEK 605 were added to the portfolio of community service properties. The total leasable area was 62,000 square meters.
- About 20,000 square meters of previously vacant floor area in a logistics property in Gothenburg was leased out on an eight-year lease. Occupancy will occur on March 1, 2018.
- During the year, Hemfosa issued bonds in an amount of MSEK 750.
- The Board of Directors of Hemfosa Fastigheter made a decision to evaluate the conditions for demerging the Group into two listed companies. One company that focuses on community service properties and one transaction-based, opportunist company. The purpose is to create higher shareholder value by further streamlining the operations.
- The Board proposes a dividend of SEK 4.80 per ordinary share with quarterly payment of SEK 1.20 per share, as well as a dividend of SEK 10.00 per preference share with quarterly payment of SEK 2.50 per preference share.

Investing activities impacted cash flow in the amount of MSEK -4,955 (-3,246), mainly comprising investments in existing properties of MSEK -956 (-893), direct and indirect acquisitions and divestments of properties of MSEK -4,005 (-3,544) and dividends from joint ventures of MSEK 100 (103).

Financing activities had an impact of MSEK 2,732 (2,621) on cash flow for the period. Issued and redeemed bonds had a net positive impact on cash flow of MSEK 725 (548). New commercial paper had a positive impact on cash flow of MSEK 1,100 (895). The net change in bank loans was MSEK 1,727 (2). During the year, MSEK 799 (678) was paid in dividends to Hemfosa's shareholders.

Overall, the change in cash and cash equivalents during the year was MSEK -681 (483).

Parent Company

For the January–December 2017 fiscal year, the Parent Company recognized profit of MSEK 922 (1,069) after tax. The Parent Company's fee for central and property administrative services on behalf of Group companies during the year was MSEK 33 (34). Profit for the year total corresponds to comprehensive income for the year.

At December 31, 2017, the Parent Company had shareholders' equity totaling MSEK 11,214 (11,117), of which restricted equity accounted for MSEK 84 (84). Intra-Group liabilities totaled MSEK 2,116 (1,330) and intra-Group receivables MSEK 12,300 (9,375).

The share

Hemfosa has two classes of shares – ordinary share and preference shares – which are listed on Nasdaq Stockholm, Large Cap. For a list of the largest Hemfosa shareholders, reference is made to the section "Ordinary and preference shares" on pages 46–48 of the Annual Report.

Share capital trend	Date	Change in number of shares	Change in share capital, MSEK
Formation, ordinary shares	Jan 2013	50,000	0
New issue, ordinary shares	Jun 2013	22,207,103	22
New issue, ordinary shares	Jun 2013	2,792,897	3
Reduction in ordinary shares	Jun 2013	-50,000	0
Share issue offsetting debt, ordinary shares	Mar 2014	30,937,495	31
New issue, ordinary shares	Mar 2014	9,782,608	10
New issue, preferential shares	Dec 2014	5,000,000	5
Share split 2-for-1	May 2015	70,720,104	-
Private placement, preference shares	Sep 2015	999,999	1
New issue, ordinary shares	May 2016	26,288,041	13
Total		168,728,248	84

At year-end, the share capital amounted to MSEK 84 (84). On the balance-sheet date, the company had 157,728,249 ordinary shares (157,728,249) and 10,999,999 preference shares (10,999,999) with a quotient value of SEK 0.50 each (0.50). Each ordinary share carries one voting right and each preference share carries one tenth of a voting right. The number of shareholders on the balance sheet date was 23,092.

EXPECTATIONS CONCERNING FUTURE DEVELOPMENT

Hemfosa does not provide a forecast on its future financial development. During 2018, the company will continue to develop and add value to its property portfolio by increasing the focus on community service properties. Hemfosa will continue to be an active player in the transaction market.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

The following funds in the Parent Company Hemfosa Fastigheter AB (publ) will be available for distribution by the Annual General Meeting (AGM) (amounts in SEK).

Unrestricted equity, December 31, 2017

Premium reserve	9,770,637,633
Retained earnings	436,622,868
Profit for the year	922,183,306
Total unrestricted equity	11,213,807,931

Funds available for distribution by the AGM

Dividend payable to holders of ordinary shares SEK 4.80 per ordinary share	757,095,595
Dividend payable to holders of preference share is SEK 10.00 per preference share	109,999,990
To be carried forward	10,346,712,346
Total	11,213,807,931

Regarding the company's earnings and position in other respects, reference should be made to the following income statements and balance sheets and the accompanying notes to the accounts.

Consolidated statement OF PROFIT/ LOSS AND OTHER COMPREHENSIVE INCOME

MSEK	Note	Full-year 2017	Full-year 2016
Rental income	3	3,134	2,642
Property expenses			
Operating expenses	4	-488	-433
Maintenance costs		-221	-212
Property tax		-108	-98
Property administration		-85	-82
Net operating income	2,5,7	2,232	1,817
Central administration	5,6,7	-137	-128
Other operating income		11	21
Share in profit of joint ventures	12	548	542
Shares in profit of associated companies	13	19	-
Financial income	8	1	4
Financial expenses	8	-488	-444
Profit from property management		2,186	1,812
Change in value of properties, realized	11	22	46
Change in the value of properties, unrealised	11	1,629	1,548
Change in value of financial instruments, unrealized		50	18
Profit before tax		3,887	3,424
Current tax	9	-30	-18
Deferred tax	9	-693	177
Profit for the year		3,163	3,583
Other comprehensive income			
<i>Items that have or could be transferred to profit for the period</i>			
Translation differences for the period when translating foreign operations		-104	156
Comprehensive income for the year		3,059	3,739
<i>Profit for the year attributable to:</i>			
Parent Company shareholders		3,142	3,556
Non-controlling interests		21	27
Profit for the year		3,163	3,583
<i>Comprehensive income for the year attributable to:</i>			
Parent Company shareholders		3,042	3,709
Non-controlling interests		18	30
Comprehensive income for the year		3,059	3,739
Earnings per share before dilution, SEK	10	19.22	23.25
Earnings per share after dilution, SEK	10	19.21	23.25

Consolidated statement OF FINANCIAL POSITION

MSEK	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Investment properties	11	41,119	34,668
Tangible assets		3	2
Shares in joint ventures	12	2,096	1,676
Shares in associated companies	13	123	56
Derivatives	18,19	9	3
Other financial assets		5	8
Total fixed assets		43,355	36,413
Rents receivables	18,19	22	32
Current receivables	14	168	108
Cash and cash equivalents	15,18	541	1,221
Total current assets		731	1,361
TOTAL ASSETS		44,086	37,774
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	26	84	84
Other contributed capital		7,509	7,509
Translation reserves		-102	21
Retained earnings including profit for the year		10,231	7,891
Equity attributable to Parent Company shareholders		17,723	15,506
Non-controlling interests		85	64
Total shareholders' equity		17,807	15,570
Liabilities			
Non-current interest-bearing liabilities	16,18,19	15,139	14,639
Other long-term liabilities	16,18,19	9	4
Derivatives	18,19	43	87
Deferred tax liabilities	17	1,184	506
Total non-current liabilities		16,375	15,236
Current interest-bearing liabilities	16,18,19	8,894	5,966
Other current liabilities	18,20	1,010	1,002
Total current liabilities		9,904	6,968
Total liabilities		26,279	22,204
TOTAL EQUITY AND LIABILITIES		44,086	37,774

Consolidated statement OF CHANGES IN EQUITY

Reconciliation of shareholders' equity, (MSEK)	Equity attributable to Parent Company shareholders					Non- controlling interests	Total Share- holders' equity
	Share capital	Other con- tributed capital	Trans- lation reserve	Retained earnings incl. profit for the year	Total		
Opening shareholders' equity, Jan 1, 2016	72	5,713	-132	5,084	10,737	12	10,749
Transactions with the Group's shareholders							
Contributions from and distributions to shareholders							
New issue, ordinary shares	12	1,796 ²	-	-	1,808	-	1,808
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-635	-635	-	-635
Increase in non-controlling interests inflow	-	-	-	-4	-4	22	18
Total transactions with the Group's shareholders	12	1,796	0	-749	1,059	22	1081
Net profit, Jan-Dec 2016				3,556	3,556	27	3,583
Other comprehensive income, Jan-Dec 2016			153	-	153	3	156
Comprehensive income Jan-Dec 2016			153	3,556	3,709	30	3,739
Closing equity, Dec 31, 2013	84	7,509	21	7,891	15,506¹	64	15,570
Opening equity, Jan 1, 2017	84	7,509	21	7,891	15,506	64	15,570
Transactions with the Group's shareholders							
Contributions from and distributions to shareholders							
New issue, ordinary shares	-	-	-	-26 ³	-26	-	-26
Issue of warrants	-	-	-	5	5	-	5
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-694	-694	-	-694
Increase in non-controlling interests inflow	-	-	-	-	-	3	3
Reversal of translation reserve	-	-	-24	24	0	-	0
Total transactions with the Group's shareholders	-	-	-24	-801	-825	3	-819
Net profit, Jan-Dec 2017	-	-	-	3,142	3,142	21	3,163
Other comprehensive income, Jan-Dec 2017	-	-	-101	-	-101	-3	-104
Comprehensive income, Jan-Dec 2017	-	-	-101	3,142	3,042	18	3,059
Closing equity, Dec 31, 2017	84	7,509	-102	10,231	17,723¹	85	17,807

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.

3 Costs for raising capital attributable to new issue of shares in 2016.

Consolidated statement OF CASH FLOWS

MSEK	Note	Full-year 2017	Full-year 2016
Operating activities			
Profit from property management		2,186	1,812
Adjustments for non-cash items	23	-566	-541
Income tax paid		-8	-11
Cash flow from operating activities before changes in working capital		1,612	1,260
Cash flow from changes in working capital			
Changes in operating receivables		-15	-56
Changes in operating liabilities		-55	-96
Cash flow from operating activities		1,542	1,108
Investing activities			
Acquisition of investment properties		-62	-46
Divestment of investment properties		7	16
Acquisition of subsidiaries	23	-4,239	-3,498
Divestment of subsidiaries	23	288	1,264
Investments in existing properties		-956	-893
Acquisition of joint ventures and associated companies		-62	-59
Shareholders' contributions granted/received to/from joint ventures		-	-127
Repayment of shareholders' contributions to/from joint ventures		-	6
Dividends received from joint ventures and associated companies		100	103
Acquired/divested financial assets		3	-10
Acquired/divested tangible assets		-2	-2
Other		-33	-
Cash flow from investing activities		-4,955	-3,247
Financing activities			
New share issue		-	1,808 ¹
Issue of bond loans		1,250	750
Loans raised		7,338	4,527
Amortization of loans		-5,042	-3,804
Redemption of existing swap agreements		-	-
Dividend paid		-799	-678
New issue to non-controlling interests		-	18
Increase in non-controlling interests		6	-
Issue of warrants		5	-
Issuance costs		-26	-
Cash flow from financing activities		2,732	2,621
Cash flow for the year		-681	482
Exchange-rate difference in cash and cash equivalents		0	7
Cash and cash equivalents at the beginning of the year		1,221	732
Cash and cash equivalents at the end of the year		541	1,221

¹ The amount includes costs totaling MSEK 6 for raising capital.

INCOME STATEMENT FOR *the Parent Company*

MSEK	Note	Full-year 2017	Full-year 2016
Net sales		33	34
Other external costs	6	-47	-34
Personnel expenses	5	-32	-39
Depreciation/amortization		0	0
Profit before financial income and expenses		-46	-39
Profit from shares in Group companies	8	897	979
Interest income and similar income items	8	26	32
Interest expenses and similar expense items	8	-71	-41
Profit before appropriations		806	931
Appropriations			
Group contributions received/paid		116	162
Profit before tax		922	1,093
Deferred tax	9	0	-24
Profit for the year		922	1,069

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

BALANCE SHEET FOR *the Parent Company*

MSEK	Note	Dec 31, 2017	Dec 31, 2016
ASSETS			
Tangible assets		1	1
Financial fixed assets			
Shares in Group companies	25	5,326	5,258
Non-current receivables from Group companies		810	477
Total financial fixed assets		6,137	5,735
Total fixed assets		6,137	5,736
Current receivables from Group companies		11,490	7,568
Other current receivables		45	47
Cash and bank balances		0	671
Total current assets		11,535	8,286
TOTAL ASSETS		17,672	14,022
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity			
Share capital	26	84	84
Unrestricted equity			
Premium reserve		9,771	9,792
Retained earnings		437	172
Profit for the year		922	1,069
Equity		11,214	11,117
Liabilities			
Bond		2,000	750
Non-current liabilities to Group companies		8	0
Other long-term liabilities		3	-
Total non-current liabilities	27	2,011	750
Bond		-	998
Liabilities to credit institutions		1,995	895
Current liabilities to Group companies		2,208	-
Other current liabilities		244	262
Total current liabilities		4,447	2,155
Total liabilities		6,458	2,905
TOTAL EQUITY AND LIABILITIES		17,672	14,022

STATEMENT OF CHANGES IN EQUITY FOR *the Parent Company*

MSEK	Restricted equity	Unrestricted equity		Total equity
	Share capital	Premium reserve	Retained earnings incl. profit for the year	
Opening equity, Jan 1, 2016	72	7,996	918	8,985
Transactions with the company's owners				
New issue, ordinary shares	12	1,796	-	1,808
Dividend, preference shares	-	-	-110	-110
Dividend, ordinary shares	-	-	-635	-635
Total transactions with the company's owners	12	1,796	-745	1,063
Net profit, Jan-Dec 2016	-	-	1,069	1,069
Closing equity, Dec 31, 2016	84	9,792	1,242	11,117
Opening equity, Jan 1, 2017	84	9,792	1,242	11,117
Transactions with the company's owners				
New issue, ordinary shares	-	-26 ¹	-	-26
Issue of warrants	-	5	-	5
Dividend, preference shares	-	-	-110	-110
Dividend, ordinary shares	-	-	-694	-694
Total transactions with the company's owners	-	-21	-804	-825
Net profit, Jan-Dec 2017	-	-	922	922
Closing equity, Dec 31, 2017	84	9,771	1,360	11,214

¹ Costs for raising capital attributable to new issue of shares in 2016.

CASH-FLOW STATEMENT FOR *the Parent Company*

MSEK	Note	Full-year 2017	Full-year 2016
Operating activities			
Profit before appropriations		806	931
Adjustments for non-cash items	23	-897	-979
Income tax paid		-	-
Cash flow from operating activities before changes in working capital		-90	-48
Cash flow from changes in working capital			
Changes in operating receivables		15	-36
Changes in operating liabilities		-22	6
Cash flow from operating activities		-97	-78
Investing activities			
Acquisition of financial assets		-131	-37
Lending to joint ventures		-14	-
Shareholders' contribution paid		-	-1,694
Acquisition of tangible assets		0	-1
Deposits and lending to/from Group companies		-964	-378
Cash flow from investing activities		-1,109	-2,110
Financing activities			
New share issue		-	1,808
Dividend paid		-796	-678
Issue of bond loans		1,250	750
Loans raised		102	693
Issue of warrants		5	-
Issuance costs		-26	-
Cash flow from financing activities		535	2,573
Cash flow for the year		-671	385
Cash and cash equivalents at the beginning of the year		671	286
Cash and cash equivalents at the end of the year		0	671

Notes TO THE FINANCIAL STATEMENTS

Note 1 SIGNIFICANT ACCOUNTING POLICIES

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

The Parent Company applies the same accounting policies as the Group except in cases listed below in the section "Parent Company accounting policies." The Annual Report and the consolidated financial statements were approved for publication by the Board and the CEO on March 16, 2018. The consolidated statement of profit/loss and other comprehensive income and the statement of financial position and the Parent Company's income statement and balance sheet will be subject to adoption by the Annual General Meeting (AGM) on April 18, 2018.

Measurement basis applied to the preparation of the financial statements

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

Functional currency and reporting currency

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

Judgements and estimates in the financial statements

The preparation of the financial statements in accordance with IFRS requires that company management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, income and expenses recognized. The actual outcome may deviate from these judgements and estimates. Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. Judgements made by company management in the application of IFRS that have a significant impact on the financial statements and estimates made that may entail significant adjustments in the following year's financial statements are described in more detail in Note 24.

Significant accounting policies applied

The accounting policies stated below have been applied consistently to all periods presented in the consolidated financial statements. The Group's accounting policies have also been applied consistently by the Group's companies, regarding joint ventures by making adjustments to the Group's policies as necessary.

Amended accounting policies

Amendment of IAS 7 Statement of Cash Flows is being applied as of 2017. Disclosures have been added to Note 23, where the year's change in liabilities attributable to financing activities are reconciled with a specification of such items as new loans, repayments, changes associated with divestment/acquisition of subsidiaries and currency exchange effects. Disclosures are provided for both changes that have an impact on cash flow and changes that do not have an impact on cash flow. Since the amendment will be applied prospectively, no disclosures are presented for the comparative year.

Other amendments of IFRSs that are to be applied as of January 1, 2017 have had no material impact on the consolidated financial statements.

New IFRS that have not yet been applied

IFRS 9 Financial instruments replaces IAS 39 Financial instruments: Recognition and Measurement, as of 2018. The Group has not applied IFRS 9 prospectively. IFRS 9 entails changes in how financial assets are classified and measured, introduces an impairment model that is based on expected loan losses rather than losses incurred and introduces changes in policies for hedge accounting, in part to simplify and thus increase equivalency with the company's internal risk management strategies. The transition to IFRS 9 will not have any material impact of cash flows on the Group. The receivables recognized in the Group mainly comprise rent receivables in respect of advance payment subject to a very low credit risk.

As of 2018, IFRS 15 Revenue from Contracts with Customers replaces existing IFRSs governing revenue recognition. The Group's revenue essentially comprises rental income recognized under IAS 17 Leases, which is why IFRS 15 will only apply to sales of property management services and utilities. The impact on the consolidated financial statements when IFRS 15 becomes effective consists essentially of a breakdown of revenue into rental income and other income. IFRS 15 will also result in expanded disclosure requirements regarding revenue.

Effective 2019, IFRS 16 Leases replaces existing IFRSs related to recognition of leases, such as IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. The Group has decided not to implement IFRS 16 prospectively. IFRS 16 mainly impacts lessees and the greatest impact is that all leases that according to the currently prevailing policies are to be recognized as operating leases will have to be recognized in a manner that resembles recognition of financial leases. This entails that an asset and liability will have to be recognized for operating leases, with associated recognition of costs for depreciation/amortization and interest payments – in contrast to the current policies, according to which no recognition is necessary for leased assets and the related debt, and that leasing fees are accrued straight line as a leasing expense. As the operational lessee, the Group will be impacted marginally by the introduction of IFRS 16. Amount calculations of the impact of IFRS 16 and choices of transitional methods have not yet been finalized. The disclosures on operating leases provided in Note 3 provide an indication of the type and scope of the leases prevailing at present.

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

Classification etc.

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

Operating segment reporting

An operating segment is a part of the Group that conducts operations from which it can generate revenues and incur costs and for which independent financial information is available. The earnings of an operating segment are also followed up by the chief operating decision maker for evaluation of results and for allocating resources to the operating segment. Hemfosa's segments are Sweden, Norge and Finland.

Consolidation principles

Subsidiaries

Subsidiaries are companies that are under the controlling influence of Hemfosa. Controlling influence is achieved when Hemfosa has control over the investment object, is exposed or entitled to a variable return from its holding in the company and can exercise control over the investment to influence the return. When assessing whether controlling influence prevails, potential vote-carrying shares are taken into account, as is whether the company has de facto control.

Acquisitions of companies can be classified either as business combinations or as asset acquisitions according to IFRS 3. This is an individual assessment that is made for each individual acquisition. Should the corporate acquisition essentially only comprise property/ies and not significant processes, the acquisition is classified as an asset acquisition. Other corporate acquisitions are classified as business combinations and thus include strategic processes associated with the operation. In the case of an asset acquisition, deferred tax attributable to the property acquisition is not recognized. Instead, a possible discount for non-tax-deductible cost reduces the property's cost. During subsequent measurement of an acquired property at fair value, the tax discount will be replaced in full or in part by a recognized change in value of the property. When selling an asset subject to a tax discount, a negative change in value will arise, which matches in full or in part the tax discount provided. Acquisitions conducted to date have been assessed as constituting asset acquisitions.

When acquisitions of subsidiaries entail an acquisition of net assets that do not constitute an operation, the cost is allocated to the individual identifiable assets and liabilities based on their fair value on the acquisition date. Transaction expenses are added to the cost of the acquired net assets.

Should the acquisition not pertain to 100% of the subsidiary, non-controlling interests arise. There are two alternative ways of recognizing non-controlling interests. These two alternatives are recognizing the non-controlling interest's proportionate share of net assets or recognizing the non-controlling interest at fair value, which means that the non-controlling interest has a share of goodwill. The choice between these two alternative methods of recognizing non-controlling interests is made from acquisition to acquisition.

Acquisitions of non-controlling interests

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

Sales to non-controlling interests

Sales to non-controlling interests in which the controlling influence is retained are recognized as a transaction in equity, meaning between the Parent Company shareholders and the non-controlling interest. The difference between the payment received and the non-controlling interest's proportionate share of acquired net assets is recognized as retained earnings.

Joint ventures

For accounting purposes, joint ventures are defined as companies in which the Group has a controlling influence through cooperation agreements with one or more partners, whereby the Group is entitled to the net assets rather than a direct right to assets and commitments pertaining to liabilities. In the consolidated financial statements, holdings in joint ventures are consolidated in accordance with the equity method. The equity method entails that the value of the share in joint ventures recognized in the consolidated financial statements corresponds to the Group's share of the joint ventures' equity and consolidated goodwill as well as any other remaining values of consolidated surpluses or deficits. The Group's share of the profit/loss of joint ventures adjusted for any depreciation/amortization, impairment and dissolution of acquired surpluses or deficits is recognized in the Group's net profit for the year as "Share in profit/loss of joint ventures." These shares in profit less dividends received from joint ventures comprise the main change in the carrying amount of participations in joint ventures. The Group's share in other comprehensive income in joint ventures is recognized on a separate line in the Group's Other comprehensive income. Any differences arising from the acquisition between the cost of the holding and the owner company's share of the net fair value of the joint venture's identifiable assets and liabilities are recognized in accordance with the same policies as for acquisitions of subsidiaries. Transaction expenditure that arises is included in cost.

When the Group's share of recognized losses in joint ventures exceeds the carrying amount of the participations in the Group, the value of the participations is reduced to zero. Losses are also deducted against long-term financial balances without collateral, which in their financial significance comprise the portion of the owner company's net investment in joint ventures. Continued losses are not recognized unless the Group has provided guarantees to cover losses arising in the joint venture. The equity method is applied until the date on which the significant influence ceases.

Associated companies

Associated companies are companies in which the Group has a significant, but not a controlling, influence over operational and financial control, usually through holdings of participations of between 20 and 50 per cent of the number of votes. Participations in associated companies are recognised in the consolidated financial statements in accordance with the equity method from the date on which the significant influence was obtained. In connection with acquisitions, any differences between the cost of the acquired holding and the owning company's share in the net fair value of the associated company's identifiable assets and liabilities are recognized in accordance with the same policies as those used for the acquisition of subsidiaries.

Transaction costs, except for transaction costs attributable to an issue of equity instruments or debt instruments, that arise are included in cost.

The equity method is applied until the date on which the significant influence ceases.

Transactions eliminated on consolidation

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

Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other surplus and deficit value consolidated value, are translated from the foreign operations' functional currency to the Group's reporting currency, SEK, using the exchange rate prevailing on the balance sheet date. Revenues and costs in foreign operations are translated to SEK at the average exchange rate representing an approximation of the exchange rates prevailing on the transaction date. Translation differences arising from translation of foreign operations are recognized in the statement of comprehensive income and accumulated as a separate component of equity, known as the translation reserve. In cases where the foreign operation is not wholly owned, the translation difference is allocated to non-controlling interest on this basis of its proportional shareholding. When controlling influence, significant influence or common control ceases for a foreign operation, the translation differences attributable to the operation are realized, whereby they are restated from translation reserve in equity to net profit for the year. In the event that divestment occurs but the controlling influence remains, the proportional share of the accumulated translation differences from the translation reserve are transferred to non-controlling interest.

On the divestment of portions of associated companies and joint ventures when material influence or common control remains, the proportional share of the translation differences is transferred to profit or loss.

Net investment in a foreign operation

Monetary non-current receivables or liabilities from/to a foreign operation for which settlement is not scheduled or will probably not occur in the foreseeable future are essentially a part of the company's net investment in foreign operations. An exchange-rate difference arising from the monetary non-current receivable or liability is recognized in other comprehensive income and accumulated as a separate component of equity, known as the translation reserve. When a foreign operation is divested, the accumulated exchange-rate differences attributable to monetary non-current receivables or liabilities are to be included in the accumulated translation differences that are reclassified from the translation reserve in equity to net profit for the year.

Rental income

Net sales encompass all types of rental income including such additions as property tax, heating, etc. Rental income is recognized straight line in profit or loss based on the conditions of the agreement.

The total cost for discounts provided are recognized as a decrease in rental income straight line over the leasing term. Leases are classified as operating leases. Rental income is distributed over time according to the lease. When rent discounts in a new lease exceed MSEK 1, the rent discount is to be accrued over the term of the lease. Advance rent is recognized as prepaid rental income.

Gains/losses from property sales

Gains/losses from the sale of properties and shares and participations in property-owning companies are recognized under the heading "Changes in value of properties, realized" and cor-

respond to the difference between the obtained selling price less selling expenses and the most recent carrying amount, plus investments implemented following the latest value date.

Gains/losses from property sales are recognized on the date of taking possession, unless the risks and benefits have been transferred to the buyer on an earlier occasion. If the risks and benefits have been transferred, the property sale is recognized at the earlier date. In assessing the date of revenue recognition, agreements between the parties governing risks and benefits, as well as involvement in ongoing management, are taken into account.

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

Other operating income

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

Leases

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

Financial income and expenses

Financial income comprises interest income on invested funds. Interest income is recognized at the rate in which it is earned.

Financial expenses refer to interest, fees and other expenses arising when Hemfosa takes up interest-bearing liabilities. Financial expenses are charged to profit or loss for the period to which they are attributable. Exchange-rate gains and exchange-rate losses are recognized at net amount.

Derivatives are utilized to financially hedge the risks of interest-rate exposure to which the Group is exposed. Interest payments regarding fixed-income derivatives (interest-rate swaps) are recognized as interest expenses in the period to which they refer. Other changes in the fair value of fixed-income derivatives are recognized on a separate line in profit or loss.

Taxes

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

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

The valuation of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance sheet date. Deferred tax assets on deductible temporary differences and loss carryforwards are only recognized to the extent that it is likely that it will be possible to utilize these. Upon acquisition of an asset, deferred tax is not recognized separately on the date of acquisition; instead the asset is recognized at cost corresponding to the fair value of the asset less any discount for non-tax-deductible cost. During subsequent measurement of an acquired property at fair value, the tax discount will be replaced in full or in part by a recognized change in value of the property. After the acquisition date for asset acquisitions, deferred tax is only recognized for changes in the carrying amount and changes in the tax-assessment value arising after the acquisition date. Changes in the deferred tax asset/tax liability are recognized in profit or loss as deferred tax. Deferred tax assets and tax liabilities are offset where they relate to income tax debited by the same authority and where the Group intends to settle the tax in a net amount.

Financial instruments

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

Recognition in and derecognition from the Statement of financial position

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

Classification and measurement

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

Loans and rents receivable

Loans and rents receivable are financial assets that are not derivatives, that have fixed or fixable payments and that are not listed on an active market. These assets are measured at

amortized cost. Amortized cost is determined based on the effective rate calculated on the acquisition date. Rents and accounts receivable are recognized at the amount that is expected to flow in, meaning after deductions for doubtful receivables.

Other current receivables

Other current receivables have short terms and are thus recognized in nominal amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash, as well as immediately available balance in banks and corresponding institutes. Recognition is applied in nominal amounts.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable and liabilities to Group companies, are included in this category. Liabilities are recognized at amortized cost.

Derivatives

Hedge accounting is not applied for fixed-income derivatives. Fixed-income derivatives are used to financially hedge the interest-rate risks to which the Group is exposed. Derivative instruments are classified in the category financial assets/liabilities measured at fair value through profit or loss. The derivatives are measured at fair value according to measurement at Level 2, with changes in value in profit or loss.

Tangible assets

Tangible assets comprise equipment that has been recognized at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and costs directly attributable to transport the asset to the correct site and prepare it for the manner intended by the acquisition.

Depreciation takes place straight line over the estimated useful life of the asset. The estimated useful lives are:

Equipment 5–10 years

The asset is depreciated from the acquisition date. The useful life is the period during which the asset is expected to be available for use in the Group.

Investment properties

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

Measurement

Investment properties are initially recognized at cost, which includes expenses directly attributable to the acquisition such as expenses for land registration and taking out mortgage deeds. Investment properties are measured at fair value in the statement of financial position. Fair value is based on valuations performed by independent appraisers with recognized qualifications and adequate expertise in valuing this type of property and in the relevant locations. All properties are valued every quarter. Investments are also performed of properties that have not been visited by the appraiser in the past two years. Fair values are based on market values, which is the amount estimated to be received in a transaction on the value date between well-informed parties that are independent in relation to each other and are interested in the transaction being carried out according to standard market practice in a situation in which both parties are assumed to have acted insightfully, wisely and without compulsion.

Additional expenses are capitalized only when it is probable that the Group will receive future financial benefits associated with the asset and the expenses can be reliably determined. Other repair and maintenance costs are expensed in the period in which they occur.

Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete for their intended use or sale are included in cost. For the Hemfosa Group, this is mainly the case in conjunction with the construction of or major conversion projects for investment properties. Borrowing costs are calculated based on the financial requirements of the project and the Group's borrowing costs. Borrowing costs comprise interest and other expenses arising when a company borrows money.

Both unrealized and realized changes in value are recognized in profit or loss, after profit from property management. Rental income and income from property sales are recognized in accordance with the policies described under the section on income recognition.

A description of the measurement method applied, material input data in value measurements and the level in the fair value hierarchy that applies to the various components of the property portfolio is presented in Note 11.

Impairment

The recognized assets are impairment tested on every balance sheet date. IAS 36 is applied for the impairment of assets other than financial assets recognized in accordance with IAS 39, deferred tax assets and investment properties recognized at fair value (IAS 40). The carrying amounts of the exempted assets above are calculated according to the respective standard.

Equity

Preference shares

The issued preference shares are classified as equity since Hemfosa is not subject to an obligation to either pay dividends on or redeem/buy back the preference shares. Dividends are recognized as an owner transaction directly in equity when the AGM has resolved on such a dividend.

Dividends

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

Earnings per ordinary share

The calculation of earnings per share before dilution is based on consolidated net profit for the year attributable to the Parent Company's owners, reduced by the pre-emptive rights to a dividend of preference shares, in relation to the weighted average number of shares outstanding during the year.

When calculating earnings per share after dilution, the weighted average number of shares is increased if the subscription price of the warrants in the Group's incentive program were lower during the report period than the average market price during the period. If the difference between the subscription price and the average market price during the period is minor, dilution will also be minor. If the difference is larger, dilution will also be larger.

Remuneration of employees

Defined-contribution pension plans In the Hemfosa Group, there are only defined-contribution pension plans

Defined-contribution pension plans are those plans in which the company's obligation is limited to the contributions the company undertakes to pay. In such cases, the amount of the

employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration). The company's obligation regarding contributions to defined-contribution plans are recognized as an expense in profit and loss at the rate in which they are earned by employees performing services for the company during a period.

Short-term remuneration

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

Severance pay

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

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

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

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

Incentive programs

Within the framework of an incentive program, employees have acquired warrants at fair value. The warrants provide entitlement to subscribe for Hemfosa shares at a certain subscription price. Assuming continued employment two and four years after the start of the program, a bonus corresponding to half of the amount paid by the employee is received on each of these two occasions. The warrants program is considered to constitute equity-settled share-based remuneration, for which no cost is recognized, because the fair value was paid. Disclosures are provided concerning the share-based remuneration. Because the bonus amount does not depend on the value of the share but on the amount initially paid, a cost for long-term remuneration of employees is recognized, with the expected final payment accrued over two and four years.

Employees outside Sweden have purchased synthetic (cash-settled) options and correspondingly receive a bonus after two and four years of employment. The bonus is recognized in the manner shown above. The synthetic options are initially recognized as a debt in the paid-in amount. Thereafter, the debt is remeasured at fair value at the end of each reporting period, with the change in value recognized in profit or loss.

Provisions

A provision differs from other liabilities since there is uncertainty regarding the date of payment and the amount for settling the provision. A provision is recognized in the Statement of financial position when there is an existing legal or informal obligation due to an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The provision is posted in an amount that represents the best estimate of what will be required to settle the existing obligation on the balance-sheet date. Where the effect of when a payment is made is significant, provisions are calculated through the discounting of the anticipated future cash flow at an interest rate before tax that reflects current market assessments of the time value of money and, if applicable, the risks related to the liability.

Contingent liabilities

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

Parent Company's accounting policies

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for legal entities.

The statements regarding listed companies as issued by the Financial Reporting Board were also applied. Under RFR 2, in its Annual Report for the legal entity, the Parent Company is to apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with respect to the relationship between accounting and taxation. This recommendation specifies the exceptions from and additions to IFRSs that may be applied.

Differences between the accounting policies of the Group and the Parent Company

The differences between the accounting policies of the Group and the Parent Company are stated below.

Forthcoming amendments of accounting policies

Unless otherwise stated below, the Parent Company's accounting policies were amended in 2017 in the same manner as stated above for the Group,

Classification and presentation

In the Parent Company, an income statement and a statement of profit and other comprehensive income are presented, while for the Group these two statements are combined into a statement of profit and other comprehensive income. For the Parent Company, the designations balance sheet and cash-flow statement are used for the statements that in the Group are designated statement of financial position and cash-flow statement, respectively. The income statement and balance sheet for the Parent Company are prepared according to the stipulations of the Annual Accounts Act while and the state-

ment of profit and other comprehensive income, statement of changes in equity and cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively. The differences compared with the Group's statements that apply in the Parent Company's income statement and balance sheet mainly comprise the recognition of fixed assets and equity.

Subsidiaries

Shares in subsidiaries are recognized in the Parent Company according to the cost method. This means that transaction charges are included in the carrying amount of holdings in subsidiaries. The value of contingent considerations is based on the probability that the consideration will be paid. Possible changes to the provision/receivable are added/deducted from the cost.

Financial instruments

The Parent Company does not recognize financial instruments in accordance with IAS 39 and the categories specified in this standard. Long-term receivables are recognized at accrued cost, as are non-current interest-bearing liabilities. Receivables and financial liabilities that are current are recognized at nominal amounts, since the maturity is short and the impact of discounting is immaterial. Financial assets are impairment tested continuously.

Operating segment reporting

The Parent Company does not report segments according to the same distribution and scope as the Group. In the Parent Company, no breakdown of net sales is provided.

Borrowing costs

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

Group contributions

Group contributions received from or granted by the Parent Company to subsidiaries are recognized as appropriations in the Income statement for the Parent Company.

Financial guarantees

The Parent Company's financial guarantee agreements consist mainly of sureties for the benefit of subsidiaries. Financial guarantees entail that the company has a commitment to compensate the holder of a debt security for losses incurred by the holder due to a specific debtor not making payments when due in accordance with the contractual conditions. For the recognition of financial guarantee agreements, the Parent Company applies one of the relief rules permitted by the Swedish Financial Reporting Council, as compared with the rules of IAS 39. The relaxation rule pertains to financial guarantees written on behalf of subsidiaries. The Parent Company recognizes financial guarantees as a provision in the balance sheet when the company has a commitment for which payment will probably be required to regulate the commitment.

note 2 OPERATING SEGMENTS

As part of internal reporting to Group Management, net operating income is monitored by market, corresponding to the three countries in which Hemfosa has investments. These three countries constitute the Group's accounting by operating segment. Other income statement items within Profit from property management are monitored at the consolidated level.

Net operating income includes directly attributable items and items that can be allocated reasonably and reliably among the segments. Shared property-management expenses are allocated according to the cost-price principle.

Investments and changes in the value of properties are also monitored by segment; see Note 11 Investment properties.

MSEK	Sweden		Norway		Finland		Total consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016
Rental income	2,684	2,287	299	261	151	94	3,134	2,642
Property expenses								
Operating expenses	-463	-424	-5	-3	-20	-6	-488	-433
Maintenance costs	-211	-207	-5	-3	-4	-2	-221	-212
Property tax	-96	-90	-4	-3	-8	-5	-108	-98
Property administration	-84	-78	-1	-3	0	-	-85	-82
Net operating income	1,831	1,488	284	249	118	81	2,232	1,817
Central administration							-137	-128
Other operating income							11	21
Share in profit from joint ventures and associated companies							567	542
Financial income and expenses							-487	-440
Profit from property management							2,186	1,812
Changes in value of properties, realized							22	46
Changes in the value of properties, unrealised							1,629	1,548
Changes in value of financial instruments, unrealised							50	18
Profit before tax							3,887	3,424

Note 3 OPERATIONAL LEASING

Hemfosa leases out its investment properties under operational leasing agreements. The average remaining lease term is 5.5 years (5.8). Leases expiring during the year ahead are expected to be renegotiated at corresponding rent levels. The expiration years of contractual rental income at December 31 are shown in the table below.

Maturity structure of existing leases, Dec 31, 2017

MSEK Lease expiry	Number of leases	Leasable area, 000s of sqm	Contractual annual rent	Proportion, %
2018	2,211	282	335	11
2019	830	399	482	15
2020	696	459	520	17
2021	349	318	390	12
2022	199	173	230	7
>2,022	419	946	1182	38
Total	4,704	2,577	3,139	100

Maturity structure of existing leases, Dec 31, 2016

MSEK Lease expiry	Number of leases	Leasable area, 000s of sqm	Contractual annual rent	Proportion, %
2017	1,849	214	231	8
2018	623	313	361	13
2019	499	375	454	17
2020	300	319	346	13
2021	104	188	218	8
>2,021	364	891	1122	41
Total	3,739	2,299	2,731	100

Contractual future rental income

MSEK	2017	2016
Within one year	3,053	2,665
Between one and five years	7,731	7,176
Longer than five years	6,290	5,903

Note 3 CONT'D.

Hemfosa's income predominantly comprises rental income, which is governed by IAS 17 Leasing. The transition to IFRS 15 Revenue from Contracts with Customers will be recognized in accordance with the retroactive method; i.e. comparative figures for 2017 will be presented according to IFRS 15. In connection with the transition to IFRS 15, a review of the Group's total revenues has been implemented. As a result of the review, Hemfosa identified that components of the Group's debited revenues were subject to IFRS 15, which is why Hemfosa's revenues will be divided up into two components - Rental income and Service income. The former comprises customary rent including indexing, surpluses charged for investments and property tax, while the latter pertains to all other additional charges in the form of extra service such as heat, cooling, water and snow clearance. Hemfosa has conducted an analysis of whether Hemfosa is a principal or an agent for these services and has concluded that the Group, in its capacity as property owner, largely acts as a principal. This means that if a corresponding assessment is made for 2017, the Group would have had net sales of MSEK 3,134 allocated between rental income of MSEK 3,033 and service income of MSEK 101. Accordingly, the transition to IFRS 15 will not have any material impact on total income or recognized profit.

Note 4 GROUND RENT

Ground rent

Ground rent pertains to the annual fee that the owner of a building on municipally owned land has to pay to the municipality. The charge for these leaseholds is currently calculated so that the municipality receives real interest on the estimated market value. The ground rent is allocated over time and is usually renegotiated at intervals of ten to 20 years. Of Hemfosa's 22 site leasehold agreements (22), 11 (6) have ground rent periods that will expire within the next five years. Ground rent costs during the year totaled MSEK 5 (2).

MSEK	2017	2016
Within one year	5	5
Between one and five years	19	19
Longer than five years	7	10
Total	31	34

NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Group

MSEK	2017	2016
<i>Management Group</i>		
Salaries and other compensation, etc.	13	21
Pension costs, defined-contribution plans	3	4
Social security contributions	5	8
<i>Of which, Chief Executive Officer</i>		
Salaries and other compensation, etc.	4	4
Pension costs, defined-contribution plans	1	1
Social security contributions	2	2
<i>Other employees</i>		
Salaries and other compensation, etc.	41	31
Pension costs, defined-contribution plans	5	3
Social security contributions	13	9
Total costs of employee benefits	80	76

Average number of employees

Group

	2017		2016	
	Number of persons	Proportion women	Number of persons	Proportion women
Average number of employees in Sweden	62	52%	55	45%
Average number of employees in Norway	7	14%	4	1%
Average number of employees in Finland	1	0%	1	0%

At year-end, the number of employees was 76 (59).

Hemfosa owns 96 percent of Hemfosa Samfunnsbygg AS. The remainder of the shares are held by Immob Drift AS, a company controlled by Simon Venemyr Ottersland. Ottersland is COO of the Norwegian operations but is not employed by Hemfosa. The compensation for his services is governed by a consultancy agreement between Hemfosa and Immob Drift AS. The agreement stipulates that Immob. Drift is responsible and working for the expansion of the Norwegian portfolio. Immob Drift AS receives market-aligned remuneration for this. Remuneration, which is linked to the acquisitions implemented by Hemfosa in the Norwegian market, amounted to MNOK 9.6 in 2017. The agreement also stipulates that Immob Drift AS is obligated to invest approximately 75 percent of remuneration received in external financing of acquisitions completed by Samfunnsbygg AS.

Warrants

Hemfosa launched a long-term incentive program for employees during 2017 in the form of a warrants program. At the end of June 2017, employees of Swedish companies acquired 1,294,000 equity-settled warrants for SEK 3.84 apiece, which constituted the fair value of the warrants calculated using the Black & Scholes model. Employees in foreign subsidiaries acquired 61,500 synthetic (cash-settled) options for the same value. Options held by employees whose employment is terminated before mid-2019 may be bought back by Hemfosa at the prevailing fair value. Employees may transfer their options/warrants, in which case Hemfosa has the right of first refusal. The options/warrants are exercisable during the month of August each year.

Employees who continue to be employed two years after the program start will receive a premium subsidy of 50 percent of the purchase price paid. Employees who are employed four years after the program start will receive a further premium subsidy of 50 percent. Hemfosa's undertaking for this is recognized as non-current employee remuneration accrued over two or four years. The recognized debt for the synthetic option is SEK 252,000 (-) and a change in fair value of SEK 0 (-) has been recognized in profit.

Note 5 CONT'D.

No. of warrants

	Equity settled		Synthetic	
	2017	2016	2017	2016
No. of warrants, January 1	-	-	-	-
Issued during the year	1,294,000	-	61,500	-
Bought back during the year	-10,000	-	-	-
No. of warrants, December 31	1,284,000	-	61,500	-

Board of Directors

Director fees have been paid to five of the Members of the Board in accordance with resolutions passed at the Annual General Meeting. The fees totaled MSEK 1.4 for 2017 and MSEK 1.3 for 2016, excluding social security contributions.

Agreements about severance pay

Termination salary and severance pay for a senior executive must not exceed a total of 18 months' salary, if termination is from the company and six months if termination is from the senior executive. In this context, the term senior executives applies to the CEO, CFO and other members of Group Management.

Gender distribution in company management.

Group	2017		2016	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Board of Directors	7	57%	6	50%
Other senior executives	8	75%	8	75%

Salary and other remuneration for senior executives

Parent Company

KSEK	Basic salary, director fees		Variable remuneration		Pension contributions		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Chairman of the Board										
Bengt Kjell										
Remuneration from Parent Company	428	388	-	-	-	-	-	-	428	388
Board member										
Anneli Lindblom										
Remuneration from Parent Company	250	239	-	-	-	-	-	-	250	239
Board member										
Caroline Sundewall										
Remuneration from Parent Company	225	214	-	-	-	-	-	-	225	214
Board member										
Ulrika Valassi										
Remuneration from Parent Company	190	214	-	-	-	-	-	-	190	214
Board member										
Per-Ingemar Persson										
Remuneration from Parent Company	190	135	-	-	-	-	-	-	190	135
Board member										
Magnus Eriksson										
Remuneration from Parent Company	-	44	-	-	-	-	-	-	-	44
Board member										
Daniel Skoghäll										
Remuneration from Parent Company	-	44	-	-	-	-	-	-	-	44
Board member										
Gunilla Högbom										
Remuneration from Parent Company	135	-	-	-	-	-	-	-	135	-
Chief Executive Officer										
Jens Engwall										
Remuneration from Parent Company	3,985	4,078	-	-	950	935	65	246	5,072	5,259
Other senior executives										
<i>(8 (7) individuals)</i>										
Remuneration from Parent Company from subsidiaries	5,863	15,496	3,166	1,055	1,906	3,070	27	380	10,890	20,001
Total	11,266	20,852	3,166	1,055	2,856	4,005	92	626	17,380	26,538

Note 5 CONT'D.

Parent Company

MSEK	2017	2016
<i>Management Group</i>		
Salaries and other compensation, etc.	11	19
Pension costs, defined-contribution plans	2	4
Social security contributions	4	7
<i>Of which, Chief Executive Officer</i>		
Salaries and other compensation, etc.	4	4
Pension costs, defined-contribution plans	1	1
Social security contributions	2	2
<i>Other employees</i>		
Salaries and other compensation, etc.	9	6
Pension costs, defined-contribution plans	2	1
Social security contributions	3	2
Total costs of employee benefits	31	39

Average number of employees

Parent Company	2017		2016	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Average number of employees	21	68%	16	64%

Gender distribution in company management.

Parent Company	2017		2016	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Board of Directors	7	57%	6	50%
Other senior executives	8	75%	8	75%

Note 6 FEES AND REMUNERATION TO AUDITORS

Group	2017	2016
<i>KPMG</i>		
Auditing assignments	7	7
Remuneration for audit activity in addition to auditing assignments	0	2
Tax advisory services	1	1
Other assignments	1	3
Total fees and remuneration to auditors	9	12

Auditing assignments are defined as the statutory auditing of the Annual Report and consolidated accounts, as well as the administration of the Board of Directors and the CEO, and the audit and other review conducted in accordance with contracts or agreements.

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

Parent Company

MSEK	2017	2016
<i>KPMG</i>		
Auditing assignments	2	3
Remuneration for audit activity in addition to auditing assignments	0	2
Tax advisory services	0	0
Other assignments	0	2
Total fees and remuneration to auditors	2	6

Note 7 OPERATING EXPENSES SPECIFIED BY COST TYPE

MSEK	2017	2016
Operating expenses ¹	488	433
Maintenance costs	221	212
Property tax	108	98
Depreciation/amortization	1	1
Other external costs	139	134
Personnel expenses	82	76
Total operating expenses	1,039	954

¹ Operating expenses include externally purchased services for property management.

Note 8 FINANCIAL INCOME AND EXPENSES

Group	2017	2016
MSEK		
Interest income	-	1
Exchange gains	-	2
Other financial income	1	1
Financial income	1	4
Interest expenses ¹⁾	-446	-408
Other financial costs	-42	-36
Financial expenses	-488	-444
Net	-487	-440

¹ Interest on liabilities measured at accrued cost accounted for MSEK 391 (355) of the Group's interest expenses.

Note 8 CONT'D.

Parent Company

MSEK	2017	2016
Dividend from Group companies	897	979
Profit from shares in Group companies	897	979
Interest income from Group companies	26	15
Exchange gains	-	17
Interest income	26	32
Interest expenses, credit institutions	-53	-33
Exchange-rate losses	-5	0
Other financial costs	-13	-8
Interest expense	-71	-41
Net interest income and expenses	852	970

Note 9 INCOME TAX

In 2017, nominal corporate tax rates were 22 percent in Sweden, 23 percent in Norway and 20 percent in Finland. During 2016, the tax rate in Norway was 24 percent. The table below shows the sub-items underlying the effective tax rate in Hemfosa.

The effective tax rate for full-year 2017 was -18.6 (+4.7), which differs from the nominal tax rate of 22 percent. This is primarily because loss carryforwards of SEK 3.4 billion have been assigned a value after reassessing the possibilities of utilizing existing loss carryforwards, and because MSEK 548 (542 for shares in the profit of joint ventures, which is included in profit from property management, constitute after-tax profit.

Group

Reconciliation of effective tax		2017		2016
Profit before tax		3,887		3,424
Tax at applicable tax rate	-22.0%	-855	-22.0%	-753
Other tax rates within the Group	0.0%	-	-0.1%	-4
Non-deductible costs	-0.1%	-5	0.0%	0
Tax exempt income	0.4%	16	1.5%	52
Profit/loss from shares in joint ventures	3.2%	125	3.5%	119
Capitalization of loss carryforwards not capitalized in prior years	0.0%	-	21.5%	736
Reversal of deferred tax in property sales	0.3%	12	0.0%	-
Tax exempt sales of properties	0.1%	5	0.0%	-
Effect of changed tax rates	0.4%	15	0.0%	-
Tax attributable to previous years	-0.1%	-4	-0.1%	-3
Other	-0.8%	-32	0.4%	13
Recognized effective tax	-18.6%	-723	4.7%	160

Current tax expense	2017	2016
Current tax expense	-26	-14
Adjustment of tax attributable to prior years	-4	-3
Total	-30	-17

Deferred tax expense	2017	2016
Deferred tax attributable to investment properties	-566	-419
Deferred tax attributable to derivative instruments	-11	-
Deferred tax attributable to loss carryforwards measured during the year	-116	597
Other	-	-1
Total	-693	177
Total recognized tax	-723	160

Parent Company

Reconciliation of effective tax		2017		2016
Profit before tax		922		1,093
Tax according to applicable tax rate for Parent Company	-22.0%	-203	-22.0%	-240
Tax exempt income	21.3%	196	22.0%	240
Utilization of loss carryforwards not capitalized in prior years	0.7%	6	0.0%	-
Standard tax on tax allocation reserve	0.1%	1	0.0%	-
Tax attributable to previous years	0.0%	-	-2.2%	-24
Recognized effective tax	0.0%	0	-2.2%	-24

Note 10 EARNINGS PER SHARE

In accordance with an AGM resolution adopted in April 2017, an incentive program for employees was introduced during the year. Under the program, 1,294,000 warrants were issued conferring rights to subscribe for shares during the periods May 1-31, 2022 and August 1-31, 2022. In addition to the warrants, 61,500 synthetic options were issued, conferring rights to subscribe for shares or alternatively to a cash payment during the periods May 1-31, 2022 and August 1-31, 2022.

	2017	2016
Profit for the year attributable to Parent Company shareholders, MSEK	3,142	3,556
Dividend on preference shares, MSEK	-110	-110
Profit attributable to Parent Company ordinary shareholders before dilution, MSEK	3,032	3,446
Average weighted number of ordinary shares, millions	158	148
Earnings per share, before dilution, SEK	19.22	23.25
Earnings per share, after dilution, SEK	19.21	23.25

Average weighted number of ordinary shares, Thousands	2017	2016
Weighted average number of ordinary shares during the year, before dilution	157,728	-
Effect of warrants	24	-
Weighted average number of ordinary shares during the year, after dilution	157,752	-
Estimated dilution, %	0.04	-

Note 11 INVESTMENT PROPERTIES

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

Reconciliation of opening and closing balance for investment properties

MSEK	Total		Sweden		Norway		Finland	
	2017	2016	2017	2016	2017	2016	2017	2016
Fair value at the beginning of the year	34,668	29,553	28,778	25,999	4,359	3,042	1,531	512
Cost of investment properties, asset acquisition	4,342	3,606	3,573	2,040	592	635	177	931
Investment in existing portfolio	956	893	942	883	2	10	13	-
Divestment of investment properties	-301	-1,329	-301	-1,329	-	-	-	-
Realized change in value of divested properties	22	46	22	46	-	-	-	-
Unrealized changes in value of properties	1,629	1,549	1,346	1,139	281	348	2	62
Translation differences	-197	350	-	-	-246	325	49	25
Fair value at the end of the year	41,119	34,668	34,359	28,778	4,988	4,359	1,772	1,531

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

Impact on profit after tax apart from changes in value

MSEK	2017	2016
Rental income	2,977	2,642
Direct costs for investment properties that generated rental income during the year	-756	-689
Direct costs for investment properties that did not generate rental income during the year	-61	-54

Determining fair value

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

Valuation techniques

The value of the properties has been assessed based on a market-adapted cash-flow estimate in which, by simulating

the calculated future cash flows and net operating income, an analysis generates 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 forecast is prepared that extends at least five years into the future. The expected receipts match the terms of prevailing leases. For vacant spaces, an estimate is performed by individually assessing each property. The expected disbursements are estimated on the basis of historical property expenses.

The inflation assumption for Sweden is 2.0 percent for 2018 and thereafter. The inflation assumption for Norway is 2.5 percent for 2018 and thereafter. The inflation assumption for Finland is 1.0 percent for 2018 and 2019, 1.5 percent for 2020 and 2.0 percent for 2021 and thereafter.

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

The weighted yield requirement was 6.1 percent (6.2). The weighted discount interest rate for cash flow and residual value was 7.3 percent (7.4) and 8.2 percent (8.4), respectively.

The value of Hemfosa's property portfolio was MSEK 41,119 (34,668).

Calculation assumptions per segment	Carrying amount, MSEK		Net operating income, MSEK ¹		Yield, %		Weighted yield requirement, %		Discount interest rate for cash flow, %		Discount interest rate for residual value, %	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31	2017-12-31	2016-12-31	2017-12-31	2016-12-31	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Sweden	34,359	28,778	1,896	1,634	5.5	5.7	3,7-10,0	3,7-10,0	5,0-11,2	5,0-12,1	5,7-12,2	6,5-12,1
Norway	4,988	4,360	285	260	5.7	6.0	4,2-8,2	4,5-7,8	6,8-10,9	7,1-10,4	6,8-10,9	7,1-10,4
Finland	1,772	1,530	125	104	7.0	6.8	5,9-9,0	6,2-9,0	6,7-10,8	6,9-10,9	8,0-10,8	8,3-10,9
Total	41,119	34,668	2,306	1,997	5.6	5.8	6.1	6.2	7.3	7.4	8.2	8.4

¹ According to the company's earnings capacity, in which rental income totaled MSEK 3,191 (2,774).

Note 11 CONT'D.

Sensitivity analysis – impact on fair value

MSEK		Total		Sweden		Norway		Finland	
		2017	2016	2017	2016	2017	2016	2017	2016
Change in net operating income	+/-5.0%	1,580	+/- 1,344	1,335	+/- 1,134	173	+/- 153	72	+/- 60
Change in required yield	+/-0.1%	677	+/- 555	562	+/- 459	89	+/- 75	26	+/- 22
Change in growth assumptions	+/-0.5%	197	+/- 168	167	+/- 142	21	+/- 19	9	+/- 7
Change in discount interest rate	+/-0.1%	564	+/- 467	484	+/- 400	60	+/- 51	20	+/- 18

Criteria for distinguishing between investment properties and other types of properties

All of Hemfosa's directly owned properties are classified as investment properties. In a few of the Group's properties, an insignificant portion of the floor area is used for administra-

tive purposes by the Group. These properties have been classified as investment properties.

If Hemfosa has signed an unconditional agreement concerning the disposal of a property, the property will be reclassified from investment property to asset held for resale.

Note 12 SHARES IN JOINT VENTURES

In addition to Hemfosa's wholly owned property portfolio, the Group holds shares in a number of property owning companies, through which properties are held together with other investors. Ownership is governed by shareholders' agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence.

Hemfosa recognizes the holdings as shares, and shares in joint ventures, in the statement of financial position. Share 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.

Söderport

Hemfosa and AB Sagax each own 50 percent of Söderport. The focal point of Söderport's property portfolio is in the Stockholm and Gothenburg regions. During the year, Söderport acquired 15 warehouse and production properties with a total leasable area of 82,000 square meters. The leasing rate was 91 percent and the average remaining term of the leases was 4.6 years. The purchase consideration was MSEK 352. One of the properties was immediately sold on with no impact on profit or loss.

Gardermoen Campus Utvikling

Hemfosa owns Gardermoen Campus Utvikling (GCU) jointly with Aspelin Ramm Eiendom AS, a Norwegian development company. GCU owns and is developing an area at Gardermoen

Airport into an important national expertise hub for health and 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. The ongoing investment in GCU comprises construction of a specialist hospital. The hospital is fully leased to Landsforeningen for Hjerte og Lungesyke (LHL) on a 25-year lease. On behalf of the Municipality of Ullensaker, GCU is constructing a new local medical center adjacent to LHL's hospital.

In March 2017, Hemfosa entered into a conditional agreement to become the sole owner of the hospital and the local medical center in early 2018. The buildings were completed and the tenants moved in around the end of January 2018. Hemfosa will become the sole owner of the properties during March 2018. Further development of the area will continue in cooperation with Aspelin Ramm as part of an unchanged joint venture structure.

Classification of shares in Gardermoen Utvikling Campus AS

Although Hemfosa owns most of the shares in Gardermoen Campus Utvikling AS (GCU), it has no controlling influence over significant shareholder issues. According to the shareholder agreement, operational decisions require consensus on GCU's Board of Directors and the project planners approved by the Board control all details in the progress of the projects. Accordingly, Hemfosa has classified the shares of GCU as a joint venture in accordance with IAS 28.

MSEK	Total		Söderport		Gardermoen Campus Utvikling		Other holdings	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Carrying amount at the end of the year	1,676	1,075	1,009	832	641	209	26	32
Acquisition of joint ventures	9	15	-	-	9	15	-	-
Dividends received	-100	-100	-100	-100	-	-	-	-
Share in profit of joint ventures	548	542	385	286	168	255	-5	1
Shareholders' contribution	-	126	-	-	-	132	-	-6
Translation difference	-37	31	-	-	-37	31	-	-
Other	-	-10	-	-9	-	0	-	-
Carrying amount on December 31	2,096	1,676	1,294	1,009	781	641	21	26

Note 12 CONT'D.

Joint ventures	Corp. Reg. No.	Registered office	Proportion	Carrying amount	
				2017-12-31	2016-12-31
Söderport Holding AB	556819-2230	Stockholm	50%	1,294	1,009
Gardermoen Campus Utvikling AS	913,111,915	Oslo, Norway	65%	781	641
Gästgivaregatan Holding AB	556925-8808	Stockholm	50%	21	26
Culmen Strängnäs II AB	556799-1970	Stockholm	50%	0	0
Total carrying amount of shares in joint ventures				2,096	1,676

Key performance data for material holdings in joint ventures

100%	Söderport Holding AB		Gardermoen Utvikling Campus AS	
	2017-12-31	2016-12-31	2017-12-31	2016-12-31
Non-current assets	6,814	6,409	2,518	317
<i>of which, investment properties</i>	6,603	6,330	2,518	1,579
Current assets	104	101	70	81
Equity	2,587	2,018	1,201	986
<i>of which, Hemfosa's share</i>	1,294	1,009	781	641
Current liabilities	188	224	117	95
Long-term liabilities	4,144	4,268	1,294	14
<i>of which, deferred tax liabilities</i>	515	385	194	150
<i>of which, derivatives</i>	328	424	-	-
Rental income	548	544	-	-
Net operating income	419	423	-1	-
Net interest income	-162	-159	0	-
Tax cost	-144	-160	-78,265	0
Changes in value, properties	560	477	326	546
Changes in value, derivatives	91	-12	-	-
Tax cost	-144	-159	-53	-130
Profit	769	552	265	415
<i>of which, Hemfosa's share</i>	385	276	177	270
No. of properties	69	54	3	3
Leasable area, 000s of sqm	650	686	-	-

Hemfosa has entered into suretyship amounting to MSEK 160 (187) connected to its shares in joint ventures.

Note 13 SHARES IN ASSOCIATED COMPANIES

Hemfosa holds 26.6 percent of the shares and voting rights of Offentlig Eiendom Invest AS, domiciled in Oslo (Corp. Reg. No. 916,428,467). The company manages community service properties in Norway, with the Police Authority as the largest tenant.

MSEK	2017-12-31	2016-12-31
Opening balance	56	-
Acquisitions	52	59
Dividends received	-	-3
Share in associated company profits	19	-
Translation difference	-3	-
Total shares in associated companies	123	56

Note 14 CURRENT RECEIVABLES

MSEK	2017-12-31	2016-12-31
Prepaid expenses and accrued income	73	32
Current receivables, joint ventures	23	-
Other receivables	72	77
Total current receivables	168	109

Note 15 CASH AND CASH EQUIVALENTS

MSEK	2017-12-31	2016-12-31
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	541	1,221

In addition to the cash and cash equivalents above, Hemfosa has overdraft facilities of MSEK 450 (450).

Note 16 INTEREST-BEARING LIABILITIES

At 31 December 2017, Hemfosa's interest-bearing liabilities totaled MSEK 24,110 (20,666), with MSEK 19,619 (17,993) pertaining to loans from credit institutions, MSEK 2,473 (1,748) to bonds, MSEK 1,995 (895) to commercial paper, MSEK 7 (11) to vendor's mortgages and MSEK 16 (19) to other liabilities.

Hemfosa has committed covered lines of credit of MSEK 1,800 (1,300). The lines of credit are facilities to back up the outstanding commercial paper program, of which MSEK 1,995 was issued at year-end. Hemfosa also has overdraft facilities totaling MSEK 450 (450), which were unutilized at December 31, 2017. 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.

MSEK	2017-12-31	2016-12-31
Interest-bearing liabilities		
Loans from credit institutions	19,619	17,993
Bond	2,473	1,748
Commercial papers	1,995	895
Vendor's mortgages	7	11
Other liabilities	16	19
Total interest-bearing liabilities	24,110	20,666
Of which, current interest-bearing liabilities	8,894	5,966
Less opening charges for raising new loans	-77	-61
Total interest-bearing liabilities	24,033	20,605

Most of the Group's credit agreements with external creditors contain covenants concerning either a specific loan-to-value ratio and/or a specific interest coverage ratio. Certain credit agreements contain covenants that pertain solely to the company raising the loan and its subsidiaries, while other credit agreements include covenants linked to the Group's profit and/or financial position. In the event of a compulsory take-over bid for Hemfosa's shares or if Hemfosa is delisted from Nasdaq Stockholm, Hemfosa's creditors will be entitled, in certain instances, to demand renegotiation of the credit agreements and ultimately the premature repayment of the loan. The Group met the covenants included in the loan agreements for 2017 and 2016.

MSEK	2017-12-31	2016-12-31
Net loan-to-value ratio, %	57.1	55.9
Remaining fixed-rate term, years	1.5	1.3
Remaining term for loans, years	2.3	2.1

In addition to the terms and conditions, collateral for the loan portfolio largely takes the form of pledges of properties.

Note 17 DEFERRED TAX LIABILITY/ASSET

Deferred tax pertains to future tax consequences of events taken into account in the company's accounting. Hemfosa recognized deferred tax liabilities totaling MSEK 1,184 (506).

Deferred tax assets amounted to MSEK 946 (1,066) and are primarily attributable to the measurement of loss carryforwards.

Deferred tax liabilities amounted to MSEK 2,130 (1,149) primarily attributable to temporary differences between carrying amounts and taxable values of the investment properties.

According to IAS 12 Income taxes, temporary differences between taxable and accounting amounts for all assets and liabilities are to be recognized in the Statement of financial position. However, this does not apply to deferred tax, which on initial recognition is to be entered in the balance sheet, known as Initial recognition exemption. This is of considerable significance to Hemfosa, which acquires properties whose taxable values deviate from the carrying amounts.

The residual value of investment properties for tax purposes totaled MSEK 18,924 (18,042) at December 31, 2017, which means that deferred tax is not recognized for corresponding temporary differences of MSEK 12,514 (9,481) in the Statement of financial position.

Temporary differences arise due to tax deductions for depreciation deviating from the amount for depreciation according to plan. The possibility of making tax deductions for investments in properties as part of the "expanded repair" concept also contributes to temporary differences arising. This is also a consequence of the properties being acquired through companies, whereby the cost for tax purposes is often lower than the recognized cost, and that unrealized changes in value do not impact the taxable value.

Deferred tax asset	2017	2016
<i>Loss carryforwards</i>		
At the beginning of the year	1,047	424
Recognized in profit or loss	-116	597
Recognized in other comprehensive income during the year	-	-13
Acquired and divested assets	7	37
Translation difference	-	2
At the end of the year	938	1,047

Derivatives	2017	2016
At the beginning of the year	19	23
Recognized in profit or loss	-11	-4
At the end of the year	8	19

Deferred tax liability	2017	2016
<i>Properties</i>		
At the beginning of the year	-1,572	-1,149
Recognized in profit or loss	-566	-411
Acquired and divested assets	12	-
Translation difference	-4	-12
At the end of the year	-2,130	-1,572

Note 17 CONT'D.

Deferred tax liability, net	2017	2016
At the beginning of the year	-506	-701
Recognized in profit or loss	-693	177
Recognized in other comprehensive income during the year	-	-13
Acquired and divested assets	3	37
Translation difference	12	-10
Other	1	5
At the end of the year in the Statement of financial position	-1,184	-506

Note 18 FINANCIAL ASSETS AND LIABILITIES - BY CATEGORY AND FAIR VALUE

MSEK	Financial assets/ liabilities measured at fair value via state- ment of profit/loss		Loans and accounts receivable		Other liabilities		Total carrying amount	
	2017	2016	2017	2016	2017	2016	2017	2016
Rents and accounts receivable	-	-	22	32	-	-	22	32
Derivatives	9	3	-	-	-	-	9	3
Other receivables	-	-	51	51	-	-	51	51
Cash and cash equivalents	-	-	541	1,221	-	-	541	1,221
Total financial assets	9	3	614	1,304	-	-	623	1,307
Loans from credit institutions	-	-	-	-	19,619	17,993	19,619	17,993
Bond	-	-	-	-	2,473	1,748	2,473	1,748
Commercial papers	-	-	-	-	1,995	895	1,995	895
Derivatives	43	87	-	-	-	-	43	87
Accounts payable	-	-	-	-	53	98	53	98
Other liabilities	-	-	-	-	380	355	380	355
Total financial liabilities	43	87	-	-	24,520	21,089	24,520	21,089

The carrying amount is a reasonable estimate of the fair value. The fair value of the bond loans is MSEK 2,505 (1,756). On the balance-sheet date, the level of interest rates, including margins, for the loan matched the terms in the loan contracts. Accounts receivable and accounts payable have the same short durations.

Hemfosa uses fixed-income derivatives and interest-rate caps to financially hedge the interest-rate risks to which the Group is exposed. Derivatives are initially recognized at fair value, entailing that transaction expenses are charged against earnings for the period. Following initial recognition, fixed-income derivatives are measured at fair value according to measurement at Level 2. Changes in the value of the fixed-income derivatives are recognized in profit or loss.

Should an interest rate agreed through fixed-income derivatives deviate from the market interest rate, a theoretical surplus or deficit value will arise in the Statement of financial position. The fair value recognized in the Statement of financial position changes in line with changes in market interest rates and the term of the portfolio. The changes in value are recognized in profit or loss.

Fixed-income derivatives have been measured at fair value, corresponding to the market appraisal obtained from Bloomberg independent financial system. Bloomberg applies

an established measurement technique for simple interest-rate swaps, whereby a company pays a fixed interest rate or receives variable rates or vice versa, whichever is relevant for Hemfosa. Since the measurement is based on average values for actually traded contracts, such as Hemfosa's financial instruments, in various official marketplaces, the prices quoted reflect prices from several interest-rate brokers and various risk and liquidity premiums.

The value of interest-rate caps is recognized as the present value of the estimated flows during the position's remaining term. The estimated flows are calculated by viewing the strike level and forward rates of 3-month Stibor and their volatility. If the forward rates (or the volatility) then decline, the value of the caps will decrease.

Offsetting of financial instruments

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. In the tables below, amounts are presented for the netting agreements at December 31, 2017 and December 31, 2016, respectively.

Offsetting of financial instruments

MSEK	2017-12-31		2016-12-31	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Carrying amount in the balance sheet	9	43	3	87
Amount encompassed by netting	-9	-9	-3	-3
Amount after netting	0	34	0	84

Note 19 FINANCIAL RISKS AND RISK MANAGEMENT

Financial risk management

The Group is exposed to various financial risks through its business activities. Financial risks involve market, liquidity and credit risks associated with financial instruments. The risks and how these are managed by the organization are described below.

Financial policy

The finance policy is to specify the division of responsibility and authorities, contain strategies for managing various financial risks and to stipulate a risk mandate. The finance policy is to serve as guidance in the daily work of staff in the Finance function. Deviation from Hemfosa's financial policy require the approval of the Board of Directors. Responsibility for Hemfosa's financial transactions and risks is managed centrally by the Parent Company's Finance Department. Financial risk management is performed at portfolio level. Financial transactions are to be implemented on the basis of an assessment of Hemfosa's overall requirement of liquidity and financing, as well as the interest-rate risk. The overall objectives of Hemfosa's financing operations are:

- ensure that the financing operations are subject to efficient controls and conducted under orderly financial conditions;
- Hemfosa is perceived as a professional business partner;
- safeguard the company's loan financing;
- formulate financial strategies and risk management in accordance with the prerequisites for the operations;
- achieve the best possible net financial items within the given risk mandate.

Hemfosa intends to be a professional borrower and work to ensure that the company will always be offered financing on the best terms available in the market, based on comparable borrowers and comparable collateral. In cases where the financing is a feature of the business transaction when it comes to property acquisitions, the terms and conditions for the financing should be considered from the viewpoint of the entire business transaction. In order to minimize interest rate and funding risks, the bullet points below act as guidelines for Hemfosa's finance policy:

- The company's total loan-to-value ratio may not exceed 75 percent (calculated at market value)
- The company's interest-payment capacity may not be lower than an interest coverage multiple of 2
- The company must have at least four main creditors
- Not more than 25 percent of the loan liability may fall due for renegotiation during the same 12-month period
- Back-up facilities corresponding to at least the volume of commercial paper outstanding are to be available at each point in time.

The average term for the loans may not be shorter than 1.5 years. The basis for the company's choice of strategy for managing the interest-rate risk comprises the choice of an interest-rate maturity strategy for the loans combined with a selection of derivative instruments to alter the interest-rate risk.

Fixed-rate term per instrument

Maturity structure	Fixed-rate period Dec 31, 2017					Fixed-rate period Dec 31, 2016				
	Loans ¹ , MSEK	Interest-rate swap, MSEK	Interest-rate cap, MSEK	Interest-rate hedged loan, MSEK	Proportion, %	Loans ¹ , MSEK	Interest-rate swap, MSEK	Interest-rate cap, MSEK	Interest-rate hedged loan, MSEK	Proportion, %
<1 year	24,050	-1,372	-9,503	13,175	55	20,598	-4,777	-4,446	11,375	55
1-2 years	0	497	2,526	3,024	13	0	3,370	1,902	5,272	26
2-3 years	23	674	3,617	4,314	18	0	497	1,420	1,917	9
3-4 years	0	200	1,619	1,819	8	27	710	911	1,648	8
4-5 years	0	0	1,740	1,740	7	0	200	213	413	2
>5 years	38	0	0	38	0	41	0	0	41	0
Total	24,110	0	0	24,110	100	20,666	0	0	20,666	100

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

The basis for the company's choice of strategy for managing the interest-rate risk comprises the choice of an interest-rate maturity strategy for the loans combined with a selection of derivative instruments to alter the interest-rate risk. Follow-up of the financial objectives is conducted continuously via reporting to the Board of Directors prior to submission of the company's interim reports.

Market risks

Market risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. IFRS divides market risks into three types: currency risk, interest-rate risk and other price risks.

Interest-rate risk

The market risk that mainly affects Hemfosa is the interest-rate risk. Interest-rate risk could result in a change in fair value, changes in cash flow and fluctuations in the company's profit. The Company is exposed to interest-rate risks due to its loan liabilities. In order to limit the interest-rate risk, meaning the risk that changes in interest rates will have an excessive impact on Hemfosa's borrowing costs, the Group has entered into and regularly enters into derivative agreements mainly in the form of interest-rate swaps with various maturities, whereby Hemfosa pays a contractual fixed interest rate in exchange for a variable market interest rate, and also interest-rate caps.

Hemfosa pays variable interest up to a predetermined interest rate. The predetermined interest-rate ceiling for the agreed interest-rate caps ranges from 1.5 to 2.0 percent.

Sensitivity analysis at December 31, 2017

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/-1	+ 94/-19
Interest expenses assuming change in average interest rate level ²	+/-1	-/+241
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/-1	+/-66

¹ Taking derivative agreements into account

² Not taking derivative agreements into account

If, during the term of the derivatives, the variable market interest rate deviates from the contractual fixed interest rate for the derivatives, this gives rise to a theoretical surplus or deficit value for the financial instrument. The derivatives are recognized continuously at fair value in the statement of financial position and the change in value, which has no impact on cash flow, is recognized in profit or loss. Hemfosa does not apply hedge accounting of financial instruments.

In accordance with the Group's financial policy, an even distribution between variable and fixed interest rates and between short-term and long-term maturities is sought after.

Note 19 CONT'D.

The average interest rate for Hemfosa's loan portfolio was 1.94 percent (1.98) at December 31, 2017. Agreements entered into for interest-rate swaps and interest-rate caps with a total vol-

ume of MSEK 16,111 (9,992) have been taken into account in contractual interest rates and maturities. The underlying loans carry a floating interest rate that is mainly based on STIBOR 3 months.

Fixed-rate period, interest-rate swaps

Year	2017-12-31			2016-12-31		
	Nominal amount, MSEK	Average interest rate, %	Market value, MSEK	Nominal amount, MSEK	Average interest rate, %	Market value, MSEK
<1 year	3,334	1.1	35	385	0.1	2
1-2 years	497	0.0	2	3,370	1.2	76
2-3 years	674	1.3	3	497	0.0	3
3-4 years	200	0.6	3	710	1.3	2
4-5 years	-	-	-	200	0.6	4
>5 years	-	-	-	-	-	-
Total	4,706	1.0	43	5,162	1.0	87

Currency risk

Due to Hemfosa's investments 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 exposure is limited to equity, because both properties and external financing are raised in the same currency. Exposure amounted to MEUR 82 and MNOK 2,707 at December 31, 2017. The overall assessment is that it is currently most cost-effective not to hedge net exposure associated with equity. It is not impossible that the company could enter into currency hedges from time to time.

Liquidity risk

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

In accordance with the financial policy, continuous work on refinancing the long-term loans concerned is conducted. The financial policy also addresses the matter of the investment of surplus liquidity. In addition, the Group has overdraft facilities to ensure more flexible cash management and to effectively deal with peaks and troughs in payment streams.

Sensitivity analysis at December 31, 2017

	Change, %	Earnings effect, MSEK
Changes in SEK/NOK exchange rates	+/- 10	+/- 269
Change in SEK/EUR exchange rate	+/- 10	+/- 80

Maturity structure, interest-bearing liabilities

MSEK	2017-12-31					2016-12-31				
	Loan maturity	Proportion, %	Interest, loans	Net interest, derivatives, MSEK ¹	Total interest	Loan maturity	Proportion, %	Interest, loans	Net interest, derivatives, MSEK ¹	Total interest
<1 year	6,871	28	386	47	432	5,768	28	324	54	378
1-2 years	4,945	21	252	8	260	6,384	31	262	43	305
2-3 years	6,404	27	146	3	149	4,203	20	141	6	147
3-4 years	3,183	13	81	1	81	3,463	17	44	3	46
4-5 years	2,605	11	40	0	40	735	4	4	1	5
>5 years	103	0	37	0	37	115	1	42	0	42
Total	24,110	100	941	58	999	20,666	100	817	106	923

¹ The net interest rate shown in the Maturity structure tables is attributable to negative value swaps.

Refinancing risks

What is meant by the refinancing risk is that financing or refinancing of the company's liabilities or operations cannot be obtained to the same extent or can only be obtained at significantly higher cost.

The company engages in continuous discussions with existing and prospective financiers to ensure that the necessary financing can be obtained in all situations.

During 2017, refinancing of approximately MSEK 1,676 (483) was implemented. Hemfosa's net loan-to-value ratio at December 31, 2017 was 57.1% (55.9).

Credit risk

Credit risk is the risk that a counterparty is unable to fulfil its commitments, thus resulting in a loss for the Hemfosa Group.

The most significant counterparty risk faced by the Hemfosa Group is that its tenants are unable to honor their rental payments according to the lease.

Note 19 CONT'D.

The total credit risk is estimated to match the asset items shown below in the Statement of financial position:

Credit risk	2017-12-31	2016-12-31
Rents receivables	22	32
Other current receivables	95	76
Cash and bank balances	541	1,221
Total	658	1,329

The breakdown of the maturity structure of Hemfosa's rent receivables is shown in the table below:

Current receivables	2017-12-31	2016-12-31
Rent receivables not due	0	0
Rent receivables past due 0-30 days	17	21
Rent receivables past due 30-90 days	0	2
Rent receivables past due > 90 days	5	9
Total	22	32

In accordance with the Group's financial policy, the counterparties in all financial transactions, including deposits in bank accounts, are banks and credit institutions with a credit rating of at least A- (S&P) or A3 (Moody's) for Swedish Banks and at least A- (S&P) or Aa3 (Moody's) for overseas banks.

Capital management

At December 31, 2017, Hemfosa's shareholders' equity totaled MSEK 17,807 (15,570).

The 2017 Annual General Meeting resolved to pay dividends totaling MSEK 804 (662) to holders of ordinary and preference shares, subject to quarterly payment. At year-end, dividends of MSEK 575 had been paid, with the remaining dividends expensed in the Statement of financial position.

The company's financial policy specifies the risk mandate permissible to achieve the best possible net financial items within the given risk mandate. The company's total loan-to-value ratio may not exceed 75 percent, interest-payment capacity may not be lower than an interest coverage ratio of 2.0 and the equity/assets ratio is to exceed 30 percent.

During 2017, the loan-to-value ratio was 57.1 percent (55.9), the interest-coverage ratio was a multiple of 4.4 (3.9) and the equity/assets ratio was 40.4 percent (41.2).

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

Neither the Parent Company nor any of the subsidiaries is subject to any external capital requirements.

The dividend shall amount to 60 percent of distributable profit over time. Distributable profit is defined as profit from property management less taxes paid and shares in the profit of joint ventures. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

Note 20 OTHER CURRENT LIABILITIES

Group	2017-12-31	2016-12-31
MSEK		
Accrued financial expenses	65	61
Prepaid rental income	524	489
Other accrued expenses and prepaid income	70	117
Accounts payable	53	98
Current liabilities that are not interest-bearing	298	237
Total	1,010	1,002

Note 21 PLEDGED ASSETS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Group	2017-12-31	2016-12-31
MSEK		
Pledged assets		

In the form of pledged assets for own debts and provisions

Property mortgages	27,772	24,016
Participations in Group companies	11,207	9,711
Total pledged assets	38,979	33,727

Contingent liabilities

Sureties for liabilities in joint ventures	160	187
Guarantee for undertakings in joint ventures	24	-
Total contingent liabilities	184	187

Parent Company

Group	2017-12-31	2016-12-31
MSEK		
Pledged assets		
<i>In the form of pledged assets for own debts and provisions</i>		
Participations in Group companies	2,660	2,660
Total pledged assets	2,660	2,660

Contingent liabilities

Sureties for liabilities in Group companies	17,353	14,273
Guarantee for undertakings in joint ventures	24	25
Sureties for liabilities in joint ventures	160	187
Total contingent liabilities	17,537	14,485

Note 22 RELATED PARTIES

Summary of related-party transactions

The Board Members and the senior executives received fees for their assignments; refer to Note 5. No non-cash remuneration was paid.

Group

The Group owns shares in joint ventures; see Note 12. At December 31, 2017, the Group had sureties of MSEK 160 (187) for the liabilities of joint ventures. In 2017, one property was acquired Hemfosa on market-based conditions from Söderport Holding. At December 31, 2017, the Group had receivables from joint ventures of MSEK 23 and liabilities to joint ventures of MSEK 16. The Group had no receivables or liabilities to/from joint ventures at December 31, 2016.

Parent Company

The Parent Company's fee from Group companies for providing central administrative services amounted to MSEK 34 (53) during the year. No other purchases occurred between the Parent Company and its Group companies.

Note 23 SPECIFICATIONS FOR THE CASH-FLOW STATEMENT

Group

MSEK	2017-12-31	2016-12-31
Adjustments for non-cash items for operating activities		
Depreciation of tangible assets	1	1
Share in profit/loss of joint ventures	-548	-542
Profit/loss from shares in associated companies	-19	-
Other	-	0
Total non-cash items for operating activities	-566	-541

Interest paid and received

MSEK	2017-12-31	2016-12-31
Interest received	0	1
Interest paid	-444	-405

Acquisition of subsidiaries

MSEK	2017-12-31	2016-12-31
<i>Assets and liabilities acquired</i>		
Investment properties	4,275	3,530
Loss carryforwards	3	37
Operating receivables	2	17
Cash and cash equivalents	22	51
Total assets	4,302	3,635
Current operating liabilities	41	87
Total provisions and liabilities	41	87
Purchase consideration paid	4,261	3,548
Less: Cash and cash equivalents in the acquired operations	-22	-51
Impact on cash and cash equivalents	4,239	3,497

Divestment of subsidiaries

MSEK	2017-12-31	2016-12-31
<i>Assets and liabilities divested</i>		
Investment properties	294	1,313
Operating receivables	1	5
Cash and cash equivalents	0	2
Total assets	295	1,320
Current operating liabilities	6	50
Deferred tax liability	1	5
Total provisions and liabilities	7	55
Purchase considerations received	288	1,265
Less: Cash and cash equivalents in the divested operations	0	-2
Impact on cash and cash equivalents	288	1,263

Change in loan portfolio

MSEK	2016-12-31	Cash flow	Non-cash changes Exchange-rate difference	2017-12-31
Loans from credit institutions	17,932	1,724	-114	19,542
Bond	1,748	725	-	2,473
Commercial papers	895	1,100	-	1,995
Other liabilities	30	-3	-4 ¹	23
Total	20,605	3,546	-118	24,033

¹ Of which, MSEK -4 for accrual account of debt.

Parent Company

MSEK	2017-12-31	2016-12-31
Adjustments for non-cash items for operating activities		
Depreciation of tangible assets	0	0
Dividends from subsidiaries	897	979
Total non-cash items for operating activities	897	979

Note 24 IMPORTANT ESTIMATES AND JUDGMENTS

Group Management and the Board of Directors have discussed the trend, the selection and the disclosures pertaining to the Group's key accounting policies and estimates their application.

Measurement of investment properties

For key assumptions and assessments affecting the measurement of Hemfosa's investment properties, see Note 11.

Hemfosa recognizes its investment properties according to the fair value method. Declining market value will have a negative impact on the company's balance sheet and income statement. This could occur due to a weakened economic climate, rising interest rates, increasing operating costs and higher vacancies, as well as specific events in other properties.

The market value of the property portfolio is assessed by independent well-established external valuation companies. The valuation is conducted quarterly and captures changes in the properties and the market that could affect the value of the properties. By using external valuation companies and continuously updating the valuations, Hemfosa believes that it has a reliable and true valuation of the property portfolio.

Measurement of tax loss carryforwards

The regulatory framework governing taxation of the type of business operated by Hemfosa is complex and comprehensive in terms of both income tax and VAT/property taxation and can vary from jurisdiction to jurisdiction. Moreover, interpretation and application of these regulations by courts of law can change over time. Changes in these regulations, or in their interpretation by judicial bodies, could impact Hemfosa's earnings and position either positively or negatively. From time to time, Hemfosa has cases under review by, and ongoing dialogs with, the Tax Agency regarding individual taxation matters. The Tax Agency makes tax rulings that can be appealed and reviewed in administrative courts of appeal. The regulations governing the recognition of taxes, and the property sector's application of these accounting regulations, are also complex. The regulatory framework is complex, the Tax Agency's review possibilities are comprehensive and the judicial bodies' inter-

pretation and reviews take place in many stages, which means that it can take a long time to establish the correct application of legislation in complex taxation matters. This may entail that actions taken or completed transactions that were previously considered permissible according to the regulatory framework may need to be reappraised at a later juncture. Hemfosa monitors the taxation laws and practices that are in effect whenever it files tax returns. Hemfosa's assessments and calculations in the tax area, and the accounting of these matters, are reassessed at the end of each reporting period.

Classification of acquisition

The IFRS 3 accounting standard states that acquisitions must be classified as business combinations or asset acquisitions. An individual assessment of the character of the acquisition is required for each individual transaction. For all acquisitions in the year, the assessment has been that the transactions are to be considered assets acquisitions.

Preference shares

The terms and conditions for Hemfosa's preference shares do not include contractual payment obligations since both dividends and buybacks are only permissible following a resolution by the Annual General Meeting or some another general meeting of shareholders. The company's assessment is that the issued preference shares should be recognized as shareholders' equity.

Classification of shares in Gardermoen Utvikling Campus AS

Although Hemfosa owns most of the shares in Gardermoen Campus Utvikling AS (GCU), it has no controlling influence over significant shareholder issues. According to the shareholder agreement, operational decisions require consensus on GCU's Board of Directors and the project planners approved by the Board control the progress of the projects in detail. Accordingly, Hemfosa has classified the shares of GCU as a joint venture in accordance with IAS 28.

Note 25 SHARES IN GROUP COMPANIES

MSEK	2017-12-31	2016-12-31
Accumulated cost		
At the beginning of the year	5,258	3,527
Acquisitions	-5	37
Shareholders' contribution	73	1,694
Carrying amount at the end of the year	5,326	5,258

Shares in subsidiaries

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

Directly owned subsidiaries	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion	Carrying amount Dec 31, 2017
Hemfosa Sverige AB	556780-5816	Stockholm	10,000,000	100	2,268
Hemfosa Tetis AB	556847-5825	Stockholm	11,700,000	100	283
Hemfosa Kronfastigheter Holding AB	556950-1736	Nacka	50,000	100	66
Hemfosa Norden AB	556710-6892	Stockholm	5,000,000	100	109
Hemfosa Tetis AB	556245-5567	Stockholm	320,850,500	100	2,024
Hemfosa Fastigheter AB	559036-7404	Stockholm	500	100	0
Nyfosa AB	559131-0833	Nacka	500	100	0
Hemfosa Samfunnsbygg AS	914,149,703	Oslo, Norway	2,680,848	96	576
					5,326

Note 25 CONT'D.

Indirectly owned subsidiaries

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Amelius Holmsund AB	559020-1728	Nacka	500	100
Brochsgate 3 AS	813,013,282	Oslo	1	96
Bryggeritomten AB	559111-6404	Nacka	500	100
Bråtaberg Property AB	556811-5298	Stockholm	100,000	100
Eskelin Pysäköintilaitos Oy	0681979-7	Turku	69,258	99
Farmannsveien 50 AS	916,932,839	Oslo	100	96
Fastighets AB Gamletull	556715-7481	Nacka	1,000	100
Fastighets AB Isgrundet	556797-3051	Stockholm	1,000	100
Fastighets AB Klingberget 6 i Halmstad	556616-4447	Nacka	1,000	100
Fastighets AB Rudan 6	556954-1542	Nacka	1,000	100
Fastighetsaktiebolaget Tre Skåne	556044-1031	Stockholm	50,000	100
Fastighetsbolaget Förskolan 3 AB	559008-3639	Nacka	500	100
Fastighetsbolaget Hemfosa Örebro Ånsta AB	556704-3368	Stockholm	1,000	100
Fastighetsbolaget Karlavagnen HB	916553-7540	Nacka	N/A	100
Fastighetsbolaget Kontorsskylten 7 AB	559057-0999	Nacka	500	100
Feiring Eiendom AS	997,676,858	Oslo	1	96
Fredrikstad Eiendomsinvest AS	894,881,852	Oslo	1,000	96
Färsna Skola AB	556885-1199	Nacka	1,000	100
Förvaltningsbolaget Mosjö Skola KB	969601-3805	Stockholm	N/A	100
Galliaden AB	556721-0942	Stockholm	30,000	100
Galliaden Holding AB	556723-2722	Stockholm	500	63
Gunnar Nilsens Gate 25 AS	913,013,301	Oslo	1	96
Gävle 25:5 AB	559080-3234	Nacka	50,000	100
Gävle Hälsöfastigheter AB	556719-1480	Stockholm	1,000	100
Havsband1 i Örnsköldsvik AB	559099-8174	Nacka	50,000	100
Hemfosa Adler HoldCo AB	556848-8034	Stockholm	500	100
Hemfosa Adrian HoldCo AB	556837-4309	Stockholm	500	100
Hemfosa Alexander 2 AB	556987-6799	Stockholm	50,000	100
Hemfosa Alexander AB	556987-3937	Stockholm	500	100
-Hemfosa Almby 13.772 HoldCo AB	556981-8817	Stockholm	500	100
Hemfosa Anis Teti AB	556866-3941	Stockholm	500	100
Hemfosa Arendal AB	556715-8174	Nacka	1,000	100
Hemfosa Armaturen AB	556372-6933	Stockholm	1,000	100
Hemfosa Atrecal 1 AB	556344-6730	Stockholm	1,200	100
Hemfosa Atrecal 2 AB	556846-8432	Stockholm	1,000	100
Hemfosa Atrecal 3 AB	556789-9223	Stockholm	1,000	100
Hemfosa Atrecal 4 AB	556851-9556	Stockholm	50,000	100
Hemfosa Atrecal Fastigheter Norr AB	559031-2913	Stockholm	50,000	100
Hemfosa Atrecal Holding 1 AB	559035-5904	Stockholm	50,000	100
Hemfosa Atrecal Holding 2 AB	559035-5912	Stockholm	50,000	100
Hemfosa Bagaren Fastighets AB	556738-6270	Stockholm	1,000	100
Hemfosa Bagaren Fastighets HoldCo AB	559133-3850	Nacka	500	100
Hemfosa Bastionen Teti AB	556866-8296	Stockholm	500	100
Hemfosa Bataljonsgatan Fastighets AB	556378-6267	Stockholm	2,000	100
Hemfosa Bataljonsgatan Fastighets HoldCo AB	559133-3710	Nacka	500	100
Hemfosa Björnsjö Fastighets AB	556928-0505	Stockholm	500	100
Hemfosa Blåbäret Holding AB	556874-5011	Stockholm	500	100
Hemfosa Boländerna 5:2 KB	969682-6743	Nacka	N/A	100
Hemfosa Bremen 3 Fastighets AB	556761-8953	Stockholm	1,000	100
Hemfosa Bromsen 7 Fastighets AB	559110-6140	Nacka	500	100
Hemfosa Bykvarn AB	556974-7792	Stockholm	500	100
Hemfosa Bälgen 9 AB	559101-4500	Nacka	500	100
Hemfosa Cityfront Uppsala AB	556803-3525	Stockholm	500	100
Hemfosa Dallas AB	556830-9396	Stockholm	500	100
Hemfosa Danmarks-Säby 6:11 HoldCo AB	556983-3709	Stockholm	500	100
Hemfosa Danvikscenter AB	556822-0684	Stockholm	500	100
Hemfosa Drift AS	917,826,692	Oslo	50,000	96
Hemfosa Dynamon 5 AB	556949-0716	Nacka	50,000	100
Hemfosa Dyrtorp Fastighets AB	556989-0154	Nacka	50,000	100
Hemfosa Ekebybruk Fastighets AB	556803-3517	Stockholm	500	100
Hemfosa Eken Holding AB	556828-8350	Stockholm	500	100
Hemfosa Elementär Holding AB	559083-6200	Nacka	500	100

Note 25 CONT'D.

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Enköping AB	556670-3509	Nacka	1,000	100
Hemfosa Eskilstuna Teti AB	556866-3818	Stockholm	500	100
Hemfosa Falköping Läkaren 5 AB	556989-0071	Nacka	50,000	100
Hemfosa Falun Fastighets AB	556983-3642	Stockholm	500	100
Hemfosa Farsta I AB	556678-5530	Nacka	1,000	100
Hemfosa Filipstad Teti AB	556866-3909	Stockholm	500	100
Hemfosa Finland GP Oy	2736620-5	Helsinki	100	100
Hemfosa Finland Holding 1 Oy	2714778-2	Helsinki	100	100
Hemfosa Finland Holding 2 Oy	2714785-4	Helsinki	100	100
Hemfosa Finland Holding 3 Oy	2748729-3	Helsinki	100	100
Hemfosa Finland Holding 4 Oy	2772159-6	Helsinki	100	100
Hemfosa Finland Holding Ky	2375564-1	Helsinki	0	100
Hemfosa Finland Oy	2714789-7	Helsinki	100	100
Hemfosa Finland Red Oy	2714894-5	Helsinki	100	100
Hemfosa Flugsvampen 7 Fastighets AB	556989-0147	Nacka	50,000	100
Hemfosa Foss 12.24 Fastighets AB	556990-3346	Nacka	50,000	100
Hemfosa Förskolan 1 AB	559008-3621	Nacka	500	100
Hemfosa Försäljaren Teti AB	556866-8072	Stockholm	500	100
Hemfosa Gasmätaren Teti AB	556866-3974	Stockholm	500	100
Hemfosa Gastuben Teti AB	556866-3958	Stockholm	500	100
Hemfosa Gillet Fastighets AB	556881-0583	Stockholm	500	100
Hemfosa Gillet Fastighets HoldCo AB	559133-3652	Nacka	500	100
Hemfosa Gjutaren 3 Fastighets AB	559110-6231	Nacka	500	100
Hemfosa Grönsta 2:52 AB	556822-4983	Stockholm	500	100
Hemfosa Gästrike AB	556663-1676	Nacka	1,000	100
Hemfosa Gävle 12:5 Teti AB	556866-3776	Stockholm	500	100
Hemfosa Gävle Muréngatan AB	556929-8440	Stockholm	500	100
Hemfosa Gävle Söder 66:9 AB	556962-4900	Nacka	500	100
Hemfosa Göteborg 2:5 Teti AB	556866-3859	Stockholm	500	100
Hemfosa Göteborg 2:8 Teti AB	556866-3842	Stockholm	500	100
Hemfosa Hagtornen 10 AB	556992-0829	Nacka	50,000	100
Hemfosa Halmicum AB	559122-1493	Nacka	500	100
Hemfosa Hanba AB	556968-9259	Stockholm	500	100
Hemfosa Handlaren 1 och 4 AB	556869-3187	Nacka	1,000	100
Hemfosa Hedenstorp AB	556869-5125	Stockholm	500	100
Hemfosa Hisingen 32 AB	556974-7883	Stockholm	500	100
Hemfosa Hov och Övernäs Fastighets AB	556967-5951	Stockholm	500	100
Hemfosa Huddinge AB	556936-1180	Stockholm	500	100
Hemfosa Hudiksvall Teti AB	556866-3792	Stockholm	500	100
Hemfosa Huskvarna Fastighets AB	559012-0910	Stockholm	500	100
Hemfosa Härryda Fastigheter KB	969616-1224	Nacka	1,000	100
Hemfosa i Norrland AB	556974-7776	Stockholm	500	100
Hemfosa i Värnamo Fastigheter AB	556101-5107	Stockholm	80,000	100
Hemfosa i Växjö Fastigheter AB	556192-5305	Stockholm	1,000	100
Hemfosa i Växjö Fastigheter HoldCo AB	559133-3843	Nacka	500	100
Hemfosa Iput Förvaltning AB	556862-9876	Stockholm	500	100
Hemfosa Jungfrun 11 Fastighets AB	556911-2914	Stockholm	500	100
Hemfosa Jönköping Stensholm 1:754 AB	556971-2929	Nacka	500	100
Hemfosa Karlskrona Fastighets AB	556817-1416	Stockholm	50,000	100
Hemfosa Karlstad Blyet 2 Fastighets AB	556968-9390	Stockholm	500	100
Hemfosa Karlstad Bryggaren 12 AB	556820-8325	Stockholm	50,000	100
Hemfosa Karlstad Örnen 4 AB	556820-8333	Stockholm	50,000	100
Hemfosa Karolinen Fastigheter AB	556669-8394	Stockholm	1,000	100
Hemfosa Kilbäcksgatan 7 AB	556549-9620	Nacka	1,000	100
Hemfosa Kiruna Fastighets AB	556937-3896	Nacka	500	100
Hemfosa Kisa AB	556851-4417	Stockholm	50,000	100
Hemfosa Klingberget 6 HoldCo AB	559122-1501	Nacka	500	100
Hemfosa Koljan 9 AB	556792-9715	Nacka	1,000	100
Hemfosa Kraften 4 Fastighets AB	559110-6215	Nacka	500	100
Hemfosa Kristianstad AB	556608-9339	Stockholm	1,000	100
Hemfosa Kronfastigheter AB	556950-1744	Nacka	50,000	100
Hemfosa Kungsgatan 2-8 AB	556519-3108	Nacka	21,000	100
Hemfosa Källsta AB	556688-8045	Stockholm	1,000	100
Hemfosa Kärreberg 3:172 AB	556785-2487	Nacka	1,000	100
Hemfosa Lagunen Fastigheter AB	556176-1874	Stockholm	50,000	100

Note 25 CONT'D

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Life Science AB	556819-2842	Stockholm	500	100
Hemfosa Linnea Fastighets AB	556974-7875	Stockholm	500	100
Hemfosa LND Fastighets AB	556827-3493	Stockholm	500	100
Hemfosa LND Fastighets HoldCo AB	559133-3736	Nacka	500	100
Hemfosa Luleå AB	556672-2632	Stockholm	1,000	100
Hemfosa Malmen Fastighets AB	556561-0788	Stockholm	1,000	100
Hemfosa Malmen Fastighets HoldCo AB	559133-3686	Nacka	500	100
Hemfosa Marieberg 5 KB	969684-6915	Stockholm	N/A	100
Hemfosa Mark Teti AB	556866-8130	Stockholm	500	100
Hemfosa Mattläggaren 1 AB	556743-8022	Stockholm	1,000	100
Hemfosa Mattläggaren 1 HoldCo AB	559133-3702	Nacka	500	100
Hemfosa MF Haninge AB	556688-0232	Stockholm	1,000	100
Hemfosa MF Norrköping AB	556688-0216	Stockholm	1,000	100
Hemfosa MF O AB	556688-0281	Stockholm	1,000	100
Hemfosa MF PD AB	556688-0265	Stockholm	1,000	100
Hemfosa MF SK AB	556688-0273	Stockholm	1,000	100
Hemfosa MF Sollentuna AB	556688-0257	Stockholm	1,000	100
Hemfosa Mimer 7 AB	556661-5125	Nacka	400	100
Hemfosa Mimer 7 HoldCo AB	559122-1477	Nacka	500	100
Hemfosa Missionen 2 Fastighets AB	556981-8767	Stockholm	500	100
Hemfosa Misteln 13 AB	556989-0055	Nacka	50,000	100
Hemfosa Mon 13 AB	559132-9791	Nacka	500	100
Hemfosa Motala Innerstaden 1:267 AB	559019-5532	Nacka	500	100
Hemfosa Myråsvägen Fastighets AB	556989-0022	Nacka	50,000	100
Hemfosa Najaden AB	556822-0759	Stockholm	500	100
Hemfosa Njord 32 Fastighets AB	556989-0063	Nacka	50,000	100
Hemfosa Nord AB	556971-2945	Stockholm	500	100
Hemfosa Nordvästra Uppsala AB	556974-7768	Stockholm	500	100
Hemfosa Norrmalm 4:6 AB	556653-2247	Nacka	1,000	100
Hemfosa NRJ AB	559065-7721	Nacka	500	100
Hemfosa NYAB 1 AB	559138-8573	Nacka	500	100
Hemfosa NYAB 2 AB	559138-8565	Nacka	500	100
Hemfosa NYAB 3 AB	559138-8557	Nacka	500	100
Hemfosa NYAB 4 AB	559138-6775	Nacka	500	100
Hemfosa NYAB 5 AB	559138-6874	Nacka	500	100
Hemfosa Nyby Fastigheter AB	556974-7941	Stockholm	500	100
Hemfosa Nödinge 38.25 AB	556989-0048	Nacka	50,000	100
Hemfosa Orkestern 2 AB	556571-2105	Nacka	1,000	100
Hemfosa Riksdalern AB	556858-5458	Stockholm	500	100
Hemfosa Riverhook Holdco AB	556959-1372	Stockholm	1,000	100
Hemfosa Rosenfinken 2 AB	556902-7898	Stockholm	500	100
Hemfosa Rosenhäll 1 Fastighets AB	556989-0030	Nacka	50,000	100
Hemfosa Rådanvägen AB	556974-7909	Stockholm	500	100
Hemfosa Segerstad 4 AB	559132-9809	Nacka	500	100
Hemfosa Signalisten i Västerås HoldCo AB	556983-3931	Stockholm	500	100
Hemfosa Sigvald 6 AB	556909-4757	Stockholm	500	100
Hemfosa Sikhjälma AB	556858-1267	Stockholm	500	100
Hemfosa Skolfastighet 1 AB	559009-9320	Nacka	1,000	100
Hemfosa Skolfastighet 2 AB	556960-2039	Nacka	1,000	100
Hemfosa Skolfastighet 3 AB	559016-0254	Nacka	1,000	100
Hemfosa Skolfastighet 4 AB	556961-7342	Nacka	1,000	100
Hemfosa Skrea 23:53 AB	556842-6075	Nacka	1,000	100
Hemfosa Skruven Teti AB	556866-8312	Stockholm	500	100
Hemfosa Skövde 17 AB	556971-2937	Stockholm	500	100
Hemfosa Skövde 18 AB	556692-8973	Nacka	1,000	100
Hemfosa Småland AB	556818-4666	Stockholm	500	100
Hemfosa Smålandsfastigheter Fastighets AB	556713-1866	Stockholm	1,000	100
Hemfosa Smålandsfastigheter Fastighets HoldCo AB	559133-3835	Nacka	500	100
Hemfosa Snödroppen Teti AB	556866-3966	Stockholm	500	100
Hemfosa Solbacken Teti AB	556866-8320	Stockholm	500	100
Hemfosa Solen AB	556796-8408	Stockholm	1,000	100
Hemfosa Stockholm AB	556740-9841	Stockholm	1,000,000	100
Hemfosa Strängnäs I AB	556706-3382	Stockholm	1,000	100
Hemfosa Sundsvall AB	556676-6415	Stockholm	1,000	100

Note 25 CONT'D

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Sundsvall Pan 5 AB	556971-2960	Stockholm	500	100
Hemfosa Svenljunga AB	556992-0795	Nacka	50,000	100
Hemfosa Sägklingan 10 AB	556906-5757	Stockholm	500	100
Hemfosa Söder 18:19 AB	556545-7024	Nacka	1,000	100
Hemfosa Söderbymalm AB	556822-0742	Stockholm	500	100
Hemfosa Takläggaren Fastighets AB	556625-5658	Stockholm	1,000	100
Hemfosa Takläggaren Fastighets HoldCo AB	559133-3769	Nacka	500	100
Hemfosa Tallrotsgatan AB	556974-7958	Stockholm	500	100
Hemfosa Tegelbruket Fastighets AB	556974-7917	Stockholm	500	100
Hemfosa Tordyveln 1 AB	556974-7891	Stockholm	500	100
Hemfosa Torlunda 1.278 KB	916624-6232	Nacka	N/A	100
Hemfosa Torlunda 1:278 HoldCo AB	556983-3634	Stockholm	500	100
Hemfosa Trivium Fastighets AB	556937-3748	Nacka	500	100
Hemfosa Trollhättan Teti AB	556866-8098	Stockholm	500	100
Hemfosa Tulpanen Teti AB	556866-3917	Stockholm	500	100
Hemfosa Tunnan i Trollhättan AB	556938-3994	Stockholm	500	100
Hemfosa Tändstickan Fastighets AB	556971-2895	Nacka	500	100
Hemfosa Uddevalla I AB	556694-7841	Nacka	1,000	100
Hemfosa Uddevalla Teti AB	556862-9884	Stockholm	500	100
Hemfosa Ullervad Fastighets AB	556974-7925	Stockholm	500	100
Hemfosa Umedalenfastigheter AB	556695-4870	Stockholm	1,000	100
Hemfosa Umeå AB	556676-6423	Stockholm	1,000	100
Hemfosa Unaman 8 Fastighets AB	556911-2906	Stockholm	500	100
Hemfosa Unaman 8 Fastighets HoldCo AB	559133-3777	Nacka	500	100
Hemfosa Uppsala AB	556676-6431	Stockholm	1,000	100
Hemfosa Uppsala Kungsängen 24:13 AB	556950-2239	Nacka	500	100
Hemfosa Valhalla 1:6 HoldCo AB	556983-3626	Stockholm	500	100
Hemfosa Vallentuna-Mörby 1:118 KB	969601-2633	Stockholm	N/A	100
Hemfosa Vendelsö AB	556845-2287	Stockholm	500	100
Hemfosa Wera AB	556987-3945	Stockholm	500	100
Hemfosa Wera HoldCo 1 AB	559132-9734	Nacka	500	100
Hemfosa Wera HoldCo 2 AB	559132-9742	Nacka	500	100
Hemfosa Wera HoldCo 3 AB	559138-8524	Nacka	50,000	100
Hemfosa Wera HoldCo 4 AB	559138-8516	Nacka	500	100
Hemfosa Wera HoldCo 5 AB	559138-8581	Nacka	50,000	100
Hemfosa Vimmerby AB	556720-6510	Stockholm	1,000	100
Hemfosa VMO Fastighets AB	556942-6413	Stockholm	500	100
Hemfosa VMO Fastighets HoldCo AB	559133-3744	Nacka	500	100
Hemfosa Vonco Fastighets AB	556761-9043	Stockholm	1,000	100
Hemfosa Vulkanus 15 AB	559007-6047	Nacka	50,000	100
Hemfosa VXJ Fastighets 2 AB	556942-6504	Stockholm	500	100
Hemfosa Vällingby Fastighets AB	556818-1589	Nacka	1,000	100
Hemfosa Vänersborg Fastigheter KB	916848-9087	Nacka	N/A	100
Hemfosa Värnamo AB	556818-4443	Stockholm	500	100
Hemfosa Väst AB	556987-3853	Stockholm	500	100
Hemfosa Västernorrland AB	556974-7966	Stockholm	500	100
Hemfosa Västerås 1 AB	556676-6464	Stockholm	1,000	100
Hemfosa Västerås 2 AB	556676-6449	Stockholm	1,000	100
Hemfosa Västnäs AB	556959-1380	Stockholm	1,000	100
Hemfosa Västra Götalandsregionen Fastighets AB	556937-3649	Nacka	500	100
Hemfosa Växjö AB	556818-4450	Stockholm	500	100
Hemfosa Växjö Cityfastighet AB	556868-6710	Stockholm	500	100
Hemfosa Växjö Logistikfastigheter AB	556782-8420	Stockholm	100,000	100
Hemfosa X-Huset i Växjö AB	556781-0337	Nacka	1,000	100
Hemfosa Åkermyntan Teti AB	556866-8114	Stockholm	500	100
Hemfosa Årsta AB	556822-2508	Stockholm	500	100
Hemfosa ÖK 4:7 AB	556970-6087	Stockholm	500	100
Hemfosa Öst AB	556990-6547	Stockholm	500	100
Hemfosa Österåker AB	556818-4682	Stockholm	500	100
HF Trappan 08 AB	556746-9845	Stockholm	1,000	100
Hille LSS AB	559015-0735	Nacka	500	100
Humble 2 Fastighets AB	559132-0246	Nacka	500	100
Importen Nordic Assets AB	556685-1233	Nacka	1,000	100
Investerargruppen Fem AB	556749-6228	Stockholm	1,000	100
Jonas Lies Gate 20 AS	914,718,198	Oslo	1	96

Note 25 CONT'D

Company name	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Järfälla Jakobsberg 2:2406 AB	559079-8475	Nacka	50,000	100
Kiinteistö Oy Helsingin Kivihaantie 7	2157484-7	Helsinki	2,500	100
Kiinteistö Oy Helsingin Pajuniityntie 11	2100525-7	Helsinki	8,672	100
Kiinteistö Oy Nihtisillankuja 6	0774363-2	Espoo	100	100
Kiinteistö Oy Tampereen Sähkökortteli	2445460-5	Turku	2,500	100
Kiinteistö Oy Tamteva	2445436-5	Turku	2,500	100
Kiinteistö Oy Virastotalo Brahe	2376268-1	Turku	2,500	100
Kiinteistö Oy Vitikka 1	1448061-5	Espoo	158,000	100
Kunnskapsveien 55 AS	884,038,502	Oslo	10,000	96
Landskrona Lejonet 9 AB	559080-3275	Nacka	50,000	100
Lillebaek AS	818,835,612	Oslo	100	96
Lyn Parkering AS	996,440,192	Oslo	100	96
Myrdalsvegen 22 AS	886,114,672	Oslo	1	96
Nyark AB	556942-4640	Nacka	100	100
Nyfosa Holding AB	559134-9443	Nacka	500	100
Nyfosa Möllebacken 15 AB	559138-8466	Nacka	500	100
Nyfosa NYAB 1 AB	559138-8615	Nacka	500	100
Nyfosa NYAB 2 AB	559138-8607	Nacka	500	100
Nyfosa NYAB 3 AB	559138-8599	Nacka	500	100
Nyfosa NYAB 4 AB	559138-8540	Nacka	500	100
Nyfosa NYAB 5 AB	559138-8532	Nacka	500	100
Nyfosa Sågen 2 AB	559138-8425	Nacka	500	100
Nyfosa Sågen 6 AB	559138-8433	Nacka	500	100
Nyfosa Tyska Bryggaregården AB	559138-8458	Nacka	500	100
Nyfosa Verkstaden 8 AB	559138-8441	Nacka	500	100
Oslo Kontorbygg II AS	996,284,808	Oslo	10,000	96
Prins Chr. Augusts Pl. AS	914,717,981	Oslo	1	96
Project Coast Luleå Handelsbolag	969687-0253	Västerås	n/a	100
Project Coast Skellefteå Handelsbolag	969687-0287	Skellefteå	n/a	100
Project Coast Sundsvall Handelsbolag	969687-0279	Västerås	n/a	100
Project Coast Umeå Handelsbolag	969687-0246	Västerås	n/a	100
Quattro Eiendom AS	986,492,607	Oslo	800	96
Ringstadbekk AS	985,196,109	Oslo	100	96
Samhold AS	914,884,926	Oslo	50,000	96
Samhold II AS	915,595,251	Oslo	50,000	96
Samhold III AS	916,328,036	Oslo	50,000	96
Samholderen I AS	915,165,974	Oslo	100	96
Samholderen II AS	992,864,206	Oslo	100	96
Samuel 2 Västerås AB	556720-6346	Stockholm	2,000	100
Skolfastighet i Lödde AB	556791-1036	Stockholm	1,000	100
Skolfastigheter i Parken AB	556766-4718	Stockholm	1,000	100
Stockholm Barnfröken 1 Holding AB	559083-6192	Nacka	500	100
Stockholm Glödlampan 3 Holding AB	559083-6226	Nacka	500	100
Stockholm Knarrarnäs 8 Holding AB	559083-6002	Nacka	500	100
Stockholm Prästgårdsängen 2 AB	559079-8459	Nacka	50,000	100
Stockholm Xalma 3 Holding AB	559083-5996	Nacka	500	100
Storhagen LSS AB	559015-0800	Nacka	500	100
Svartmunken i Halmstad HB	916552-7582	Nacka	n/a	100
Svenska Hem & Vårdfastigheter i Gävle AB	559002-3528	Nacka	500	100
Södertälje Fjärilen 22 Holding AB	559083-6234	Nacka	500	100
TBH Logistikfastigheter AB	556796-5909	Stockholm	1,000	100
Triga Eiendom AS	983,714,323	Oslo	300	96
Tryckerivägen i Landvetter AB	556748-0537	Stockholm	1,000	100
Tunsberghus Eiendom AS	893,091,122	Oslo	1	96
Tyresö Hus Fastighets AB	556814-7945	Stockholm	500	100
Valbo Hälsöfastigheter AB	556721-7913	Stockholm	1,000	100
Weibullsholm Östra LF AB	556796-5917	Nacka	1,000	100
Vogts gate AS	913,013,395	Oslo	1	96
Väsby Hus Fastighets AB	556814-7952	Stockholm	500	100
Åkersberga Företagsfastigheter AB	556508-3234	Stockholm	1,000	100
Åkersberga Företagshus AB	556544-1994	Stockholm	1,000	100

Note 26 SHAREHOLDERS' EQUITY

Trend in share capital	Date	Change in number of ordinary shares	Change in number of preference shares	Quotient value SEK	Changes in share capital, MSEK
Paid in share capital	January 2013	50,000		1	0
New issue, ordinary shares	June 2013	22,207,103		1	22
New issue, ordinary shares	June 2013	2,792,897		1	3
Reduction in ordinary shares	June 2013	-50,000		1	0
Share issue offsetting debt, ordinary shares	March 2014	30,937,495		1	31
New issue, ordinary shares	March 2014	9,782,608		1	10
New share issue, preference shares	December 2014		5,000,000	1	5
Share split 2-for-1	May 2015	65,720,104	5,000,000	0.5	-
Private placement, preference shares	September 2015		999,999	0.5	1
New issue, ordinary shares	May 2016	26,288,041		0.5	12
Total		157,728,249	10,999,999	0.5	84

Hemfosa has two classes of shares: ordinary shares and preference shares. The difference between the classes of shares comprises different voting rights and different rights to the company's assets and profit.

Ordinary share

Each ordinary share carries one voting right, while preference shares carry one tenth of a voting right. The Hemfosa ordinary share is traded under the "HEMF" ticker.

Preference share

Preference shares carry one tenth of a voting right while ordinary shares carry one voting right. Preference shares provide preferential rights, in precedence to ordinary shares, to an annual dividend of SEK 10 per preference share divided among quarterly payments of SEK 2.50 per preference share. Hemfosa's preference share is traded under the "HEMF PREF" ticker.

Dividends

Hemfosa's dividend policy aims to achieve a long-term dividend payment 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. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares. Distributable profit for the year amounted to MSEK 1,589. For the 2017 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of

ordinary shares of SEK 4.80 per ordinary share with quarterly payment of SEK 1.10 per ordinary share. The proposed record dates are April 20, July 10 and October 10, 2018 and January 10, 2019. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10 per share with quarterly payment of SEK 2.50 per preference share, with the record dates being July 10 and October 10, 2018 and January 10 and April 10, 2019. The proposed dividend corresponds to 55 percent of distributable profit for 2017.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

Unrestricted equity, MSEK	2017-12-31
Premium reserve	9,771
Retained earnings	437
Profit for the year	922
Total unrestricted equity	11,214
Funds available for distribution by the AGM	11,214
Dividend payable to holders of ordinary shares SEK 4.80 per ordinary share, a total of	757
Dividend payable to holders of preference share is SEK 10.00 per preference share, a total of	110
To be carried forward	10,347
Total	11,214

Note 27 NON-CURRENT INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities fall due for payment as follows:

MSEK	2017-12-31	2016-12-31
Between one and five years	2,011	2,643
Later than five years	-	-

Note 28 EVENTS AFTER THE BALANCE-SHEET DATE

- The specialist hospital and the local medical center in Gardermoen, Norway, have been completed and the tenants have moved in. Construction of the hospital was completed according to the established timetable, within budget and with a clean bill of health at final inspection. On March 15, Hemfosa became the sole owner of the two properties.
- In February 2018, the Board of Directors of Hemfosa Fastigheter decided to create a subsidiary of Hemfosa's other properties. The process involving an in-depth analysis of the opportunities and structure for a demerger of the Hemfosa Group is progressing as planned. Should a decision be made to implement a spinoff of the new company, the Board will convene an extraordinary shareholders' meeting. The distribution and listing is expected to take place in the second half of 2018.

BOARD *assurance*

The Board of Directors and the Chief Executive Officer give their assurance that this Annual Report provides a true and fair impression 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, March 22, 2018
Hemfosa Fastigheter AB (publ)(Corp.
(Corp. Reg. No. 556917-4377)

Bengt Kjell
Chairman of the Board

Jens Engwall
Chief Executive Officer

Gunilla Högbom
Board member

Anneli Lindblom
Board member

Per-Ingemar Persson
Board member

Caroline Sundewall
Board member

Ulrika Valassi
Board member

Auditors' REPORT

To the general meeting of the shareholders of Hemfosa Fastigheter AB (publ), corp. id 556917-4377

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Hemfosa Fastigheter AB (publ) for the year 2017, except for the corporate governance statement on pages 50–61 and the sustainability report on pages 27–38. The annual accounts and consolidated accounts of the company are included on pages 65–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 50–61 and sustainability report on pages 27–38. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Measurement of investment properties

See Note 1 Significant accounting policies, Note 11 Investment property and Note 24 Important estimates and judgments on pages 78, 89 och 98 in the annual account and consolidated accounts for detailed information and description of the matter.

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

Basis for Opinions

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

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

Key Audit Matters

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

Description of key audit matter

Investment properties are held at fair value in the Groups financial statements. The carrying value of these properties is 41 119 MSEK as per 31 December 2017, which represents 93% of to the Groups total assets. The fair value of Investment properties as per 31 December 2017 has been determined based on valuations carried out by independent valuers.

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

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

Response in the audit

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

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

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

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

We have checked the accuracy of disclosures on Investment properties given by the company in footnotes 1, 11 and 25 in the annual report, especially concerning elements of judgement and applied key assumptions.

Valuation of deferred tax assets

See Note 1 Significant accounting policies, Note 9 Income taxes and Note 17 Deferred tax liabilities/assets on pages 78, 88, 92 and 98 in the annual account and consolidated accounts for detailed information and description of the matter.

<i>Description of key audit matter</i>	<i>Response in the audit</i>
<p>The Group reported deferred tax assets of MSEK 946 related to tax loss carry forwards expected to offset future profits.</p> <p>The accounting of deferred tax assets is based on managements assumptions of the size and timing of future taxable profits as well as interpretation of tax regulations. The value of the deferred tax assets may vary significantly if other assumptions than those used by the company is applied when forecasting future profits and evaluating the possibility to use the tax loss carry forward.</p> <p>The risk is that the carrying value of the deferred tax assets are over or understated and that every adjustment of the value will have a direct impact on the reported profit and effective tax rate.</p>	<p>Our audit procedures within in this area included evaluation of policies applied and the integrity of the Group's model to forecast future taxable profits.</p> <p>We compared key inputs (such as rental income, operating costs, property management costs and investments) in the calculation to earnings capacity and we have considered the Group's ability to previously achieve these plans</p> <p>We have involved KPMGs tax specialists when evaluating the Group's assessments and interpretations of tax regulations and the reasonableness in the Group's assumptions of the ability to offset tax loss carry forwards against future profits.</p> <p>We also evaluated if the disclosures in note 1, 9, 17 and 24 fulfills the requisits in related accounting standard.</p>

Valuation of deferred tax liabilities

See Note 1 Accounting policies, Note 9 Income taxes, Note 17 Deferred tax liabilities/assets and Note 24 Important estimates and judgments on pages 78, 88, 92 and 98 in the annual account and consolidated accounts for detailed information and description of the matter.

<i>Description of key audit matter</i>	<i>Response in the audit</i>
<p>The Group reported deferred tax liabilities of MSEK 2 130 related to temporary differences between tax values and carrying values of investment properties.</p> <p>The way deferred tax liabilities in property management companies are accounted for may differ significantly from the way deferred tax liabilities are accounted for in other industries.</p> <p>The accumulated temporary differences can be significant since properties generally are acquired indirectly through acquisition of shares in property management companies. As a result, the Group assumes the tax values from the seller which are often significantly lower than the groups acquisition cost. The method for calculating deferred tax liabilities in indirect acquisition also vary, depending on, for example whether the real estate acquisition is classified as an asset deal or business combination.</p> <p>The risk is that the carrying value of the Group's deferred tax liability may be over- or understated and that any adjustments to its value will have a direct impact on the results of the period.</p>	<p>We have assessed and challenged the Group's classification of major acquisitions during the year. We evaluated the Groups processes and tools to manage and monitor the tax values and we have tested the Group's deferred tax calculations.</p> <p>We also evaluated if the disclosures in note 1, 9, 17 and 24 fulfills the requirements in the related accounting standard.</p>

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–26, 39–49, 62–64 and 110–128. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hemfosa Fastigheter AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. As part of an audit in accordance with generally accepted

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50–61 has been prepared in accordance with the Annual Accounts Act.

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

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

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 27–38, and that it is prepared in accordance with the Annual Accounts Act.

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

A sustainability statement has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Hemfosa Fastigheter AB (publ) by the general meeting of the shareholders on the 25 April 2017. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2013.

Stockholm, March 22, 2018

KPMG AB

Björn Flink
Authorized Public Accountant



THE ART OF
CHOOSING
THE RIGHT
COLLECTION

Property LISTING

SWEDEN

Community service properties

CATEGORY SCHOOL

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Hagtornen 10	School	Älvsborgsgatan 4	Borås	1967, 1984	1967, 2008	11,415	
Kärreberg 3:172	School	Åtranstigen 1	Falkenberg	2010	2010	397	
Skrea 23:53	School	Brunekullevägen 2	Falkenberg	2012	2014	2,097	
Njord 32	School	Parkgatan 49	Falköping	1980	2012	613	
Björnsjö 42:1	School	Pukslagarvägen 20	Gävle	1983, 1994	-	3,391	
Såtra 108:23	School	No information available	Gävle	2009	-	498	
Guldheden 8:11	School	Reutersgatan 2C	Gothenburg	1992	1995	10,523	
Söderby 2:772	School	Kulfångsgatan 5	Haninge	1979, 2015		1,321	
Söderbymalm 3:481	School	Marinens Väg 30	Haninge	1991	1991	14,796	
Söderbymalm 3:482	School	Marinens Väg 30	Haninge	1999	1999	12,364	
Vendelsö 3:1986	School	Norrbyvägen 104	Haninge	2012	-	4,857	
Akvilejan 4	School	Brännavägen 29	Härnösand	1972	2002	1,339	
Åland 22:1	School	Åland 650	Härnösand	1989	2015	3,658	
Bondsjö 2:312	School	Slättervägen 3	Härnösand	1954	2009	2,807	
Bondsjö 2:338	School	Daghemsvägen 2	Härnösand	1976	2011	653	
Brunne 12:18	School	Brunne 135	Härnösand	1989	1989	2,906	
Eleven 1	School	Gymnastikgatan 4	Härnösand	1966	2010	3,606	
Geresta 1	School	Rosenbäcksgatan 39	Härnösand	1998	2011	10,392	
Hopparen 1	School	Murbergsvägen 25	Härnösand	1950	1979	884	
Hörnän 2	School	Sehstedtsvägen 1	Härnösand	1985	1991	753	
Inspektorn 11	School	Brunnshusgatan 18	Härnösand	1903	2010	24,087	
Läraren 1	School	Kastellgatan 35	Härnösand	1955	1979	3,953	
Oxen 1	School	Sköldgatan 1	Härnösand	1968	2005	805	
Prylen 1	School	Skolgränd 2	Härnösand	1968	2003	829	
Solen 15	School	Södra Vägen 22	Härnösand	1895, 1979	1979	10,869	
Stenhammar 1:223	School	Tjädevägen 114	Härnösand	1994	1994	1,139	
Stenhammar 1:224	School	Koltrastvägen 171	Härnösand	1981	1981	242	
Vangsta 1:102	School	Trumpetgatan 50	Härnösand	1976	1993	830	
Västansjö 1:41	School	Folketshusv. 7	Härnösand	1963	2014	327	
Västansjö 1:86	School	Folketshusvägen 9	Härnösand	1971	2008	3,742	
Kullbäckstorp 2:268	School	Kvarnbacken 2	Härnyda	1988, 1992	-	9,759	
Batteriet 6	School	Regulatorvägen 11	Huddinge	1993, 2003, 2014	-	3,819	
Grankotten 1	School	Gamla Dalarövägen 6	Huddinge	2017		1,430	
Jakobsberg 2:2838	School	Stuterivägen 41	Järfälla	2016		1,186	
Karlskrona 3:3	School	Arenavägen 1-11	Karlskrona	1972	2004	30,846	
Blyet 2	School	Gruvgången 4	Karlstad	2015	-	7,620	L
Löddeköpinge 23:26	School	Kunskapsvägen 1	Kävlinge	2011		3,000	
Hunden 12	School	Götgatan 4	Kristianstad	1955, 2013		6,001	
Lejonet 9	School	Enoch Thulins Väg 1	Landskrona	1953	2005	11,464	L
Innerstaden 1:267	School	Folkparksgatan 15	Motala	1945		1,200	
Lännersta 1:123	School	Lännerstavägen 1	Nacka	1998, 2013		3,055	L
Mensättra 28:8	School	Källängsvägen 1	Nacka	1997, 2015		562	
Solsidan 13:1	School	Vinbärsvägen 1	Nacka	1972, 2015		550	L
Biotiten 1	School	Balders Båge 2	Norrälje	2012	-	3,087	

CATEGORY SCHOOL, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Visseltofta 21:1, 2:4, 3:54	Care services	Grims Väg 12	Osby	1991, 1993	-	883	
Visseltofta 4:7	Care services	Visseltofta 1369	Osby	1990	-	446	
Noshörningen 15	School	Nysättravägen 21	Södertälje	1958	2017	6,492	
Vindfånget 4	School	Vibyåsen 14	Sollentuna	1996, 2015		780	L
Barnfröken 1	School	Ellen Keys Gata 2	Stockholm	1978	1978	4,399	L
Gräskö 1	School	Edagränd 7	Stockholm	2015		1,085	L
Häftklammern 9	School	Alnötorget 1-3	Stockholm	1960	2015	1,649	
Mimer 7	School	Hagagatan 23A	Stockholm	1967	2015	6,805	
Oväder 2	School	Gösta Ekmans väg 7	Stockholm	2016	2016	1,138	L
Vattenfallet 16	School	Östersundsgatan 3	Stockholm	1960	2015	3,559	
Åkroken 1	School	Holmgatan 10	Sundsvall	1870, 1920, 1933, 1997, 2001, 2005, 2009	2009	26,416	
Roten 6	School	Tallrotsgatan 2	Sundsvall	1952	2004	3,000	
Västhagen 1	School	Universitetsallén 26	Sundsvall	1916, 1986	2012	6,296	
Nävern 1	School	No information available	Umeå	2016		1,600	
Teatern 5	School	Aktörgränd 28	Umeå	1930	1998	3,455	
Teatern 6	School	Aktörgränd 29-31	Umeå	1930	1996	5,297	
Teatern 8	School	Aktrisgränd 14	Umeå	1998	1998	1,765	
Flogsta 47:1	School	Ekeby Bruk 35	Uppsala	1960	1990	16,522	
Niklasberg 2	School	Repslagarvägen 9	Vänernborg	1916, 1970, 2008, 2011	2012	8,030	
Niklasberg 3	School	Regementsgatan 13	Vänernborg	1916	2010	5,167	
Östra Ekedal 1:100	School	Östra Ekedalsvägen 2	Värmdö	1994, 2015		580	
Folkets Park 3	School	Hemdalsvägen 3	Västerås	1950	1982	2,200	
Handyxan 1	School	Frejagatan 17	Västerås	1997		820	L
Flåkten 13	School	Alegatan 15	Växjö	1979, 1989	2010, 2011	2,880	
Segerstad 4	School	Segerstadsvägen 7	Växjö	1990	2015	1,375	
Handlaren 1	School	Silverdalsgatan 2	Älmhult	2003	2014	1,670	
Mosås 8:28	School	Bodekullsvägen 14	Örebro	1994		2,740	
Almby 13:772	School	Braxenvägen 3	Örebro	2012	-	2,476	
Missionen 2	School	Åstadalsvägen 4	Örebro	2010	-	2,861	
Runö 7:162	School	Näsvägen 15	Österåker	1998	1998	6,080	
Runö 7:163	School	Näsvägen 17	Österåker	1988	1988	4,573	
Total 75						352,711	

CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Vulkanus 15	Office	Fabriksgatan 14	Borås	1945	1945	10,466	
Viljan 2	Office	Kungsgatan 13	Eskilstuna	1976	1976	9,162	
Trasten 7	Office	Viktorigatan 6	Filipstad	1985	1985	2,528	
Othem Stenhuggaren 2	Office	Kronbrunnsgatan 8	Gotland	1983	-	531	
Borgmästaren 4	Office	Dalavägen 8	Hagfors	1962	1980	4,917	
Halmstad 6:48	Office	Ernst Wigforss Plats 1	Halmstad	1929/1970	1989/2015	5,982	
Österskans 2	Office	Skansgatan 1a	Halmstad	1987	1987	8,999	
Rudan 5	Office	Bredgatan 3	Halmstad	1891	1912	899	
Sankt Nikolaus 19	Office	Slottsgatan 2	Halmstad	1943/1959	1957/1959	6,640	

CATEGORY OFFICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Slottet 4	Office	Södra Vägen 5	Halmstad	1978/1978	1978/1978	5,670	
Svartmunken 1	Office	Norra Källegatan 4a	Halmstad	1980/1980	1980/1980	8,114	
Söderbymalm 3:486	Office	Rudsjöterrassen 2	Haninge	1988	1988	22,826	
Adjunkten 1	Office	Backgränd 18	Härnösand	1962	1998	5,452	
Folkskolan 3	Office	Brunnshusgatan 4	Härnösand	1912	2010	5,971	
Hovsjorden 7, 9	Office	Rosenbäckshallén 18E	Härnösand	1919	1994	9,561	
Juristen 6	Office	Nybrogatan 15B	Härnösand	1865	1994	7,118	
Rådhuset 6	Office	Norra Kyrkogatan 3	Härnösand	1959	1970	2,821	
Vinstocken 2	Office	Norra Kyrkogatan 2	Härnösand	1955	2000	2,904	
Grottan 7	Office	Kullgatan 5	Hudiksvall	1978	1990	7,816	
Jakobsberg 2:2406	Office	Hästskovägen 88	Järfälla	1950	2001	4,504	
Plommonet 3	Office	Erik Dahlbergsvägen 32a	Karlshamn	1961	1961	2,099	
Adlersten 59	Office	Stenbergstränd 8	Karlskrona	1984	1984	3,403	
Frimuraren 8	Office	Guldsmidsgränd 3	Karlskrona	1890	1982	2,205	
Rügen 50	Office	Västra Vittusgatan 4	Karlskrona	1992	1992	10,819	
Sparre 3	Office	Drottninggatan 18a	Karlskrona	1920	1966	11,184	
Stumholmen 2:1, 2:21	Office	Bastionsgatan 18	Karlskrona	1750	1990	4,103	
Bryggaren 12	Office	Våxnäsgränd 5A	Karlstad	1955	1967	12,003	
Karolinen 2	Office	Våxnäsgränd 10	Karlstad	1978	1978	47,371	
Botulf 4	Office	Hultgrensgatan 4	Köping	1969	1969	3,079	
Kristianstad 4:7	Office	Kockumsgatan 6	Kristianstad	1904, 1906, 1940	1929, 1940	15,748	
Södra Kasern 2	Office	Västra Storgatan 51L	Kristianstad	1790		26,110	
Uroxen 15	Office	Kungsgatan 30	Kristinehamn	1975	1975	6,950	
Spiggen 4	Office	Kungsgatan 5	Luleå	1981	2008	6,506	L
Väljaren 10	Office	Kungsvägen 69	Mjölby	1984	1984	4,354	
Importen 4	Office	Tegelängsgatan 13	Norrköping	1930, 1929, 1950, 1991	1989-1990	20,756	
Presidenten 1	Office	Slottsgatan 78	Norrköping	1975	1975	35,833	
Johannishus 1:19	Office	Lockagårdsvägen 11	Ronneby	1900	1990	104	
Fjärilen 22	Office	Turingegatan 24	Södertälje	1984	1998	5,558	
Skedom 21:1, 21:4	Office	Skedom 107-109	Sollefteå	1957	1990	2,500	
Tackan 9	Office	Bygdevägen 18	Sollentuna	1971, 2013	2015	5,938	
Stenung 3:84, 106:7	Office	Kyrkvägen 1	Stenungsund	1954	-	2,000	
Granlo 3:220	Office	Kalmarvägen 48	Sundsvall	1960	1993	539	
Köpstaden 24	Office	Bultgatan 14	Sundsvall	1986	2011	1,420	
Forellen 19	Office	Bollmora Torg 1-3	Tyresö	1965	1967	7,995	
Bastionen 28	Office	Bastionsgatan 40	Uddevalla	1950	2007	6,980	
Hvitfeldt 22	Office	Bagges Gränd 1	Uddevalla	1980	2013	10,071	
Vilunda 6:59	Kontor	Drabantvägen 11, Dragonvägen 86-90	Upplands Väsby	1972	1972	5,658	
Boländerna 5:2	Office	Bolandsgatan 16a	Uppsala	1975	1980	7,412	
Vallentuna-Mörby 1:118	Office	Fabriksvägen 1A	Vallentuna	1981	1981	2,787	
Mon 13	Office	Karlsdalsgatan 2	Värnamo	1983	2003	1,976	
Gaslyset 2	Office	Lysgränd 1	Västerås	1990	1990	2,573	
Kungsängen 12	Office	Pilgatan 8A	Västerås	1947	1991	9,750	
Lea 15	Office	Stora Gatan 58	Västerås	1972	1972	16,049	
Rosenfinken 2	Office	Lövhagsgatan 2	Västerås	1973	2015	1,598	L
Slottsträdgården 2	Office	Slottsstigen 2	Västerås	1961	1961	9,725	
Nordstjärnan 1	Office	Kronobergsgatan 18-20	Växjö	1971/2000	2010	6,130	
Berga 6:489	Office	Luffarbacken 5	Österåker	1985	1985	2,118	
Total 57						454,285	

CATEGORY JUDICIAL INSTITUTIONS

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Hoppet 6	Judicial system	Solgatan 1	Alingsås	1957, 1974, 1992	1978	7,354	
Tigern 4	Judicial system	Oscarsgatan 6	Alingsås	1899	1958	2,843	
Abborren 13	Judicial system	Kungsgatan 42	Avesta	1974	1974	5,581	
Sparven 1	Judicial system	Garnisonsgatan 6B	Boden	1930	2014	7,953	
Illern 4	Judicial system	Riksvägen 19	Bräcke	1984	1984	435	
Boken 12	Judicial system	Björkvägen 2	Eksjö	1958	1960	2,350	
Nannylund 1	Judicial system	Mosstegsgatan 2	Eksjö	2009	2009	6,222	
Vipan 14	Judicial system	Nygatan 4	Eskilstuna	1958	1958	8,541	
Länsmannen 1	Judicial system	Trädgårdsgatan 41	Falköping	1973	1973	3,998	
Alkan 1	Judicial system	Kvarngatan 2	Gällivare	1993	1993	4,530	
Beckasinen 11	Judicial system	Kvarngatan 3	Gällivare	1983	2013	3,548	
Duvan 2	Judicial system	Storgatan 2	Härnösand	1971	1993	6,535	
Gjutaren 6	Judicial system	Norra Kyrkogatan 17A	Hudiksvall	1975	2014	6,226	
Hantverkaren 1	Judicial system	Värmlandsvägen 25	Karlskoga	1983	1983	6,890	
Örnen 4	Judicial system	Kungsgatan 11	Karlstad	1869	1997	6,194	
Hjorten 1	Judicial system	Djulgatan 26	Katrineholm	1984	1984	4,917	
Finkan 7	Judicial system	Konduktörsgatan 2	Kiruna	1974	1974	5,598	
Fängelset 5	Judicial system	Götgatan 1	Kristianstad	1952	1952	5,777	
Kristianstad 4:45	Judicial system	Östra Kaserngatan 1	Kristianstad	1976	1976	11,041	
Kyrkokvarteret 11	Judicial system	Prästgatan 6	Lindesberg	1981	1981	5,869	
Norra Ljungkullen 7	Judicial system	Södra Torggatan 1	Ljungby	1979	-	5,338	
Von Conow 57	Judicial system	Själbodgatan 6-8	Malmö	1984	1984	6,890	
Mekanikern 1	Judicial system	Boråsvägen 50	Land	1957	1957	2,314	
Ingenjören 6	Judicial system	Järnvägsparken 1	Motala	1974	1974	6,871	
Vakten 1	Judicial system	Södergatan 1	Nässjö	1985, 1996, 2008	1985	2,634	
Venus 11	Judicial system	Slottsgatan 5	Oskarshamn	1955	1955	4,535	
Brunnsgården 6	Judicial system	Brännavägen 9	Skellefteå	1955	2012	1,999	
Måsen 21	Judicial system	Strandgatan 47	Skellefteå	1975	1990	8,795	
Lärkan 8	Judicial system	Hågestavägen 2	Sollefteå	1975	1975	5,250	
Transporten 2	Judicial system	Tingsvägen 7	Sollentuna	1980	2000	16,815	
Bremen 3	Judicial system	Tegeluddsvägen 1	Stockholm	1963/2006	2006	21,183	
Samuel 2	Judicial system	Sigurdsgatan 22	Västerås	2008	2008	7,141	
Idre 5:114	Judicial system	Byvägen 34	Älvdalen	1988	1988	256	
Ungern 6	Judicial system	Nytorngatan 1A	Örnsköldsvik	1972	1986	6,009	
Total 34						208,432	

CATEGORY CARE SERVICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Nödinge 38:25	Healthcare	Klockarevägen 14	Ale	1985	-	1,094	
Karlsborg 4:1	Care services	Karlsborg 1	Aneby	1990	-	679	
Norränge 3:72	Healthcare	Norrängevägen 114	Bollnäs	1965	-	3,300	
Österböle 2:13	Healthcare	Österböle 9031	Bollnäs	1964	-	1,000	
Buskåker 24:2	Healthcare	Tunavägen 246	Borlänge	1927	-	540	
Gropen 1:2	Healthcare	Tunavägen 240	Borlänge	1849	-	530	
Hansgårdarna 8:9	Healthcare	Hansgårdarna 50a	Borlänge	1940/2014	-	784	
Pusselbo 2:19	Healthcare	Heduddsvägen 20	Borlänge	1900	-	600	
Misteln 13	Healthcare	Ängsgatan 3	Essunga	1985	1985	1,778	
Årstad 9:40	Healthcare	Smeagårdsvägen 5	Falkenberg	1963/1980	-	1,311	
Läkaren 5	Healthcare	Sankt Olofsgatan 8	Falköping	1948/2003	2003	3,320	
Röne 1:9, Hässjö 1:3	Healthcare	Grolanda Hagalund 1	Falköping	1930	-	150	
Dyrtorp 1:129	Care services	Hävestensvägen 5a	Färgelanda	1977	2013	6,979	
Betaren 4	Care services	Profilvägen 8	Finspång	1973	1973	1,991	
Hårstorp 3:366	Care services	Hårstorp svägen 13	Finspång	1972	1995	2,880	

CATEGORY CARE SERVICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Östermalm 1:12	Care services	Södra Storängsvägen 50	Finspång	1950/1960/ 1994	-	8,510	
Tegelbruket 3	Care services	Östermalmsvägen 55	Finspång	2003	2003	3,275	
Brynäs 34:14	Care services	Atlasgatan 9c	Gävle	1929	1929	645	
Hille 2:144	Care services	Övre Hattmursvägen 4	Gävle	2017	2017	476	
Holmsund 8:5	Care services	Normarksvägen 3	Gävle	2016	2018	395	
Markheden 4:45, 4:46	Healthcare	Bäckvägen 5	Gävle	2009	-	1,986	
Sättra 108:21	Healthcare	Folkparksvägen 5	Gävle	2009	-	1,784	
Söder 66:9	Care services	Södra Centralgatan 19a	Gävle	2016		6,785	
Storhagen 57:8	Care services	Transtråket 54	Gävle	2017	2017	476	
Tuve 15:90	Healthcare	Kärrdalsvägen 42	Gothenburg	1925	-	299	
Guttorp 1:34, 1:44	Care services	Mariedalsvägen 17	Götene	1929	2016, 2017	390	
Garde Nygårds 1:68, Garde Kulde 1:37	Care services	Garde Brunnraudvägen 2	Gotland	1967, 1985	-	1,015	
Lilla Häggvik 1:1	Care services	Häggvik Gamla Prästgården 3a	Grums	1920/1930	2016/ 2017	497	
Barrebacken 6:1	Healthcare	Barrebacken 3	Gullspång	1969	-	400	
Källtorp 2:63, 2:93	Healthcare	Stiftelsen Källtorp 2	Gullspång	1954/2009	-	220	
Solbacken 1:5	Healthcare	Solbacken 5	Gullspång	1981	-	150	
Tuna 2:70	Healthcare	Bryggargatan 8	Hallsta- hammar	1977	-	571	
Åland 1:91	Care services	Nämndemansvägen 4A	Härnösand	1948	2008	2,765	
Brunne 12:21	Care services	Brunne 157	Härnösand	1993	2011	2,923	
Fastlandet 2:84	Care services	Hospitalsgatan 12	Härnösand	1845/1862/ 1950/1971/ 1980/1988	2015	12,477	
Häcken 13	Care services	Källvägen 10	Härnösand	1996	1996	787	
Högsjö-Dal 2:90	Care services	Hälledalsvägen 53	Härnösand	1970	1970	3,510	
Ön 2:58	Care services	Volontärvägen 39	Härnösand	1992	1992	5,727	
Ön 2:63	Care services	Rosenbäcksalen 15 A	Härnösand	1963	1963	5,141	
Orren 12	Care services	Institutgatan 16 B	Härnösand	1980	1991	238	
Sågen 10	Care services	Kiörningsgatan 20	Härnösand	1955	1998	755	
Skolan 1	Care services	Norra Ringvägen 23	Härnösand	1947	1968	7,291	
Sländan 12	Care services	Brännnavägen 67	Härnösand	1970	1985	5,634	
Venus 7	Care services	Lönegrens-gatan 2 & 8 Vårs- tagatan 9, Vårstagatan 7	Härnösand	1950	1991	2,055	
Brotschen 10, 11	Healthcare	P A Perssons Gata 6	Hässleholm	1900/1955	-	380	
Brotschen 9, 12	Healthcare	P A Perssons Gata	Hässleholm	1910/1973	-	2,100	
Ljusbadet 1	Healthcare	Terapivägen 3	Hässleholm	1973/1980	-	415	
Svarven 4, 5	Healthcare	Chuckvägen 3	Hässleholm	1987	-	572	
Tormestorp 31:1	Healthcare	Garnvägen 5	Hässleholm	1996	-	250	
Torsjö 1:33	Care services	Torsjö 2871	Hässleholm	1948	2017	834	
Tyringemölla 1:11	Healthcare	Möllegatan 3	Hässleholm	1999	-	337	
Jälkarbyn 132:68	Healthcare	Vintervägen 37	Hedemora	1976	-	175	
Jälkarbyn 132:77	Healthcare	Vintervägen 39	Hedemora	1991	-	250	
Jälkarbyn 132:80, 132:81	Healthcare	Angersteinvägen 54	Hedemora	1991	-	250	
Vikmanshyttan 3:2	Healthcare	Björkallén 1	Hedemora	1741/1973	-	1,900	
Flugsvampen 7	Healthcare	Horsbyvägen 16a	Herrljunga	1978/1999	1999	2,866	
Gunnarp 5:42, 5:10	Healthcare	Gunnarp Jeppatorpet 125	Höör	1982	-	330	
Bakareboda 1:162	Care services	Servicevägen 1	Karlskrona	1960	2006	2,125	
Stjärnebo 1	Healthcare	Danboms Väg 2A	Kinda	1953	-	7,600	
Äsphult 24:1, 24:3	Healthcare	Oravägen 197	Kristianstad	1981/2000	-	2,172	
Tom 2:28	Healthcare	Tomvägen 49	Kungsbacka	1930	-	272	
Lunna 1:22	Healthcare	Gösslunda Lunna Gärd 1	Lidköping	1856, 1974, 2003		250	
Tre Högar 3	Care services	Tre Högars Väg 3	Lund	2017	2017	1,360	
Lyrestads Klockarbol 5:39	Care services	Sjötorpsvägen 2	Mariestad	1958	1992	4,284	
Tordyveln 1	Healthcare	Brätenvägen 4	Mariestad	1984	2014	810	

CATEGORY CARE SERVICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Ullervad 14:19	Care services	Ullervadsvägen 4A	Mariestad	1963/2011	2011	7,315	
Foss 12:24	Healthcare	Centrumvägen 34	Munkedal	1980/2007	2007	1,917	
Norbergsby 14:101	Healthcare	Linnévägen 29	Norberg	1965	-	315	
Norbergsby 7:60	Healthcare	Linnévägen 2a	Norberg	1750/1800-1826/2010	-	606	
Spännarhyttan 2:7	Healthcare	Spännarhyttan 12	Norberg	1883	-	415	
Färnebo Prästgård 1:28	Healthcare	Runemovägen 18a	Sala	1955	-	288	
Salbohed 1:3	Healthcare	Kopparbergsvägen 31	Sala	1980	-	3,716	
Förmannen 7	Care services	Odengatan 26	Sandviken	1930	2016	408	
Boberg 4:10	Healthcare	Boberg 9	Säter	1900/2001	-	500	
Kila 3:7	Care services	Kampavall Kila 4	Skövde	2015/2016	-	194	
Risingsbo Herrgård 1	Healthcare	Herrgårdsvägen 4	Smedjebacken	1750/2000	-	1,320	
Marschen 1	Care services	Rådanvägen 27	Sollentuna	2006	-	4,308	
Görväln 1	Healthcare	Bränningevägen 2	Stockholm	1966	2007	3,619	L
Kontorsskylten 7	Healthcare	Frostviksgatan 1	Stockholm	1971, 2014		5,955	L
Seminariet 6	Care services	Seminarievägen 10A	Strängnäs	1904, 1980	2008-2010	14,045	
Roten 9	Care services	Tomtegränd 5 A-C	Sundsvall	1993	1993	4,369	
Sköle 1:17	Care services	Skölevägen 15	Sundsvall	1985	1985	6,006	
Moga 1:116	Healthcare	Klockaregatan 3	Svenljunga	1950, 1965	1995, 2016	6,837	
Kläringe 4:2	Healthcare	Kläringe 214	Tierp	1922	2013	310	
Sörby 1:34	Healthcare	Sörby Sörgården 17	Töreboda	1930/1980	-	150	
Fjällräven 15	Healthcare	Myråsvägen 6	Uddevalla	1972	2015	4,386	L
Råane 1:16	Healthcare	Råane 250	Uddevalla	1990	-	251	
Rosenhäll 1	Healthcare	Österled 2	Uddevalla	1972	2012	16,047	
Solbacken 10	Healthcare	Silentzvägen 6	Uddevalla	1980	2000	1,790	
Teatern 7	Care services	Rampljusallén 20	Umeå	1930, 1996	1998	5,765	
Gamla Uppsala 94:6	Care services	Topeliusgatan 18	Uppsala	2011	-	5,677	
Gränome 1:13	Healthcare	Gränome 61	Uppsala	1993/1997	-	813	
Hov 4:2, 5:2	Care services	Hov 57	Uppsala	1972, 2013	-	1,147	
Kungsängen 24:13	Retirement Homes	Kungsgatan 91	Uppsala	2016		5,597	
Löten 6:6	Care services	Ferlinsgatan 31B	Uppsala	2011	-	1,568	
Norrvisjö 1:24	Healthcare	Norrvisjö 154	Uppsala	1960	-	480	
Övernäs 2:17	Care services	Övernäs 32	Uppsala	1954, 1980, 1990	-	1,600	
Skeberga 4:3	Healthcare	Skeberga 55	Uppsala	1969	-	530	
Niklasberg 15	Healthcare	Regementsgatan 19	Vänersborg	1979	2010	305	
Harkie 1:99	Care services	Harkievägen 24	Västerås	1950	2016	615	
Älvkarleby 2:2	Healthcare	Älvkarleövägen 4a	Älvkarleby	1930	-	700	
Hägern 4	Healthcare	Gammelvägen 12	Älvsbyn	1950	-	196	
Gimo 11:97	Healthcare	Vattmyren 321	Östhammar	1983	-	172	
Total 103						243,877	

CATEGORY OTHER PROPERTIES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Bälgen 9	Storage	Skandiatgatan 11	Arboga	1890, 1950, 1994-1998	1950, 2000	18,983	
Fastlandet 2:90	Recreational	Murbergsvägen 1	Härnösand	1960	1960	1,575	
Torget 1	Other	Stora Torget 2	Härnösand	1863	1984	798	
Signalisten 11	Land	Signalistgatan 4	Västerås	-	-	0	L
Signalisten 12	Storage	Signalistgatan 4	Västerås	1990	1990	6,658	
Västerås 1:199	Garage	N/A	Västerås	-	-	0	L
Total 6						28,014	

Other properties

CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Centrum 20:1	Office	Källgatan 6	Enköping	1981	1981	3,947	
Norr 12:5	Office	Nygatan 13	Gävle	1978	1978	15,738	
Norr 25:5	Office	Drottninggatan 29	Gävle	1929, 1950, 2003		7,486	
Söder 18:19	Office	Källgränd 4	Gävle	1964,	1996	4,869	
Marås 1:12	Office	Maråsliden	Gnosjö	1930, 1964		1,140	
Gamlestaden 2:10	Office	Kullagergatan 18	Gothenburg	1929	2003	3,154	
Gamlestaden 2:5	Office	Kullagergatan 18	Gothenburg	1910	1929	21,697	
Gamlestaden 2:8	Office	Hornsgatan 1	Gothenburg	1963	1966	20,882	
Höjden 2	Office	Bergöös Väg 6	Hallsberg	1984	1984	3,118	
Klingberget 6	Office	Brogatan 1	Halmstad	1929/1960	1970/ 1980	10,929	
Koljan 9	Office	Kungsgatan 12	Halmstad	1937/1965	1954/ 1965	4,305	
Rudan 6	Office	Bredgatan 1	Halmstad	1950	1950	873	
Svartmunken 2	Office	Karl Xi:s Väg 61	Halmstad	1986	1986	5,108	
Söderbymalm 3:462	Office	Rudsjöterrassen 1	Haninge	1983	1983	52,268	
Kornet 2	Office	Järnvägsgatan 1	Hässleholm	1966	1966	3,698	
Stensholm 1:754	Office	Stensholmvägen 20	Jönköping	2017	2017	8,500	
Tyska Bryggaregården 6	Office	Saltsjöbadsvägen 1a	Karlskrona	1929/2001	1929, 1993, 2001	6,523	
Wattrang 21	Office	Stenbergstränd 3	Karlskrona	1954/1984	1954/ 1984	10,037	
Mätaren 3	Office	Bryggaregatan 11	Karlstad	1986	1986	5,641	
Grävmaskinen 1	Office	Lastvägen 18	Kiruna	1991	1998	3,419	
Skruven 3	Office	Bultgatan 40B	Kungälv	1990	1991	8,026	
Haren 15	Office	Kungsgatan 35B	Luleå	1970	2004	7,728	
Hermelinen 15	Office	Kungsgatan 27	Luleå	1952	2004	7,562	
Mården 11	Office	Magasinsgatan 6	Luleå	1950	1985	9,735	
Plögen 4	Office	Depåvägen 6Ba	Luleå	1966	2008	3,456	
Bryggeriet 2	Office	Jespersgatan 23	Malmö	1972	1978	27,980	
Byrådirektören 3	Office	Von Troils Väg 1	Malmö	1974, 2013	1974	13,910	L
Snödroppen 2	Office	Flöjelbergsgatan 1C	Mölndal	1961	1993	25,939	
Tulpanen 3	Office	Bergfotsgatan 2	Mölndal	1960	1998	56,072	
Sicklaön 358:1	Office	Hästholmsvägen 26	Nacka	1987	1987	16,681	
Orkestern 2	Office	Folkborgsvägen 23	Norrköping	1977, 1986	1989	3,931	
Lärkan 10	Office	Storgatan 50	Skellefteå	1930	2015	5,407	
Glödlampan 3	Office	Ranhammarsvägen 3	Stockholm	2002		2,259	
Knarrarnäs 8	Office	Knarrarnäsgatan 13	Stockholm	1990		3,087	L
Malax 3	Office	Raseborgsgatan 9	Stockholm	1988		6,658	L
Prästgårdsängen 2	Office	Solberga Ängsväg 1	Stockholm	1986		6,551	L
Högom 3:178	Office	Mejselvägen 9	Sundsvall	1970	2002	5,148	
Köpstaden 25	Office	Bultgatan 10B	Sundsvall	1975	2002	9,314	
Köpstaden 26	Office	Bultgatan 8	Sundsvall	1965	1998	1,855	
Ljusta 7:2	Office	Antennvägen 2	Sundsvall	1980	2013	9,035	
Marieberg 5	Office	Skönsbergsvägen 3	Sundsvall	1979	2014	7,298	
Norrmalm 4:6	Office	Heffnersvägen 22	Sundsvall	1970	1991	1,974	L

CATEGORY OFFICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Öskaret 10	Office	Skepparegatan 3	Sundsvall	1989	2004	10,440	
Pan 5	Office	Bankgatan 10	Sundsvall	1889	2014	5,145	
Saturnus 7	Office	Bankgatan 13	Sundsvall	1912	2014	9,202	
Formen 1	Office	Formvägen 5	Umeå	1986	2004	7,513	
Höder 7	Office	Storgatan 59	Umeå	1890	2000	10,197	
Tyr 8	Office	Storgatan 69	Umeå	1997, 2013	2014	8,411	
Kungsängen 15:1	Office	Muningatan 3	Uppsala	1993	2003	24,541	
Bodarna 2	Office	Myntgatan 10	Värnamo	1934, 1991		1,773	
Bokbindaren 20	Office	Västbovägen 56	Värnamo	1975	1991	2,561	
Gamla Gäsen 4	Office	Myntgatan	Värnamo	1907		200	
Gillet 1	Office	Flanaden 3 A	Värnamo	1974	2003	5,228	
Lejonet 11	Office	Lasarettsgatan 1 B	Värnamo	1961, 1987	2005	5,035	
Plattläggaren 1	Office	Silkesvägen 18	Värnamo	1989, 2013		1,798	
Rågen 1	Office	Expovägen 6	Värnamo	1965, 1990	2011	4,828	
Värnamo 14:11	Office	Jönköpingsvägen 41	Värnamo	1917, 1940, 1966	2012	4,030	
Vindruvan 15	Office	Storgatsbacken 12	Värnamo	1989		1,990	
Sågen 2	Office	Ångsgårdsgatan 4	Västerås	1992	1992	3,333	
Sågen 6	Office	Ångsgårdsgatan 12	Västerås	1987	1987	5,945	
Sågklingan 10	Office	Ångsgårdsgatan 13	Västerås	1990	1990	1,709	
Samuel 1	Office	Sigurdsgatan 20	Västerås	1920	1985	6,735	
Sigurd 5	Office	Sigurdsgatan 21	Västerås	1991	1991	13,264	
Sigvald 6	Office	Sigurdsgatan 9	Västerås	1875, 1936	1937	3,643	
Verkstaden 8	Office	Östra Ringvägen 2	Västerås	1936	1951, 1977	20,008	
Bagaren 10	Office	Ljungadalsgatan 2	Växjö	1987	2009-2015	29,913	
Båken 1	Office	Systratorpsvägen 16	Växjö	1983	1983	1,496	
Garvaren 4	Office	Hjalmar Petris Väg 32	Växjö	1981	2010	2,570	
Glasmästaren 1	Office	Arabygatan 80	Växjö	1966	2005	6,199	
Illern 5	Office	Isbjörnsvägen 11	Växjö	1987	2014	2,146	
Ödman 15	Office	Storgatan 29	Växjö	1972	2015	4,321	
Plåtslagaren 4	Office	Verkstadsgatan 5	Växjö	1967/1988	2013	5,602	
Sotaren 4	Office	Arabygatan 82	Växjö	1992	1992	2,979	
Svea 8	Office	Lineborgsplan 3	Växjö	1982	2014	2,160	
Unaman 8	Office	Kungsgatan 3	Växjö	1969	2009	5,609	
Handformaren 2	Office	Sjögatan 4a	Örnsköldsvik	1967/1969	1998	16,596	
Kraften 4	Office	Sjögatan 1a	Örnsköldsvik	1967-1969 and 1958/1965-1967	2008/2009, 2016 and 2008-2009	11,716	
Strandkajen 7	Office	Järnvägsgatan 3	Örnsköldsvik	1991, 1993	1991, 1993	28,684	
Total 78						710,457	

CATEGORY LOGISTIC & STORAGE

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Grönsta 2:52	Storage	Svista Lagerväg 8	Eskilstuna	2006	2006	13,780	
Källsta 1:5	Storage	Bolindervägen 12	Eskilstuna	1999	1999	34,258	
Torlunda 1:278	Storage	Abramsons Väg 2	Eskilstuna	1990/2007	-	15,814	L
Valhalla 1:6	Storage	Bredängsgatan 55	Eskilstuna	1976, 1984, 1991, 2009	1976, 1984, 1991, 2009	9,016	
Nedre Gruvriset 33:278	Storage	Tunavägen 90	Falun	2011	-	44,312	
Arendal 1:17	Storage	Synnerödsvägen 2	Gothenburg	2011	2011	20,548	
Håltås 1:18	Storage	Kurirvägen 1	Härryda	2010	2010	13,316	
Torbornahögen 3	Storage	Stenbrovägen 15	Helsingborg	1981		12,839	
Hedenstorp 2:1	Storage	Mogölsvägen 14	Jönköping	2011	2011	9,000	
Stensholm 1:755	Storage	Stensholmsvägen 20	Jönköping	2015		3,100	
Försäljaren 9	Storage	Filaregatan 19B	Kungälv	1974	1974	8,525	
Örja 1:21	Storage	Österleden	Landskrona	2012		53,663	
Gasmätaren 2	Storage	Argogatan 9	Mölnadal	1984	1992	14,183	
Blåbäret 4	Storage	Sörviksvägen 11	Oskarshamn	1964	1964	15,234	
Tunnan 1	Storage	Turbovägen 11	Trollhättan	2002	2002	17,533	
Danmarks-Säby 10:2	Storage	Åkaregatan 8	Uppsala	2013	2013	9,793	
Armaturen 1	Storage	Armaturgatan 2	Värnamo	1987		18,370	
Rödspättan 1	Storage	Runemovägen 10	Värnamo	1973		4,705	
Rödspättan 4	Storage	Runemovägen 4	Värnamo	1980	2000	2,960	
Sandskäddan 4	Storage	Margretelundsvägen 9	Värnamo	1982		2,780	
Sjötungan 3	Storage	Margretelundsvägen 6	Värnamo	1989		2,570	
Takläggaren 4	Storage	Rörläggarevägen 8	Värnamo	1991	2000	9,067	
Yxan 4	Storage	Fabriksgratan 10-12	Värnamo	1975, 2006, 2008		5,595	
Yxan 6	Storage	Fabriksgratan 4	Värnamo	1978, 1990, 2009		1,477	
Snickaren 12	Storage	Smedjegatan 10	Växjö	1976/1989	2001	24,010	
Terminalen 1	Storage	Öjaby Nylanda 1	Växjö	2010	2010	21,662	
Plåtslagaren 1	Storage	Ålåragatan 4	Vimmerby	2008	2009	10,259	
Ånsta 20:262	Storage	Lastgatan 2	Örebro	2006	2006	15,976	
Bromsen 7	Storage	Bromsvägen 1a	Örnsköldsvik	1971	1971	4,160	
Gjutaren 3	Storage	Sjögatan 5a	Örnsköldsvik	1962	1962	5,308	
Total 30						423,813	

CATEGORY OTHER

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Trasten 12	Retail	Stora Torget 4B	Filipstad	1980	1980	1,891	
Filen 5	Retail	Mårtensgatan 23A	Gislaved	1973	1973	1,643	
Hultåsa 1:18	Land	Lindenvägen 1	Hultsfred	-	-	0	
Dahlberg 31-33, 52, 60, 61	Land	Högabergsgatan	Karlskrona	-	-	0	
Humble 2	Hotel	Skeppsbrokajen 7	Karlskrona	1929	1987	3,048	
Möllebacken 15	Office	Högabergsgatan 3	Karlskrona	1929	1969	6,956	
Riksdalern 3	Retail	Ullebergsleden 10	Karlstad	2001	2001	6,723	
Dynamon 5	Retail	Nygatan 19	Linköping	1969	1969	4,159	
Gänget 14	Retail	Fabriksgatan 7	Ljungby	1974	1974	2,639	
Anisen 2	Industrial	Johannefredsgatan 9	Mölnådal	1989	1991	5,500	
Transistorn 1	Industrial	Svedjevägen 12	Skellefteå	1968	1985	9,320	
Resecentrum 3	Land	Stationsgatan 7	Skövde	-	-	0	
Elementet 8	Retail	Ulvsundavägen 108	Stockholm	1938, 2002		6,876	
Drivhjulet 3	Industrial	Kardanvägen 65	Trollhättan	1989	1999	1,680	
Hjulet 6	Industrial	Kardanvägen 12B	Trollhättan	1980	2009	1,710	
Kuggghjulet 2	Industrial	Kardanvägen 66	Trollhättan	1980	1991	1,500	
Gyldenlöve 16	Retail	Kilbäcksgatan 11	Uddevalla	1953	1985	8,458	
Koch 7	Retail	Kungsgatan 8	Uddevalla	1977	1984	8,980	
Årsta 68:4	Hotel	Fyrislundsgatan 81	Uppsala	1985	1985	3,014	
Almen 9	Retail	Malmövägen 12	Värnamo	1957	2009	12,018	
Bleckslagaren 1	Land	Repslagarevägen 5A	Värnamo	-	-	0	
Filen 2	Retail	Fabriksgatan 3	Värnamo	1966, 1997, 2000	1989, 2003	4,915	
Flundran 4	Industrial	Runemovägen 1A	Värnamo	1963, 1992, 2008		11,416	
Golvläggaren 2	Retail	Silkesvägen 30	Värnamo	1991, 2008, 2010		11,164	
Jungfrun 11	Retail	Köpmansgatan 3	Värnamo	1950, 2000	2000	4,970	
Karpen 3	Retail	Jönköpingsvägen 105	Värnamo	1956, 1990		2,670	
Linden 1	Retail	Växjövägen 24 A	Värnamo	1960, 1989, 2012		6,319	
Ljuset 8	Retail	Nydalavägen 1	Värnamo	2003		2,600	
Mattläggaren 1	Industrial	Silkesvägen 24	Värnamo	1997	2000	2,700	
Mattläggaren 2	Retail	Silkesvägen 26	Värnamo	1991, 2008	2012	3,133	
Posten 4	Industrial	Postgatan 3	Värnamo	1929, 1940, 1968	1989, 2015	4,174	
Takläggaren 8	Industrial	Silkesvägen 43	Värnamo	1999	2008	6,995	
Värnamo 14:86	Land	Myntgatan	Värnamo	-	-	0	
Vindruvan 4	Retail	Storgatsbacken 16 A	Värnamo	1982	2001	4,001	
Sigurd 6	Land	Sigurdsgatan 21	Västerås	-	-	0	
Sigvald 5	Land	Sigurdsgatan 21	Västerås	-	-	0	
Fläkten 7	Industrial	Lantmannavägen 3	Växjö	1963	1993	8,483	
Isbjörnen 4	Industrial	Isbjörnsvägen 6	Växjö	1993	2014	10,933	
Postiljonen 2	Land	Uppgift saknas	Växjö	-	-	0	
Rimfrosten 1	Retail	Solängsvägen 2	Växjö	1972	2008	8,650	
Sjömärket 3	Industrial	Annsvägen 3	Växjö	1989	2000	9,495	
Vik 1:36	Mark	Uppgift saknas	Vingåker	-	-	0	
Handlaren 4	Land	Danska vägen 120	Älmhult	-	-	0	
Total 43						188,733	

NORWAY

Community service properties

CATEGORY SCHOOL

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Fredrikstad-423/159-160, 164-165, 171-173	School	Stadion 2	Fredrikstad	1948, 1995, 1999, 2003, 2007, 2009, 2011	1989, 1995, 2011	30,407	
Skedsmo-24/89	School	Kunnskapsveien 55	Skedsmo	1972, 1977, 1986, 1992, 2003		25,255	
Total 2						55,662	

CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Myrdalsvegen 22	Office	Myrdalsvegen 22	Bergen	2007		5,950	
Wilbergjordet 1	Office	Wilbergjordet 1	Fredrikstad	2003	-	6,044	
Moss-2/1431, 1482, 1484, 1486, 1489, 2261	Office	Vogts gate 17	Moss	1993		9,462	
Oslo-225/261	Office	Sannergata 2	Oslo	2003		20,087	
Sandesundsveien 3	Office	Sandesundsveien 3	Sarpsborg	1973/2011	2011	4,401	
Korsgata 5	Office	Korsgata 5	Sarpsborg	1957	2008	2,269	
Farmannsveien 50 A	Office	Anton Jenssens Gate 11	Tønsberg	1898	1991	3,661	
Farmannsveien 50 B	Office	Anton Jenssens Gate 7	Tønsberg	1991	-	2,212	
Farmannsveien 50 D	Office	Anton Jenssens Gate 5	Tønsberg	1995	-	6,550	
Farmannsveien 50 E	Office	Anton Jenssens Gate 3	Tønsberg	1995	-	1,436	
Farmannsveien 50 F	Office	Anton Jenssens Gate 8	Tønsberg	2003	-	5,137	
Farmannsveien 50 I	Office	Anton Jenssens Gate 4	Tønsberg	2006	-	4,598	
Farmannsveien 50 K	Office	Anton Jenssens Gate 1	Tønsberg	1999	-	3,394	
Olav Trygvasons gate 4	Office	Olav Trygvasons gate 4	Tønsberg	1916/1990	2004, 2015-2016	8,180	
Total 14						83,382	

CATEGORY JUDICIAL INSTITUTIONS

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Fredrikstad-300/1542	Judicial system	Gunnar Nielsens Gate 25	Fredrikstad	1992		4,370	
Fredrikstad-300/210	Judicial system	Brochs Gate 3	Fredrikstad	1976	1994-96	3,785	
Moss-2/2837	Judicial system	Prins Christian Augusts Plass 3-7	Moss	2004		4,690	
Skedsmo-83/748	Judicial system	Jonas Lies Gate 20-28	Skedsmo	1990, 2009		12,252	
Farmannsveien 50 C	Judicial system	Anton Jenssens Gate 9	Tønsberg	1994	-	2,051	
Total 5						27,148	

CATEGORY CARE SERVICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Bergen-122/610	Care services	Bjørgeveien 316	Bergen	2004		603	
Bergen-18/348	Care services	Fredlundsveien 45	Bergen	2013		735	
Bergen-38/140	Care services	Steinsvikvegen 89	Bergen	1967, 1983, 1987	1987	495	
Ringstabekkveien 105	Care services	Ringstabekkveien 105	Bærum	1924	2014	4,021	
Bømlo-12/17, 12/20	Care services	Færavågen 2	Bømlo	2005		825	
Bømlo-123/72	Care services	Motorsportvegen 7	Bømlo	1992		592	

CATEGORY CARE SERVICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Årnesvegen 23	Healthcare	Årnesvegen 23	Eidsvoll	1984-1990	1999-2006	15,000	
Karmøy-5/34	Care services	Slettatunet 10	Karmøy	2008		1,022	
Mandal-123/5, 123/16	Care services	Daleveien 274	Mandal	1957		650	
Mandal-99/229	Care services	Laustøheia	Mandal	2003		590	
Os-54/765	Care services	Industrivegen 111	Os	2009		1,044	
Ringerike-38/217	Care services	Trygstadveien 1	Ringerike	2000		712	
Ringerike-87/571	Care services	Hovsmarkveien	Ringerike	2010		782	
Skedsmo-31/314	Care services	Elvengveien 14	Skedsmo	2006		1,167	
Strand-16/344	Care services	Kvednanesvegen 74	Strand	2008		1,128	
Total 15						29,366	

CATEGORY OTHER

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Sandesundsveien 5-7	Land	Sandesundsveien 5	Sarpsborg	-	-	0	
Farmannsveien 50 Sam	Garage	Anton Jenssens Gate 13	Tønsberg	1929/2003	-	514	
Total 2						514	

FINLAND

Community service properties

CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Nihtisillankuja 6	Storage	Nihtisillankuja 6	Espoo	1975	-	4,884	
Kivihaantie 7	Office	Kivihaantie 7	Helsinki	1972	2006	19,431	
Hatanpään valtatie 36	Office	Hatanpään valtatie 36	Tampere	2003	-	12,919	
Linnankatu 23	Office	Linnankatu 23	Turku	1989	2016	6,863	
Total 4						44,097	

CATEGORY JUDICIAL INSTITUTIONS

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Vitikka 1	Judicial system	Vitikka 1	Espoo	1979	-	35,402	
Kummatinkatu 6	Judicial system	Kummatinkatu 6	Raahe	2003	-	6,855	
Total 2						42,257	

CATEGORY SCHOOL

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Pajuniityntie 11	School	Pajuniityntie 11	Helsinki	1969	2002	17,730	
Åkerlundinkatu 5	School	Åkerlundinkatu 5	Tampere	1972	2009	7,438	
Total 2						25,168	

JOINT VENTURES

GÄSTGIVAREGATAN HOLDING AB

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm ¹	Leasehold
Tellus 4	Retail	Köpmangatan 5, Gästgivaregatan 14 etc.	Södertälje	1968, 1998	1968	12,616	
Total 1						12,616	

CULMEN STRÄNGNÄS II AB

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm ¹	Leasehold
Norrstacken 14	Other	Hertig Karls väg 14	Strängnäs	2015	-	3,624	
Total 1						3,624	

JOINTLY OWNED WITH ASPELIN RAMM

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm ¹	Leasehold
Ullensaker-136/158	Healthcare	Ragnar Strøms Veg 10	Ullensaker	2017-2018	-	28,464	
Ullensaker-136/160	Healthcare	Ragnar Strøms Veg 4,6, 8	Ullensaker	2017-2018	-	8,658	
Total 2							-

JOINTLY OWNED WITH SAGAX

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm ¹	Leasehold
Vindbryggan 3	Industrial	Borgens Gata 20	Alingsås	1990	1990	1,439	
Botvidsgymnasiet 3	Logistics, warehouse and industrial	Fågelviksvägen 9, 9A-M	Botkyrka	1991	1991	56,308	
Sörred 8:6 VAK	Office	Gunnar Engellaus väg 4	Gothenburg	1967	-	41,611	
Sörred 8:6 VH	Office/Exhibition	Gunnar Engellaus väg 2	Gothenburg	1968	-	2,965	
Sörred 8:6 PA/PB	Office	Personalvägen 19-17	Gothenburg	1967	-	4,402	
Sörred 8:6 VCI	Office	Karossvägen 2	Gothenburg	1988	-	6,695	
Sörred 8:6 VAKV	Office	Äckronavägen 4	Gothenburg	2001	-	4,960	
Sörred 8:6 CH	Office	Sörredsvägen	Gothenburg	1985	-	1,176	
Sörred 8:6 PVV	Office	Gunnar Engellaus väg 20/ Röra byväg 25	Gothenburg	1986	-	11,046	
Sörred 8:10 TLA/TLB	Storage/Office	Pressvägen	Gothenburg	1964	-	23,243	
Sörred 7:33 RV/RV-D	Office	Assar Gabrielssons väg 1	Gothenburg	1971	1971	2,706	
Sörred 7:32 SAA/SAB	Offices/ Warehouses	Gustav Larssons väg 12-26	Gothenburg	1966	1966	12,934	
Östergärde 31:1 BV5	Workshop/offices	Örnekillans väg 2	Gothenburg	1986	-	7,175	
Sörred 8:6 CH-D	Office	Gullkullen	Gothenburg	2017	2017	0	
Sörred 7:31 PVD-D	Parking	Volvo Jakobs väg 17	Gothenburg	2017	2017	0	
Jordbromalm 6:23	Produktion	Dåntorpsvägen 11	Haninge	1980	2008	1,776	
Jordbromalm 1:11	Logistics, warehouse and industrial	Jordbrotorpsvägen 2	Haninge	1964	1975	900	
Köpingehill 1	Industrial	Trintegatan 2	Helsingborg	1991	1991	7,125	
Linjen 1	Logistics, warehouse and industrial	Pyramidbacken 3	Huddinge	1989	1989	2,150	
Oxen 11	Industrial	Västra Drottninggatan 40	Kumla	1972, 1978	1973, 1983	2,451	
Armaturen 10	Industrial	Granlidsvägen 3	Kungsör	1945, 1967, 1999	1945, 1967, 1999	11,288	

¹ Area excluding garage

JOINTLY OWNED WITH SAGAX, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm ¹	Leasehold
Kamaxeln 6	Industrial	Truckgatan 20	Kungälv	1976	1976	1,942	
Haken 15	Storage/Production	Vinkelgatan 1	Malmö	1968	1973	7,187	
Görla 8:60	Industrial	Görlavägen 1	Norrtälje		-	2,900	
Görla 9:40	Logistics, warehouse and industrial	Abborrvägen 4	Norrtälje	2009	2014	870	
Holje 116:116	Storage	Västra Storgatan 2B	Olofström	1949	1970	51,631	
Ratten 18	Storage	Primovägen 1	Oskarshamn	1986	1986	1,615	
Snickeriet 4	Storage	Be-Ge:S Väg 20	Oskarshamn	1976	1980, 1981	5,939	
Snickeriet 14	Offices/Warehouses	Förrådsgatan 6	Oskarshamn	1978, 2002	1978, 2002	2,198	
Öjebyn 119:1	Industrial	Skylvägen 1	Piteå	1968, 1976	1968, 1976	19,816	
Åttersta 6:28	Industrial	Bultvägen 1	Sandviken	1941, 1951, 1972	1941, 1951, 1966, 1972	11,695	
Murängen 2	Industrial	Hammarbyvägen 4	Sandviken	1971, 1978, 1986, 1990	1976, 1978, 1986, 1990	9,553	
Märsta 14:1	Industrial	Industrigatan 2	Sigtuna	1967	1967, 1980	3,261	
Märsta 15:6	Logistics, warehouse and industrial	Industrigatan 10	Sigtuna	1972	1972	1,056	
Nattskiftet 6	Logistics, warehouse and industrial	Elektravägen 5	Stockholm	1951	1951	5,714	L
Arbetsbasen 2	Logistics, warehouse and industrial	Elektravägen 64	Stockholm	1945	1965	1,797	L
Dikesrenen 11	Logistics, warehouse and industrial	Vretenborgsvägen 15	Stockholm	1947	1970	2,001	L
Vreten 24	Logistics, warehouse and industrial	Vretenborgsvägen 6	Stockholm	1945, 1974	1974	1,870	L
Vreten 23	Logistics, warehouse and industrial	Vretenborgsvägen 8	Stockholm	1984	1984	1,590	L
Lagret 1	Logistik, lager och industri	Upplagsvägen 13, 15, 17, 31, 17, 19	Stockholm	1969	1969	8,860	L
Lagerhuset 3	Logistics, warehouse and industrial	Upplagsvägen 21-27, 25B-C, 27A-B	Stockholm	1929, 1954, 1985	1954	10,662	L
Hällsättra 4	Logistics, warehouse and industrial	Stensättravägen 9, 9A-B	Stockholm	1975	1985	13,820	L
Ostmästaren 3	Logistics, warehouse and industrial	Ostmästargränd 6-12, 8A	Stockholm	1982, 1983	1983	19,582	L
Ostmästaren 4	Logistics, warehouse and industrial	Byängsgränd 4-16, Ostmästargränd 1-3	Stockholm	1983	1985	37,261	L
Ostmästaren 5	Office	Ostmästargränd 5, 11-13	Stockholm	1990	1990	10,212	L
Ostmästaren 6	Office	Byängsgränd 20-22	Stockholm	1991	1991	8,515	L
Varuhissen 1	Logistics, warehouse and industrial	Upplagsvägen 1-5	Stockholm	1987, 1999	1990	14,944	L
Asea 3	Logistics, warehouse and industrial	Västberga Allé 60, Västbergavägen 43	Stockholm	1929, 1994	1980	61,663	
Ostmästaren 1	Logistics, warehouse and industrial	Ostmästargränd 2	Stockholm	1980	1980	15,287	L
Varubalen 3	Storage/Office	Upplagsvägen 10A	Stockholm	1964	1964	10,494	L
Mörtö 9	Storage/Office	Fryksdalsbacken 38	Stockholm	1978	1983	3,297	L
Tjockö 1	Industrial	Fryksdalsbacken 40	Stockholm	1980	1980	11,491	L
Görvåln 2	Industrial	Bränningevägen 10	Stockholm	1963	1963	7,279	L
Västberga Gärd 2	Retail	Västberga Gärdsväg 36	Stockholm	1970	1970	4,178	
Solkraften 17, 18	Industrial	Vattenkraftsvägen 8	Stockholm	1989, 1991	1989, 1991	2,001	

1 Area excluding garage

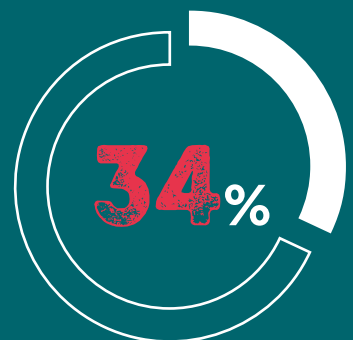
JOINTLY OWNED WITH SAGAX, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm ¹	Leasehold
Filmkameran 3	Logistics, warehouse and industrial	Bilprovningen	Stockholm	1970	1970	3,261	L
Förrådet 5	Logistics, warehouse and industrial	Skattegårdsvägen 122	Stockholm	1970	1974	2,175	L
Stensättra 2	Logistics, warehouse and industrial	Strömsättravägen 14	Stockholm	1970	1981	650	L
Maden 6	Office	Madenvägen 11	Sundbyberg-Rissne	2002	2002	1,403	L
Traktorn 1	Industrial	Morabergsvägen 21, Åkerivägen 2	Södertälje	1971	1971	4,154	
Grävmaskinen 11	Logistics, warehouse and industrial	Morabergsvägen 3	Södertälje	1970	1970	1,711	L
Bagaren 9	Industrial	Radiovägen 7	Tyresö	1984, 1990	1984, 1990	2,300	
Fotografen 1	Industrial	Mediavägen 1	Tyresö	1976	1976	3,948	
Kopparen 14	Industrial	Vintervägen 8	Tyresö	1963, 1979, 1980, 1988, 1999	1963, 1979, 1980, 1988, 1999	9,985	
Kopparen 8	Industrial	Vintervägen 4	Tyresö	1970	1970, 2001	3,847	
Kopparen 9	Industrial	Björkbacksvägen 6	Tyresö	1978	1978	2,343	
Olhamra 1:82	Logistics, warehouse and industrial	Okvistavägen 30	Vallentuna	2005	2005	1,258	
Runö 7:109	Office/Industrial	Rallarvägen 7	Österåker	1986	1986	1,498	
Runö 7:124	Industrial	Rallarvägen 9	Österåker	1990	1990	1,992	
Runö 7:111	Office	Rallarvägen 10	Österåker	1986	1990	1,435	
Runö 7:129	Office	Rallarvägen 39	Österåker	2004	2004	410	
Runö 7:133	Office	Rallarvägen 45	Österåker	1989	1989	1,845	
Runö 7:164	Storage/Office	Näsvägen 19	Österåker	2008	2008	1,450	
Total 73						620,196	

¹ Area excluding garage

WITHOUT
OUR
CLIENTS
Sweden
WOULD STOP

Offices account for nearly 34 percent of the total value of Hemfosa's community service properties. Tenants of the office premises include municipal operations and government authorities such as the Swedish Employment Service and the Swedish Social Insurance Agency.



Share of the community service properties' property value

GLOSSARY

Cash flow from operating activities per common 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.

Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

Dividend policy

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

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.

Equity/assets ratio

Equity as a percentage of total assets.

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.

Ground rent

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

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.

Interest-coverage ratio*

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in the profit of joint ventures

in relation to 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.

Interest-rate cap

An interest-rate 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-rate swaps

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.

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.

Market value of properties

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

Net asset value (EPRA NAV) per ordinary share

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax liabilities 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 key figure 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.

Net loan-to-value ratio*

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

Net operating income*

Net operating income comprises income and expense items directly connected to the property, meaning rental income and 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.

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.

Preference share capital

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

Profit per ordinary share after dilution

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, including potential ordinary shares.

Property

Properties held under title or site leasehold.

Rental income

Rents charged plus supplements for heating and property tax.

Rental value*

Rental income for the total leasable area.

Return on equity

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

Site leasehold

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

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.

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.

* Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA).

INFORMATION TO *shareholders*

Annual GENERAL MEETING

The Annual General Meeting (AGM) of Hemfosa Fastigheter AB (publ) will be held at 2 p.m. CET on Wednesday, April 18, 2018 at Hilton Stockholm Slussen, Guldgränd 8, Stockholm.

REGISTRATION

Shareholders wishing to attend the AGM must:

- be entered in the register of shareholders maintained by Euroclear Sweden AB on Wednesday, April 12, 2018,
- and notify their intention to attend the AGM no later than Wednesday, April 12, 2018. Registration must be made in writing to: Hemfosa Fastigheter AB (publ), c/o Euroclear Sweden AB, "Årsstämma 2018", Box 191, SE-103 23 Stockholm or by telephone to +46-8-402 92 96. Notification is to include name, personal identification number or corporate registration number, address and telephone number, as well as the number of any accompanying advisors (at most two).

PARTICIPATION IN THE MEETING

To be able to participate in the AGM and to exercise their voting rights, shareholders whose shares are registered in a nominee's name must temporarily re-register their shares in their own names. Such re-registration must be completed at Euroclear Sweden AB no later than Wednesday, April 12, 2018. This means that the shareholder must inform the nominee of this well in advance of this date.

If participation is to occur by proxy or through a representative of legal entities, an original power of attorney, registration certificate and other authorizing documents should be sent to the company at the above address well in advance of the AGM. A form for proxies is downloadable from the company's website, www.Hemfosa.se. Shareholders are not permitted to vote remotely or to attend the AGM in any other manner.

OFFICIAL NOTIFICATION OF THE AGM

Official notification of the AGM will be made in the form of an advertisement in Post- och Inrikes Tidningar, with an advertisement in Svenska Dagbladet informing that notification has been made. Notification will also be announced as a press release that will be available on the company's website. Documentation that is to be presented at the AGM will be made available on the company's website at least three weeks prior to the meeting.

FINANCIAL *information*

FINANCIAL CALENDAR

Interim report January–March 2018	April 18, 2018
Annual General Meeting 2018	April 18, 2018
Interim report January–June 2018	July 19, 2018
Interim Report January–September 2018	November 7, 2018
Year-end report 2018	February 15, 2019
Annual General Meeting	May 7, 2019

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