

Annual Report

2016



Hemfosa

FASTIGHETER

## A part of something larger

As a specialist in community service properties, Hemfosa is part of something larger. We are an experienced partner to central and local government agencies and to companies and organizations that pursue publicly financed operations. The heart of society, a cog in the wheel of daily life. 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 organization, staffed by old foxes and young talent. We take a long-term approach to our partnership but are quick in completing transactions, with a focus on generating value as a specialist in community service properties in the Nordic region. A sustainable focus that benefits our owners, tenants and business partners alike.



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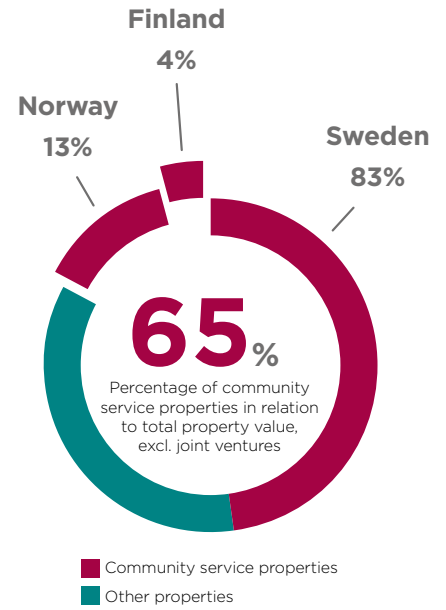
*Hemfosa's formal and audited annual accounts are on pages 52-57 and 64-102.*



# Hemfosa 2016

## From Swedish to Nordic property company

During 2016, Hemfosa strengthened its position as a Nordic specialist in community service properties through a number of acquisitions in all of its three markets: Sweden, Norway and Finland. At the same time, the ongoing process of developing the property portfolio continued, as did efforts to strengthen the organization to satisfy the needs of a growing business.



SEK **34.7** billion

Property value, excl. shares in joint ventures

SEK **3.6** billion

Properties acquired during the year

Geographic segments and type of property



### QUARTER 1 Establishment in Finland

- The first acquisition in Finland in December 2015 was followed in January 2016 by an additional acquisition in the country; three community service properties at a value of MSEK 500.
- The acquisition of nine community service properties at Statens Park in Tønsberg, Norway, was completed at an underlying property value approximately MSEK 420.
- A rental agreement signed with the If Skadeförsäkring insurance company for previously vacant space in premises in Södra Porten in Mölndal - Hemfosa's largest leasing of new premises, amounting to 11,000 sqm.
- The Board clarifies Hemfosa's strategy - community service properties are to ultimately account for at least 75 percent of the total property value.



### QUARTER 2 Successful new share issue

- A new share issue, with pre-emptive rights for Hemfosa's ordinary shareholders, contributes about SEK 1.8 billion to strengthen potential to grow within community service properties.
- The acquisition of 13 school properties in Sweden at a value of MSEK 444.
- Additional community service properties acquired in Sweden and Norway for MSEK 279.

**From 0 to SEK 34.7 billion in eight years**

2009

Number of properties: 13  
Property value: MSEK 220  
Rental income: MSEK 8

2010

Number of properties: 164  
Property value: SEK 7.9 billion  
Rental income: MSEK 529

2011

Number of properties: 279  
Property value: SEK 15.1 billion  
Rental income: MSEK 1,257

## KEY FIGURES

	2016	2015
Rental income, MSEK	2,642	2,443
Profit from property management, MSEK	1,812	1,363
Profit after tax, MSEK	3,583	2,339
Profit after tax per ordinary share, SEK	23.25	16.28
Equity per ordinary share, SEK	86.95	65.71
Net asset value (EPRA NAV) per ordinary share, SEK	93.87	73.98
<i>Investment properties, Fair value, SEK billion</i>		
- excluding shares in joint ventures	34.7	29.6
- including shares in joint ventures	38.9	32.6

## INCREASED EARNINGS CAPACITY

Hemfosa's estimated earnings capacity increased 15 percent in 2016 primarily as a result of a substantially expanded portfolio mainly of high-yield community service properties, a stronger financial position and advantageous credit terms.

MSEK **1,147**  
December 31, 2016

MSEK **1,367**  
December 31, 2015



### QUARTER 3

#### A stronger organization

- Organization in Norway is strengthened with a Head of Property Management and the first step is taken to establish a proprietary organization in Finland through the recruitment of a COO.
- Continued streamlining of the property portfolio through the divestment of three properties valued at MSEK 126.
- High activity in terms of investment in and development of existing properties – remodeling projects in such areas as Mölndal and Haninge.



### QUARTER 4

#### Continued acquisitions and investments

- Acquisition of a property portfolio in Sweden comprising 11 properties, including six community service properties, valued at MSEK 875.
- Decision made to invest approximately MSEK 450 in properties for Internationella Engelska Skolan.
- Two properties acquired in Finland for about MSEK 420.
- Bonds issued in an amount of MSEK 750.
- Hemfosa establishes a commercial paper program with a limit of MSEK 2,000. In this connection, the company issued a further MSEK 895 with terms of between three and 12 months.

2012

Number of properties: 204  
Property value: SEK 16.0 billion  
Rental Income: MSEK 1,573

2013

Number of properties: 195  
Property value: SEK 16.3 billion  
Rental Income: MSEK 1,584

2014

Number of properties: 353  
Property value: SEK 24.7 billion  
Rental Income: MSEK 1,612

2015

Number of properties: 411  
Property value: SEK 29.6 billion  
Rental Income: MSEK 2,443

2016

Number of properties: 432  
Property value: SEK 34.7 billion  
Rental Income: MSEK 2,642

## Comments from the CEO

# Another strong year

Hemfosa continued its strong growth in 2016 – in terms of property value, profit from property management and earnings capacity. And we achieved this in a highly competitive Nordic market, where we believe that prices have risen to challenging levels in many cases. We also strengthened and broadened the financing base in order to safeguard our potential for further growth in community service properties by means of acquisitions and investments. As a result, we are ready to capitalize on interesting future opportunities that may arise in a market that is more unpredictable than ever.

Hemfosa's first eight years went quickly. After our first year in operation, we had seven employees and 13 properties worth MSEK 220. In the final accounts for 2016, we had a property portfolio in Sweden, Norway and Finland worth SEK 34.7 billion. During the year, we increased our profit from property management by 33 percent to MSEK 1,812 and, when all factors are combined, this led to a 32-percent increase in equity per ordinary share.

### CONTINUED STREAMLINING

Hemfosa is a specialist in community service properties and its organization has unparalleled collective experience and expertise in this growing property segment. During the year, we continued to streamline the portfolio in line with our strategy. The share of the property value accounted for by community service properties rose from 59 percent to 65 percent following continued acquisitions totaling some SEK 3.6 billion, predomi-

nantly properties for schools, health and care services, public authorities and judicial institutions. At the same time, non-priority properties were divested for SEK 1.3 billion. I am satisfied that we succeeded in achieving so much during the year in the challenging market conditions that prevail, particularly in our niche, community service properties. We have looked for and found ways to close good deals, in part through a sizeable number of individual acquisitions, since in many cases the price of property portfolios has been too high in our estimation.

### ACQUISITIONS AND INVESTMENTS

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

Early in the year, we finalized another major transaction, when we acquired 13 school and preschool properties in Sweden, all with stable tenants and long



leases. During the autumn, we took another step towards strengthening our position in school properties through a decision to invest in properties for Internationella Engelska Skolan, one of a number of established long-term operators of community service operations with which Hemfosa cooperates.

### NEED OF COMMUNITY SERVICE PROPERTIES

Hemfosa is also growing through investments in the existing property portfolio and by developing new properties together with tenants who want to expand. We see a need for new community service properties in many parts of the three markets in which we operate, due to the general population increase and also to a rise in the proportion of elderly people. The regions around Oslo, Stockholm and Helsinki are showing very high growth, at the same time as many smaller municipalities need to expand their community services. As a result, government authorities, municipalities and other operators of community service operations are looking for stable partners for developing such properties as preschools, schools and retirement homes, often close to new residential areas. In view of the high price level in the property market, we consider new construction as an effective, profitable way to continue our growth in the future, as a complement to acquisitions.

In Norway, Hemfosa's largest development project is under way at Gardermoen Campus, where we are building a specialist hospital and a local medical center, which are both fully leased under long leases. In early 2017, Hemfosa entered into an agreement to acquire the other partner's shares. The acquisition is scheduled to be finalized in February 2018. We see favorable prospects for further developing the surrounding area, which we are continuing to operate together with the property development company, Aspelin Ramm Eienendom AS.

"I am satisfied that we succeeded in achieving so much during the year in the challenging market conditions that prevail, particularly in our niche, community service properties."

New builds and expansion projects give us an opportunity to ensure that the properties are built in an environmentally sustainable manner right from the start. In 2016, we initiated more systematic sustainability efforts, also in a broader perspective, for which a dialog with Hemfosa's stakeholders served as a starting point. The significant areas that arose from this process are the foundation upon which we now continue gradually to work for Hemfosa's long-term and increasingly sustainable development.

### BROADENED CAPITAL BASE

When Hemfosa was founded, it was with the conviction that it would be possible to utilize a knowledgeable, alert and receptive organization to leverage the interesting opportunities arising in an evolving Swedish property market. We still adhere to this approach. When we see signs of increased uncertainty in the Nordic property market, in the form of more difficult conditions in the credit market, we believe that this could represent business potential for Hemfosa, which has a strong financial position and a high credit rating.

We took a number of important steps during the year to ensure that we will be well equipped to leverage such opportunities. We both strengthened and broadened our financing base, in part through a new issue of ordinary shares and in part through a bond and a commercial paper program late in the year. In February 2017, we issued another fully subscribed bond as part of a refinancing. Meanwhile, the growing earnings from the property portfolio's stable cash flows represent security – our earnings capacity increased 15 percent during the year.

The challenge in 2017, as in prior years, is to find objects at a price we consider to be reasonable. Although the competition is intense in all our markets, we like to be put to the test, to try to find the somewhat more intricate transactions and unusual solutions. This openness and entrepreneurial spirit are a few of the factors that make Hemfosa so special to me. During these eight years, we have shaped an organization characterized by incredible resources and know-how, and with a sound corporate culture and a commitment that I have never seen before. It is with both pride and joy that I will continue to lead Hemfosa to further advances. We have a platform in place, with the right people, the right attitudes and the right financial capabilities, to continue our journey of success.



Jens Engwall, CEO

# Business model

## Owning and developing community service properties

Hemfosa's business model is to combine long-term proprietary management of a growing property portfolio with the acquisition and divestment of properties – all with the aim of strengthening the company's position as the leading Nordic player in community service properties. The objective is to continue to develop an extensive and balanced property portfolio generating a stable and high yield by further streamlining the portfolio towards community service properties and increasing the value of the existing properties.

### FROM FIVE PEOPLE AND AN IDEA TO 432 PROPERTIES WORTH SEK 34.7 BILLION

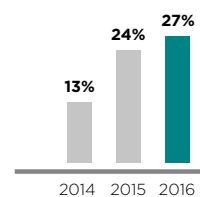
Hemfosa was founded in June 2009 by an experienced team with a solid background from value-generating property companies. The idea was to generate and develop a transaction-intensive high-yield property operation. Hemfosa rapidly established an alert organization that built a solid property portfolio 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 late the same year, Hemfosa also established a presence in Finland.

Today, Hemfosa is a Swedish property company with a Nordic orientation and a focus on community service properties. The company also owns a smaller share of other properties, primarily offices, as well as logistics and warehouse properties. 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 – long-term property management and development combined with ingenious transaction work – has generated strong growth and a high return for shareholders ever since the company's inception.

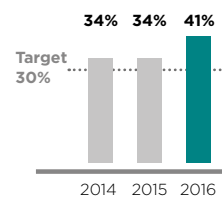
### Business concept

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.

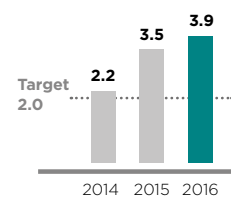
### Financial objectives



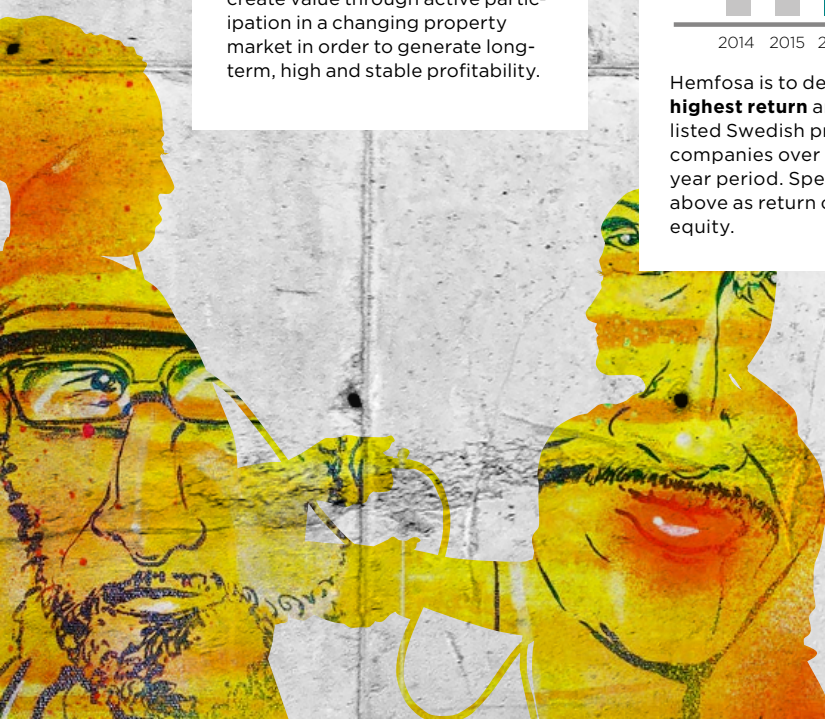
Hemfosa is to deliver the **highest return** among listed Swedish property companies over a five-year period. Specified above as return on equity.



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



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





## 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 assumptions; 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 the existing portfolio. Hemfosa's estimated earnings capacity increased from MSEK 1,367 on December 31, 2015 to MSEK 1,571 on December 31,

### Group earnings capacity 2014-2016

MSEK	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Rental income	2,774	2,516	2,244
Property expenses	-704	-674	-641
Property administration	-73	-76	-72
<b>Net operating income</b>	<b>1,997</b>	<b>1 766</b>	<b>1,531</b>
Central administration	-121	-110	-94
Share in profit of joint ventures	139	126	112
Financial income and expenses	-444	-415	-402
<b>Profit from property management</b>	<b>1,571</b>	<b>1 367</b>	<b>1,147</b>

2016. The reason underlying the increase was a larger property portfolio combined with a stable yield, a stronger financial position and advantageous financing terms.

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 on December 31, 2016 based on current leases.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures during a standard year.
- Property tax has been calculated on the basis of the current tax assessment value of the properties at December 31, 2016. Ground rent paid is included in the amounts applicable at December 31, 2016.
- Costs for central administration and marketing have been calculated on the basis of the existing organization and the size of the property portfolio.
- Financial income and costs have been calculated based on the company's actual average interest rates as of January 1, 2017.
- The earnings capacity for the international operations has been restated at the exchange rate prevailing on the balance-sheet date.

## Strategy

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

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

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

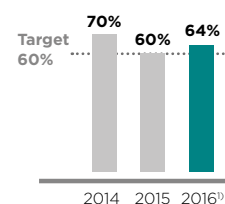
- generate growth
- maximize yield in relation to risks
- generate transaction gains

## Dividend policy

The dividend is to amount to 60 percent of profit from property management long term excluding the share of profit/loss in joint ventures and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares. The Annual General Meeting held in April 2016 resolved on a quarterly payment of dividends for both the ordinary share and the preference share.

	2016	2015	2014
Distributable profit, MSEK	1,253	1,103	580
Dividend per ordinary share, SEK	4.40 <sup>1</sup>	4.20	3.00
Dividend per preference share, SEK	10.00 <sup>1</sup>	10.00	-

<sup>1</sup> Proposed dividend



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



The areas to which Humana devoted special attention included lighting and the color scheme for the premises.

## Humana's retirement home in newly built Hemfosa property

# Partnership for innovation

Dynamic lighting, color selection based on research findings and room layouts that promote social interaction. When Humana created its new retirement home in Gävle, the sole point of departure was the needs of elderly residents. Management of the property that Hemfosa acquired when it was completed in summer 2016 is characterized by the same approach. Humana considers it important to engage in close cooperation with a long-term landlord with the capacity to grow with the operations.

“When we started planning Humana’s first proprietary retirement home, we decided to start from scratch. We broke down every component and asked ourselves: How can we create the best possible environment for the residents?” says Kristoffer Andersson, Head of Properties at Humana, one of Sweden’s largest operators of healthcare and residential care services, which also has operations in Norway and Finland.

Kristoffer Andersson explains that retirement homes have traditionally mainly been planned on the basis of functionality and the working conditions of the staff, adding that these considerations still remain important. However, Humana considered it natural to start with the needs of the elderly and used this as a plat-

form for creating efficient solutions for both the residents and the staff.

Construction of the property in central Gävle in which Humana operates its retirement home started in 2014, which was also when Hemfosa signed a contract to acquire it on completion, with Humana as a tenant on a 15-year lease. Planning of the retirement home’s layout started at an early stage to ensure that Humana’s vision would become a reality.

Although planning of properties is in many ways strictly regulated in law, Humana’s team conducted thorough analyses of all of the aspects that could be influenced together with architects, interior designers and spe-



Humana



Social aspects have also been important in planning the layout, with large communal spaces and a spa with a sauna, as has new technology such as access to a wireless network and tablet devices.

cialists in elderly care. The areas to which Humana devoted special attention included lighting and the color scheme for the premises. For example, it used as a basis research findings on how light and color affect elderly people suffering from dementia and changed eye sight. Using this as the starting point, a dynamic lighting function was created, which can be set and changed during the day, to make it easier for residents to follow a natural daily rhythm. Similarly, the color scheme was planned to compensate for eyesight problems. Apparently small details, but these are highly important for creating an efficient and cozy environment. The social aspects had a central place in the planning, with large communal spaces and a spa with a sauna, as did new technology such as access to a wireless network and tablet devices.

“We are delighted to have realized the vast majority of our ideas concerning how we want a retirement home to look and work. We’re talking about state-of-that-art solutions in terms of technical aids, lighting and interior design, which we see that our residents really appreciate and that make them feel good,” says Kristoffer Andersson.

Equally important as the premises’ design is that continuous management of the property works smoothly and maintains a high quality. Humana, which has entered into a partnership with Hemfosa, provides retirement homes, homes for people with special needs

“Having a stable, long-term partner such as Hemfosa is important.”

and residential care facilities in a total of forty of Hemfosa’s properties.

“Having a landlord who truly understands our operations is crucial to us. We’re in operation 24 hours a day, seven days a week, and need a partner who is flexible and views our service in the same way as we do. Our working relationship with Hemfosa is close and good; they understand us and have the capacity to facilitate our needs,” Kristoffer Andersson explains. “For Humana, which is expanding its operations in the Nordic region, having a stable, long-term partner such as Hemfosa, who can offer us opportunities to grow through the remodeling of properties or new builds in more locations, is also important,” he adds.

The successful concept for the retirement home in Gävle will now become a template for Humana’s future newly built retirement homes, Kristoffer explains.

“And I hope we will see even more innovation in the future – our elderly residents deserve that!”

# Market review

## Increased interest in 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 such areas as schools, health and personal care 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 spread among a number of private property owners, of which Hemfosa is one of the largest in the Nordic region.

### 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.

### NORDIC MARKET FOR COMMUNITY SERVICE PROPERTIES<sup>1</sup>

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 private sector continues to be the largest owner of community service properties in Sweden, accounting for about 70 percent of the market in terms of total property area, while the remaining approximately 30 percent is owned by private operators, according to a general estimate from Fastighetsvärlden, a respected publication in the sector. 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. 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.

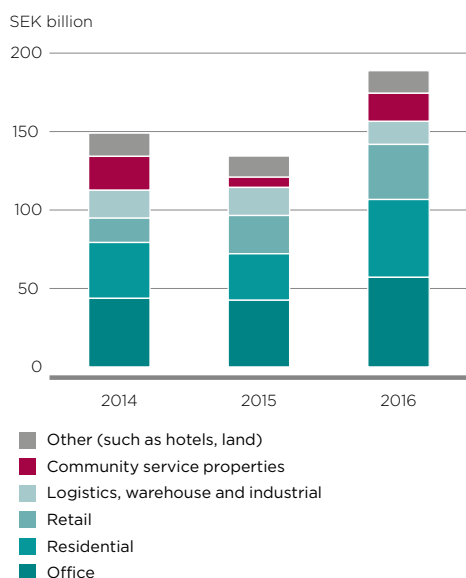
Demand for premises for community service operations is governed primarily by population growth and demographics, and the increased interest in the segment is largely due to the societal trend we see today, in the form of an aging population, the baby boom and large-scale immigration. This has subjected society to major demands and, in many cases, entails that municipalities and other community service operators look for external partners for developing such activities as new preschools, schools and retirement homes, often close to new residential areas in regions experiencing high growth. There is also a pent-up need of renovation and remodeling of existing community service properties, whereby private property owners may have resources and be given incentives to satisfy these needs. Viewed as a whole, the market trend has resulted in considerable and increasing interest in investing in community service properties in all of Hemfosa's three markets – Sweden, Norway and Finland.

### SWEDEN

During 2016, a new transaction record of SEK 201 billion was set in the Swedish property market, combined with the largest number of transactions ever – 535 implemented deals. The transaction volume during the year represents a year-on-year increase of 37 percent. The office and residential segments continued to be the largest segments, jointly accounting for 55 percent of the transaction volume – 28 and 27 percent, respectively. Geographically, the attractiveness of regional capitals grew sharply in 2016 and accounted for more than 28 percent of the transaction volume during the year. The share of acquisitions accounted for by international investors declined in percentage terms but remained essentially unchanged in absolute terms. During the year, acquisitions by foreign investors accounted for

<sup>1</sup> Market data from Newsec.

### Property transactions, Sweden<sup>1</sup>



<sup>1</sup> Refers to transactions over MSEK 100

19 percent of the transaction volume compared with 26 percent in 2015. However, interest from international capital remains considerable and more players than ever are active in the market.

#### Community service properties

During 2016, community service properties accounted for nearly 10 percent of the total transaction volume in Sweden. Interest in community service properties was considerable and, compared with 2015, investments increased from SEK 7.9 billion, corresponding to 5.5 percent of the transaction volume, to SEK 19.2 billion. In Sweden, increased interest was noted in terms of the municipalities' attitude to divesting parts of their holdings of community service properties. Many municipalities are also positive to having private operators take care of a large part of the new production of community service properties.

#### NORWAY

In the Norwegian property market, the transaction volume did not reach the peak level noted in 2015 of NOK 120 billion and stopped at just over NOK 79 billion. Nevertheless, transaction volume matched the previous peak year of 2014. The Oslo area accounted for about

half of the property transactions. Foreign investors accounted for slightly more than 10 percent of the total transaction volume in 2016. The largest investment segment in 2016 was offices, which accounted for 44 percent of the market, followed by retail properties, which represented 22 percent of the transaction volume.

#### 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. The weaker performance of the underlying Norwegian economy is pushing investments to community service properties, which are regarded as a lower-risk investment, because the underlying economy is adjudged not to have an equally large impact on the Norwegian public sector.

#### FINLAND

Interest in the Finnish property market remained high in 2016. The total transaction volume in 2016 amounted to EUR 7.2 billion. One of the reasons for the high transaction volume was a considerable increase in the housing segment. The housing segment accounted for 38 percent of the total transaction volume. Although the Finnish property market continues to be concentrated to Helsinki, transactions have also been implemented in other parts of the country since autumn 2015. In smaller cities, considerable interest is being shown in the retail segment, among others. Investors have been showing an increasing interest in care properties and this market segment has shown rapid growth since 2011 and has evolved continuously.

#### 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 in Finland is facing challenges due to the country's relatively weak underlying economy. This is eventually expected to lead to the divestment of parts of the municipalities' property holdings. 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 but to have considerable potential.

# Community service properties

## - a specialized partner

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, judicial institutions, healthcare and care services and other public authorities. Due to the 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 in a short period of time.

### PROPERTIES OFFERING MANY ADVANTAGES

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 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 the rental income. The properties include customized premises for such operations as healthcare, law enforcement and education, as well as office space used by, for example, a public authority.

Publicly financed tenants – central or local government agencies of privately owned companies – are both 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. Viewed as a whole, this means that Hemfosa has stable cash flows, lower leasing costs and a limited 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 increase the share of community service properties to at least 75 percent of the total property value. During the year, the share increased from 57 percent to 65 percent. The aim is to continue to streamline the portfolio and to sell properties in other categories, either individually or in portfolios, when opportunities arise to implement attractive transactions.

### 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 and Malmö regions of Sweden, and on Oslo and Helsinki. These regions jointly account for 67 percent of the total property value, corresponding to SEK 23.2 billion.

● Local offices



## Community service properties

### FACTS

- Hemfosa is the second largest private owner of community service properties in Sweden and the only publicly traded company that focuses on this segment.
- 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 four 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.

- Stable yield
- Longer leases
- Limited risk
- Low sensitivity to economic development
- Tenants who are less liable to relocate
- More stable rent levels
- Higher leasing rate
- Geographic location less important
- Demographic trend expected to increase demand for community service properties
- Provides conditions for advantageous financing

### CHALLENGES

Ownership of community service properties also represents challenges.

- Customization of premises – a major remodeling may be required when a new tenant takes over a customized property
- Comprehensive rules and regulations
- Political risk

### 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 finding solutions when, for various reasons, the partner needs to change premises

and/or establish an activity in new locations. Hemfosa currently engages in close cooperation with a number of well-established, growing community players, such as Internationella Engelska Skolan, AcadeMedia, Humana, Aleris and Capio. The central and local government tenants include the Police Authority, the Courts of Sweden, Stockholm County Council and the Western Götaland region. Read more about some of these partnerships on pages 8 and 28.

## 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 and the National Courts Administration, the Norwegian Labor and Welfare Administration and the Municipality of Haninge. The following list includes other Hemfosa tenants that conduct community service operations.



### Experience yields understanding

Hemfosa possesses a wealth of knowledge and has long-standing experience of community service operations. As a result, the organization understands the particular requirements and needs that frequently characterize such operations, and thus has the ability to find suitable solutions, such as for 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; such as, security in respect 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.

Today, the functionality of community service properties is subject to increased 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, integrity and a healthy work environment. In general, the demand is also high for a good indoor environment, materials selection,

building certification and other sustainability aspects. Moreover, rules and regulations are also 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 community service properties

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. Accordingly, 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 development companies. 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. The healthcare and residential care premises in Uppsala and Gävle that Hemfosa acquired on completion in 2016 are examples of projects of this type.

The Professorn preschool in Umeå, which was completed in 2016, was another new build project.

## PROPERTY MANAGEMENT AND DEVELOPMENT

### Alert 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 thus quick to react.

### 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. In this context, Hemfosa can serve as a support 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 example is when an operation wants to grow 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. The remodeling implemented in 2016 on behalf of the County Administrative Board of Karlstad is an example of a tenant-specific modification that, in addition to remodeling also encompassed new windows, needs-controlled ventilation/heating, a new lobby and an improved outdoor environment.

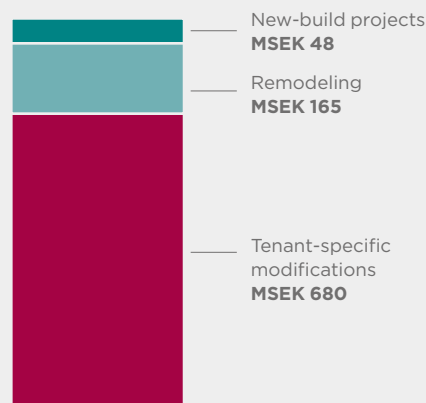
Another solution for creating opportunities for the tenant to grow is to build on land close to the existing property or in another location, such as the District Court premises in Alingsås, where Hemfosa has remodeled and extended premises that are of cultural-historical importance. This development project was implemented in connection with Hemfosa signing a new 15-year lease with the National Courts Administration. Hemfosa is also building a new school building for Internationella Engelska Skolan in Sundsvall, close to the existing school, to provide more space for the operation. Read more about the project on page 28.

### 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 in connection with relocation or extension of leases. It could also be a way to attract completely new types of tenants to the property. An example of this is the Söderbymalm 3:462 property in Haninge, where

## Investments in existing properties 2016

Total  
MSEK 893



In 2016, investments totaling MSEK 893 were made in the existing property portfolio, of which MSEK 883 pertained to Sweden and MSEK 10 to Norway. In Finland, a number of investments in existing properties were implemented during 2016. Hemfosa's investment in the construction of healthcare properties in Norway was effected in 2016 through the joint venture, Gardermoen Campus Utvikling, GCU.

the former zoning plan only permitted office and hotel operations. A new zoning plan has been formulated, which permits the establishment of community service operations, such as retirement homes and schools, in addition to the existing premises. By adopting a holistic approach to the property, Hemfosa was able to increase both the leasing rate and the earnings capacity.

Other measures 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. An example of this is the new system implemented throughout Hemfosa's Swedish property portfolio in 2016 for automatically reading energy consumption. Read more about Hemfosa's sustainability efforts on pages 31–40.

### Active property management

Work on leasing vacant premises is of vital importance and Hemfosa's proprietary property management organization works actively to achieve this based on consider-

able knowledge of local market conditions. The property managers also have close relations with local real-estate agents and a wide network of contacts throughout Sweden – which are two important ingredients for finding suitable tenants. In addition to leasing new premises, Hemfosa actively and successfully works to renegotiate and extend existing leases.

### Tenants and lease structure

Hemfosa has a number of major, well-reputed companies, public authorities and community services as tenants with the Police Authority, the Municipality of Härnösand and the National Courts Administration as the three largest. At year-end, Hemfosa had 3,739 leases and the average remaining lease term was 5.8 years. The ten largest tenants' share of Hemfosa's rental income at December 31, 2016 was 25.8 percent and the average lease term for these was 6.4 years. At the same date, the rental value of Hemfosa's property portfolio was MSEK 2,999.

## TRANSACTIONS

### Acquisitions create growth and value

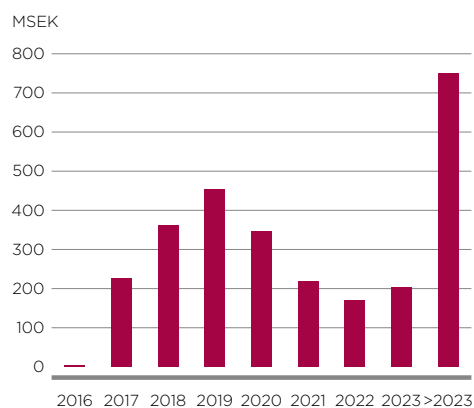
The acquisition and sale of properties is a bearing feature of Hemfosa's business model for ensuring continued growth in community service properties and creating value. Hemfosa has considerable expertise, a wide contact network and the resources to act swiftly and capitalize on the business opportunities that arise.

During the nearly eight years that have passed since Hemfosa was formed, the company has implemented a significant number of transactions involving individual properties, but it has also acquired larger, more complex property portfolios, frequently in rapid processes. An acquisition of a property portfolio can also be implemented to gain control of 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 in their entirety or in smaller parts if they do not fit in with Hemfosa's property portfolio.

### Hemfosa's ten largest tenants

Tenant, December 31, 2016	Rental income, MSEK	Percentage of total rental income, %	Number of leases	Average remaining lease term, years
The Police Authority	141	5.2	45	5.1
Municipality of Härnösand	106	3.9	84	10.6
The National Courts Administration	99	3.6	22	4.9
TeliaSonera Group	74	2.7	60	2.5
NAV - Norwegian Labor and the Welfare Administration	53	2.0	12	5.8
Haninge Municipality	53	2.0	32	8.6
Oslo University College	53	1.9	1	6.6
Mid Sweden University	44	1.6	15	5.9
Pysslingen Förskolor och Skolor AB.	41	1.5	15	13.1
Swedish Social Insurance Agency	40	1.5	19	3.1
<b>Total</b>	<b>704</b>	<b>25.8</b>	<b>305</b>	<b>6.4</b>

### Lease expiry at December 31, 2016



### Excellent experience of transactions

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

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 inherent in the transactions. 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 sustainability. Hemfosa also evaluates how premises or the zoning plan can be refined to establish other types of operations in the property.

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 2016

Again in 2016, the market for community service properties in Sweden, Norway and Finland was characterized high activity, many interested buyers and high prices. Larger portfolios of community service properties in particular were sold at high values, and Hemfosa refrained from a number of transactions during the year when the price was adjudged as excessive.

“Hemfosa has considerable expertise, a wide contact network and the resources to act swiftly and capitalize on the business opportunities that arise.”

During 2016, Hemfosa acquired properties at a total value SEK 3.6 billion, predominantly comprising community service properties. The other properties that were acquired have good locations, primarily in the Stockholm area, and have development potential; for example, for conversion of the premises for leasing to community service operators. The acquisitions of community service properties largely comprised individual properties, but also a couple of larger portfolios. Notable among the larger portfolios acquired during the year were an acquisition in Sweden in May of a portfolio of 13 school properties and one in December of a portfolio of 11 properties, including five site leaseholds, pertaining to community service properties and other properties. In Norway, an acquisition of nine community service properties at Statens Park in Tønsberg was finalized early in the year and, in Finland, acquisitions in 2016 included two community service properties in Tampere and one in Raahe, in addition to a number of individual acquisitions during the year.

Streamlining of the property portfolio continued during the year through the divestment of properties with a total value SEK 1.3 billion, primarily a portfolio of logistics and warehouse properties, as well as a number of individual sales.

### Transactions

Property type/Category	Sweden				Norway				Finland			
	Acquisitions, MSEK		Divestments, MSEK		Acquisitions, MSEK		Divestments, MSEK		Acquisitions, MSEK		Divestments, MSEK	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Community service properties</b>												
School	744	254	-	-	0	1,200	-	-	221	218	-	-
Office	309	-	0	96	381	856	-	-	603	294	-	-
Judicial system	-	1	-	-	129	581	-	-	107	-	-	-
Care services	594	630	40	-	89	260	-	-	-	-	-	-
Other	-	-	7	292	36	-	-	-	-	-	-	-
<b>Other properties</b>												
Office	321	38	296	294	-	-	-	-	-	-	-	-
Logistics/Storage	1	37	338	574	-	-	-	-	-	-	-	-
Other	72	19	647	185	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,040</b>	<b>978</b>	<b>1,329</b>	<b>1,441</b>	<b>635</b>	<b>2,897</b>	<b>-</b>	<b>-</b>	<b>931</b>	<b>512</b>	<b>-</b>	<b>-</b>



**Healthcare and personal care properties** account for nearly 17 percent of the total value of Hemfosa's community service properties. Such operations as healthcare centers, hospitals and specialist care units are conducted in our healthcare properties.



Share of the community service properties' property value

# Hemfosa's property portfolio

## Continued streamlining

In 2016, Hemfosa continued its work to focus the property portfolio on community service properties, which accounted for 65 percent of the Group's year-end property value. In Sweden and Norway, Hemfosa strengthened its clear-cut position as a powerful player in community service properties, and also established a position in Finland. The focus is to continue streamlining the property portfolio and to grow as a leading player in community service properties in the Nordic region.

### A NORDIC PROPERTY PORTFOLIO

Community service properties account for a growing share of Hemfosa's property portfolio. Against this background, Hemfosa's division into segments is based primarily on the different markets of Sweden, Norway and Finland and secondarily on the property types of Community service properties and Other properties. The assessment is that this division clearly illuminates the profit trend and Hemfosa's property portfolio.

Sweden is and will continue to be Hemfosa's core market. Although the Swedish property portfolio is mixed, there is a distinct emphasis on community service properties. While active transaction work is conducted to further streamline the portfolio, the holding in Sweden will continue to be more varied than in other markets. Hemfosa took an initial step into the Norwegian market in early 2015 and has subsequently built a portfolio of community service properties in the Oslo region that comprises properties for schools, care services and public authorities. Hemfosa implemented its first transaction in Finland in December 2015, and acquired an additional number of community service properties in 2016. Parallel with this, work to shape an appropriate proprietary organization was initiated in the country. Further information on the markets and performance during the year is presented in the sections for the particular country.

### TYPES AND CATEGORIES OF PROPERTIES

Hemfosa divides its property portfolio into Community service properties and Other properties, with a further division into categories, as described below.

#### Community service properties

At year-end, Community service properties accounted for 65 percent of Hemfosa's property value and 64 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 6.5 years, while the economic leasing rate was 94.4 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 large proportion of customized premises and outdoor space. The largest tenants include the Municipality of Härnösand, Oslo University College and Mid Sweden University. Rental income from school properties accounts for 19 percent of Hemfosa's total rental income and 30 percent of rental income from the community service property type.



## Community service properties

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

<sup>1</sup> Excluding garage space

<sup>2</sup> According to earnings capacity

### Offices

This category of properties comprises office premises in which the tenants conduct publicly financed operations but where the operations do not require 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 Municipality of Haninge. Rental income from office properties accounts for 20 percent of Hemfosa's total rental income and 32 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, the National Courts Administration and the Romerike police district. Rental income from judicial institutions accounts for 14 percent of Hemfosa's total rental income and 21 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, health-care 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 AS 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 Västmanland County Council, the Municipality of Härnösand and Jackpoint Oy. Rental income from other properties in the community service property segment accounts for 0,4 percent of Hemfosa's total rental income and 0,7 percent of rental income from the community service property type.



## Other properties

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

<sup>1</sup> Excluding garage space

<sup>2</sup> According to earnings capacity

### Other properties

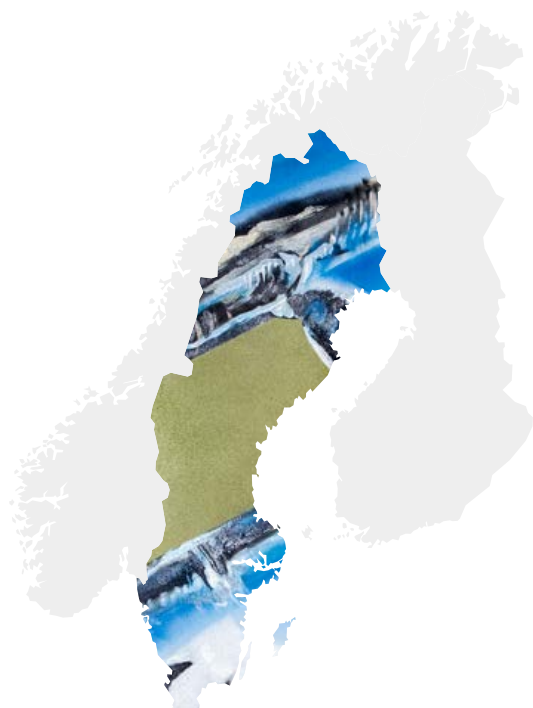
At year-end, other properties accounted for 35 percent of Hemfosa's property value and 36 percent of the rental value and mainly comprise offices, and logistics and warehouse properties. Other properties such as retail properties also accounted for a minor share. At year-end, the average remaining lease term was 4.4 years, while the economic leasing rate was 85.7 percent.

#### Offices

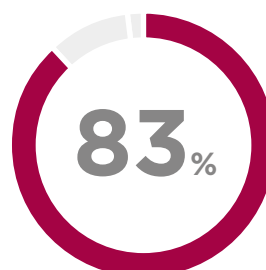
Hemfosa's office properties are located centrally in primarily the metropolitan regions of Stockholm and Gothenburg, and also in such growth municipalities as Västerås, Karlstad, Sundsvall, Umeå and Luleå. Good-quality office properties in central locations are typically highly marketable, meaning that interest from other players in acquiring these properties 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 services firms 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 22 percent of Hemfosa's total rental income and 61 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. In recent years, portfolios of logistics properties have been highly attractive in the property market, and a large number of players continuously contact Hemfosa to show interest in acquiring logistics properties. Rental income from logistic and warehouse properties within Other properties accounted for 9 percent of Hemfosa's total rental value and 24 percent of the rental value within the other properties type.



# Sweden



Proportion of the Group's property value

Sweden is Hemfosa's core market, accounting for 83 percent of the Group's property value and with a definite emphasis on community service properties. The 284 properties are primarily located in the Stockholm, Gothenburg and Malmö regions, as well as in growth municipalities in central Sweden and along the coast of Norrland.

Geographically, the emphasis of the Swedish portfolio is on the Stockholm, Gothenburg and Malmö regions, as well as growth municipalities in central Sweden and along the coast of Norrland. The metropolitan regions of Stockholm and Gothenburg represent approximately 40 percent of the total property value. The largest tenants in Sweden are the Police Authority, the Municipality of Härnösand and the National Courts Administration.

## ACQUISITIONS

During 2016, Hemfosa continued to work actively to streamline the portfolio and increase the share of community service properties. During the year, the Swedish portfolio was supplemented with 35 properties, at a total value

of MSEK 2,040, including 27 community service properties worth MSEK 1,642. One of the major acquisitions was implemented in May when 13 school properties, primarily in the Stockholm region, were acquired at a value of MSEK 444, with all of the properties fully leased and with AcadeMedia as the largest tenant. A number of healthcare properties were acquired during the year in such locations as Stockholm, Uppsala, Gävle and Växjö, with established healthcare operators, such as Praktikertjänst, Aleris and Humana, as tenants. The largest portfolio acquisition, of 11 properties, including five site leaseholds, was implemented in December at a value of MSEK 875; about half of the properties are located in the Stockholm area and the remainder in central and southern Sweden. Six of the

## Property portfolio, Sweden

Property type/Category, 31 December	Leasable area, 000s of sqm <sup>1</sup>		Rental value, MSEK		Carrying amount, MSEK		No. of properties	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Community service properties</b>								
School	340	292	424	364	5,237	4,036	72	52
Office	361	333	432	403	4,544	3,977	42	39
Judicial system	209	207	284	277	3,301	3,109	34	34
Care services	237	223	268	232	3,349	2,584	91	90
Other	9	9	9	8	105	102	6	6
<b>Other properties</b>								
Office	582	595	717	691	7,330	6,545	69	73
Logistics/Storage	422	521	260	304	3,256	3,511	29	35
Other	204	269	171	238	1,654	2,135	50	59
<b>Sweden, total</b>	<b>2,362</b>	<b>2,451</b>	<b>2,565</b>	<b>2,518</b>	<b>28,778</b>	<b>25,999</b>	<b>393</b>	<b>388</b>

<sup>1</sup> Excluding garage space

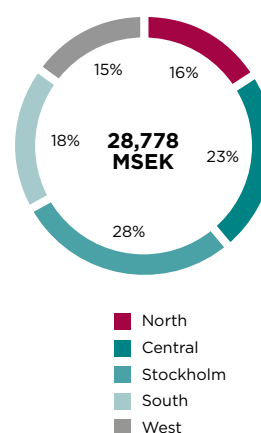


**Venus 11 (Oskarshamn):**

Fully leased to the Police Authority, which has conducted operations in the premises since 1991. A total 4,617 sqm of leasable area.

**Nävern 1 (Umeå):**

Newly produced preschool of 1,600 sqm. The Professorn preschool was opened in April 2016. Classified at the Silver level according to the SGBC environmental certification system.

**Fair value per region, December 31, 2016**

objects are community service properties, which account for some 50 percent of the rental value, and the largest tenants include Kunskapsskolan, the Swedish Migration Agency and the Swedish Employment Service.

At the same time, 29 properties were vacated during the year, primarily office properties but also logistic and retail properties, at a combined value of MSEK 1,329. A number of single sales of non-priority properties were implemented. Five residential properties in Gävle were divested during the first quarter and a portfolio of four logistics properties was divested in the second quarter.

**PROPERTY MANAGEMENT**

Hemfosa intensified its collaboration with Internationella Engelska Skolan (IES) through a decision to acquire, develop and invest in three school properties for this publicly traded school operator. Hemfosa already has IES as a tenant in several locations and considers it important to be able to contribute new solutions when this tenant's operations grow. Development projects

**Transactions in Sweden, 2016**

Property type/Category	Acquisitions, MSEK	Divestments, MSEK
<b>Community service properties</b>		
School	744	-
Office	309	0
Judicial system	-	-
Care services	594	40
Other	-	7
<b>Other properties</b>		
Office	321	296
Logistics/Storage	1	338
Other	72	647
<b>Sweden, total</b>	<b>2,040</b>	<b>1,329</b>

implemented during the year included one for the Municipality of Härnösand, where Hemfosa is upgrading a senior high school, and the development of premises for the Police Authority in Sollentuna and the Swedish Prison and Probation Service in Norrköping.

Hemfosa signed a number of new leases during the year pertaining to both community service properties and other properties. Early in the year, Hemfosa concluded a lease with the If Skadeförsäkring insurance company for previously vacant floor space in the Tulpanen 3 property in the Södra Porten area of Mölndal, including investments in the premises. The assessment is that this major new lease and upgrade will have a favorable impact on the entire area. Other major new leases were signed with the Swedish Prison and Probation Service, Volvo Cars, RKV, Besikta, Sweco, the Municipality of Härnösand and Internationella Engelska Skolan.

During the year, Hemfosa strengthened its Swedish organization through the establishment of a proprietary property management organization in Stockholm and recruitment in Växjö. As a result, prerequisites were created for management of the growing Swedish property portfolio while its operation is handled externally.

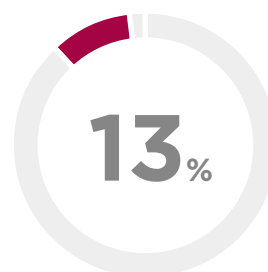
Hemfosa is well equipped for continued growth in Sweden and the company believes the potential is favorable for acquisitions of community service properties in the Swedish market. Hemfosa sees potential to acquire both individual properties and larger portfolios featuring elements of other property categories.

**PROPERTY PORTFOLIO 2016**

At year-end, the property value of the Swedish portfolio was approximately SEK 28.8 billion and accounted for 86 percent of the Group's rental value. The average remaining lease term was 5.4 years, while the economic leasing rate was 90.1 percent.



# Norway



Proportion of the Group's  
property value

In Norway, Hemfosa has assembled a portfolio of 32 properties, primarily in the Oslo region and southern Norway, since the first acquisitions in 2015. At year-end, the Norwegian portfolio accounted for 13 percent of Hemfosa's total property value and consists exclusively of community service properties.

## PROPERTY MANAGEMENT

In early 2015, Hemfosa completed its first investment outside Sweden by acquiring eight community service properties in Norway at a value of some SEK 3 billion and has subsequently continued to acquire high-quality community service properties with the focus on the Oslo region. Today, Hemfosa occupies a strong position in the Norwegian market for community service properties, through a substantial property portfolio in the Oslo region with attractive leases and favorable potential for further development. The tenants include schools and preschools, judicial institutions and a number of government authorities, such as police authorities, the

employment service, the social insurance agency and tax authorities. At year-end, the largest tenants are the Norwegian Labor and Welfare Administration, Oslo University College and Østfold University College.

Following a very active year in 2015, with a number of acquisitions, the focus in 2016 was on building up the Norwegian organization through the recruitment of key personnel and the establishment of proprietary property management. Through the recruitment of a Head of Property Management and additional employees, an organization with broad competencies and experience is now in place, adapted to handle a growing property portfolio.

## Property portfolio, Norway

Property type/Category, 31 December	Leasable area, 000s of sqm <sup>1</sup>		Rental value, MSEK		Carrying amount, MSEK		No. of properties	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Community service properties</b>								
School	56	56	105	91	1,528	1,249	2	2
Office	63	28	103	54	1,557	900	10	2
Judicial system	27	25	51	43	757	608	5	4
Care services	14	10	28	18	465	285	14	13
Other	1	-	-	-	53	-	1	-
<b>Norway, total</b>	<b>160</b>	<b>119</b>	<b>287</b>	<b>206</b>	<b>4,360</b>	<b>3,042</b>	<b>32</b>	<b>21</b>

<sup>1</sup> Excluding garage space

**Oslo-225/261, Oslo:** The property is located in central Oslo. It contains office premises with associated parking facilities and is fully leased to NAV. It has a total of 18,818 sqm of leasable area.



**Statens park:** The Statens Park area of Tønsberg, which was established in the 1990s but has continued to be developed in the 2000s, is an attractive area for community service operations. Tenants include a number of authorities, such as Norway's Tax Administration, Labor and Welfare Administration, Public Roads Administration, county administrative boards and district courts. The area encompasses properties with a total of some 30,000 sqm of leasable area.

As in other markets, Hemfosa works actively to satisfy tenant requirements when their operations develop and grow, by means of remodeling or new builds, or relocation. Activities during the year included remodeling of a school in Fredriksstad, which has led to a new lease, while a number of projects are in the planning stage.

### ACQUISITIONS AND PROJECTS

In total, 11 properties were acquired in Norway during the year at an underlying property value of MSEK 635. Early in the year, a larger acquisition of community service properties, in the Statens Park area of Tønsberg, was completed at a value some MSEK 420. The transaction comprised nine fully leased properties and one of the sites has a zoning plan in place for a new build. The tenants include a number of public authorities such as tax authorities, employment services, the social insurance agency, county councils and district courts. The acquisitions also included a senior citizens center in Bærum municipality.

### Transactions in Norway, 2016

Property type/Category	Acquisitions, MSEK	Divestments, MSEK
<b>Community service properties</b>		
School	0	-
Office	381	-
Judicial system	129	-
Care services	89	-
Other	36	-
<b>Norway, total</b>	<b>635</b>	<b>-</b>

Construction of a specialist hospital and a local medical center with a central location by Gardermoen Airport, close to Oslo, continued as planned during the year. The projects, which are being implemented in a joint venture with the Aspelin Ramm Eiendom AS property development company, commenced in 2015 and the properties are scheduled for completion in February 2018. LHL (the Norwegian Heart and Lung Association) has signed a 25-year lease on the specialist hospital and the adjacent local medical center is also fully leased under a 30-year lease with the Municipality of Ullensaker. Parallel work on developing the area by Gardermoen into an important health and medical care competence park, as well as for health-related R&D activities, is under way, while discussions are in progress concerning additional projects.

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

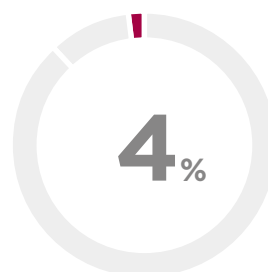
With the position and size that Hemfosa has accumulated in the country, the company sees favorable opportunities to continue to grow in Norway through acquisitions of community service properties and by developing cooperation with existing tenants.

### PROPERTY PORTFOLIO 2016

At year-end, the Norwegian portfolio had a property value totaling about SEK 4.4 billion and accounted for 10 percent of the Group's rental income. The average remaining lease term in Norway was 8.7 years, while the economic leasing rate was 99.3 percent.



# Finland



Proportion of the Group's  
property value

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

## ACQUISITIONS

In late 2015, Hemfosa took its first step into the Finnish market through the acquisition of two community service properties in Finland at a value of some MSEK 500. Shortly after year-end, Hemfosa implemented its second transaction: two community service properties in Tampere, the country's third largest city, and one in Raahe just south of Oulu, also at a value of some MSEK 500. The tenants include the University of Tampere, the Finnish Tax Agency, the Police Authority, the Prosecution Authority and the Enforcement Agency.

During 2016, work continued on strengthening Hemfosa's position in community service properties. In total, seven properties were evaluated continuously. In total, seven properties were acquired during the year, all community service properties, at an underlying property value of MSEK 931. During the fourth quarter, two acquisitions were finalized. In Espoo, close to Helsinki, two properties were acquired at an underlying value of some MSEK 420, with the police authority and the prosecution service as the largest tenants. An agreement was also signed con-

## Property portfolio, Finland

Property type/Category, 31 December	Leasable area, 000s of sqm <sup>1</sup>		Rental value, MSEK		Carrying amount, MSEK		No. of properties	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Community service properties</b>								
School	25	19	32	27	465	294	2	1
Office	32	18	47	18	558	218	2	1
Judicial system	42	-	64	-	489	-	2	-
Care services	-	-	-	-	-	-	-	-
Other	5	-	5	-	19	-	1	-
<b>Finland, total</b>	<b>105</b>	<b>37</b>	<b>147</b>	<b>45</b>	<b>1,530</b>	<b>512</b>	<b>7</b>	<b>2</b>

<sup>1</sup> Excluding garage space

**Hatanpään valtatie 36:**

The property, which is located in Tampere, comprises 12,419 sqm and is fully leased to the Finnish Tax Agency.

**Kummatinkatu 6:**

Law enforcement and judicial institution in Raahe. Fully leased to the police authority, prosecution authority and supervisory authority. Total leasable area of 6,855 sqm.

cerning another community service property in Turku, with the Municipality of Turku's social welfare office as a tenant, at a value of MSEK 158.

**PROPERTY MANAGEMENT**

Hemfosa aims to continue to grow in the Finnish market and establishment of a proprietary organization has been initiated. In early 2017, a COO took office with responsibility for the Finnish operation and the ambition is to continue to expand resources in pace with future growth. The new organization will focus both on identifying new acquisition targets and developing and adding value to the acquired properties. At year-end, the largest tenants in Finland were the Police Authority, the Red Cross and the Finnish Tax Administration.

**PROPERTY PORTFOLIO 2016**

At year-end, the Finnish portfolio had a property value totaling some SEK 1.5 billion and accounted for 3 percent of the Group's rental income. The average remaining lease term in Finland was 6.2 years, while the economic leasing rate was 92.9 percent.

**Transactions in Finland, 2016**

<b>Property type/Category</b>	<b>Acquisitions, MSEK</b>	<b>Divestments, MSEK</b>
<b>Community service properties</b>		
School	221	-
Office	603	-
Judicial system	107	-
Care services	-	-
<b>Finland, total</b>	<b>931</b>	<b>-</b>



Hemfosa is constructing a new 6,690 sqm school building for Internationella Engelska Skolan in Sundsvall in order to create larger, more modern and functional space for both pupils and staff members.

## Internationella Engelska Skolan grows with Hemfosa

# Close collaboration provided right solution

With a growing list of children queueing for a place at Internationella Engelska Skolan in Sundsvall, the owning school corporation decided to expand the operations. Contact was made with the landlord Hemfosa and the parties started to exchange ideas and alternatives that would facilitate this growth. This marked the start of an intensive project to provide space for some 300 additional pupils and 60 employees in an exciting new building close to the existing premises.

“In a process like this, it’s exceptionally important that the parties involved know each other, and also have the same values,” says Pascal Brisson, Principal of Internationella Engelska Skolan (IES) in Sundsvall, when describing the ongoing build project in cooperation with Hemfosa to create larger, modern and functional space for both pupils and staff members.

IES is a growing Swedish school corporation that was formed in 1993 and currently operates 30 schools with more than 21,000 pupils. In Sundsvall, IES has operated a compulsory school for grades 4–9 in an attractive brick building from 1916, located close to Mid Sweden University’s campus, which is also owned by Hemfosa. The school currently has about 800 pupils and 90 employees. Interest in attending the school is considerable and at present around 5,000 children are queueing

for admittance. The new premises enable the school to expand through the addition of grade 3 classes.

### Close collaboration provided right solution

Planning of the new build started in late 2015.

“When we contacted our landlord to discuss an expansion of the operations in Sundsvall, we had no preset plans for how to implement the change. We immediately entered into a good discussion with Hemfosa’s regional manager and started to exchange ideas on the basis of our needs and wishes,” Pascal Brisson explains. “We had a lot of demands and ideas, from grand to small, which we jointly processed and, after many meetings and discussions, we found a solution that we regarded as completely right for us,” he continues.



Internationella Engelska Skolan (IES) is a growing Swedish school corporation that was formed in 1993 and currently operates 30 schools with more than 21,000 pupils. IES has been active in Sundsvall since 2009, with a compulsory school for grades 4-9, currently with about 800 pupils and 90 employees.

The solution will be a new build of a separate 6,690 sqm school building, which will complement existing premises and contain a gymnastics hall, a lunch room and a kitchen, staff rooms and about 15 new classrooms. New outdoor spaces will also be created around the properties. The modern building will be located adjacent to a rocky area, which will be partially built into the premises, thus creating an exciting effect. The first construction phase will be ready for the start of the autumn 2017 school term, with the second phase being ready the following year. By then, the property is also expected to have been certified to the Green Building standard in terms of energy efficiency.

“The planning work was intense with quite a few changes along the way but we feel that we have always had Hemfosa’s full support. We have really worked

“We have really worked close together in this project, with the aim of achieving an excellent result for everyone involved”

close together in this project, with the aim of achieving an excellent result for everyone involved,” says Pascal Brisson.

#### More joint projects

Hemfosa, which is the landlord of another two of the total of 30 IES schools – the ones in Huddinge and Karlstad – decided during the autumn to invest in additional school properties for the school corporation. For example, one of Hemfosa’s properties in Södertälje will undergo comprehensive remodeling and expansion in preparation for a new IES school and, in Borås, Hemfosa will become the owner of a completely newly built school property on its completion.

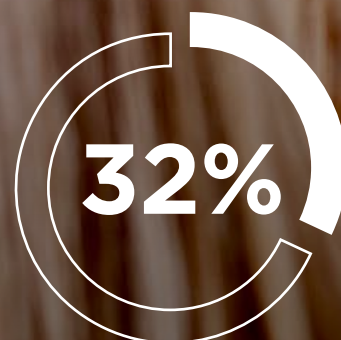
IES is one of many established, long-term players with whom Hemfosa cooperates in order to develop and manage modern and efficient community service properties.

“I believe this is a key for major property companies – having a personal and flexible way of working together with their tenants who need to grow,” summarizes Pascal Brisson.





**School properties** account for nearly 32 percent of the total value of Hemfosa's community service properties. The properties house compulsory schools, high schools and universities and colleges, both state and privately operated.



Share of the community service properties' property value



# Hemfosa's responsibility

## A long-term sustainable development

Hemfosa Fastigheter aims to create value for its tenants, employees, shareholders and business partners, while contributing to sustainable social development. Being a specialist in community service properties enables Hemfosa to serve as a long-term partner to central and local government authorities, and companies that provide publicly financed services. We aim to be a responsible landlord that complies with guidelines for good corporate governance and the demands placed on a modern property owner. The point of departure is long-term business relations whereby Hemfosa and its business partners jointly create a platform for healthy financial results, consideration for the environment and social involvement.

Various types of publicly financed services account for a predominant proportion of Hemfosa's tenants. Schools and preschools, health and medical care services, judicial institutions and other public authorities are

activities that normally conducted by relatively long-term tenants of their premises and geographic locations. As a result, it is important for us to offer our tenants long-term solutions, flexibility and opportunities to grow through remodeling and property expansion. By being a responsible owner of community service operations and a partner with which its tenants can grow, Hemfosa can contribute to creating social value in the markets served by the company. A key part of this role is being innovative in the development of new solutions for satisfying tenant needs, which may vary over time. It is also important to have a stable financial position that enables long-term investments, also in locations outside metropolitan regions.

**HEMFOSA JOINED** the UN Global Compact during 2016. 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 on 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.

### The ten principles of the UN Global Compact

#### Human rights

1. Businesses should uphold the 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.

#### Anti-corruption

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



### HEMFOSA'S SUSTAINABILITY EFFORT

Hemfosa is inquisitive, innovative and target-oriented in what it does. 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 dialog is summarized in a materiality analysis, which served as a basis for identifying the sustainability areas that would be relevant for us to focus on.

We now have a stated ambition to raise the focus on sustainability issues related to these significant areas. The aim is to include sustainability aspects as a natural feature of decision-making and when developing efficient new work methods that are appropriate to Hemfosa – in all parts of our property management.

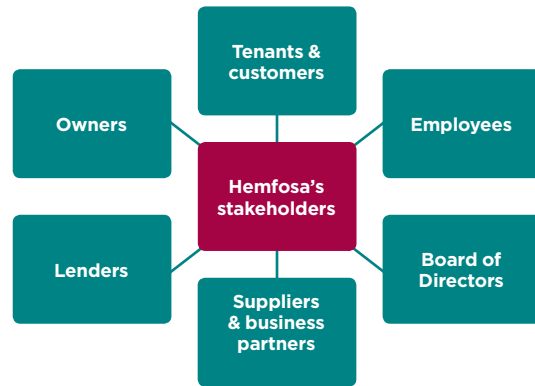
Jens Engwall, CEO

**ABOUT THE SUSTAINABILITY REPORT**

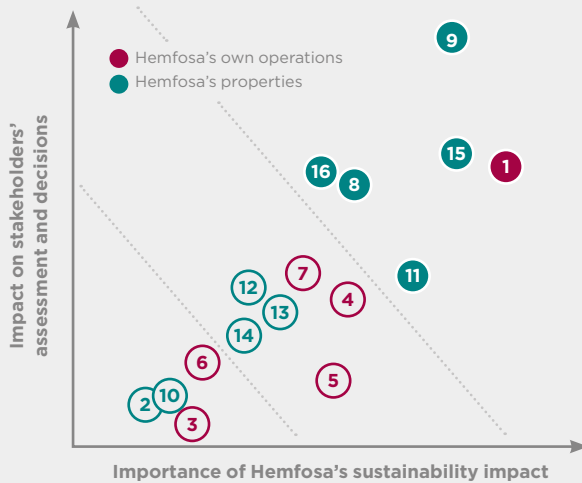
For the 2016 fiscal year, Hemfosa has prepared a sustainability report inspired by the framework of G4 of the Global Reporting Initiatives (GRI); see Hemfosa’s website for the GRI index. The CRI guidelines focus on materiality, governance and consideration of the entire value chain.

Hemfosa reports sustainability per fiscal year, January–December. The most recent report was published on March 24, 2016 in Hemfosa’s Annual Report and pertained to the 2015 fiscal year. This report pertains to the 2016 fiscal year, unless otherwise stated.

**Hemfosa’s stakeholders**



**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 Material 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 Anti-corruption 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 Supplier demands concerning green thinking, labor and social conditions

## MATERIALITY ANALYSIS

During 2016, Hemfosa implemented a materiality analysis by establishing the questions and the areas that are most important for the company's operations and the parties with which the company interacts; i.e. Hemfosa's stakeholders. The purpose of the materiality analysis is to ensure that governance of Hemfosa's sustainability efforts takes the right direction and focuses on the sustainability areas where the company has the greatest impact. The stakeholders, who consist of tenants and customers, employees, lenders, owners, Board members, suppliers and business partners, were asked to evaluate the aspects on the basis of material importance to Hemfosa's operations and how they thought Hemfosa's management of the issues would affect their attitude to the company.

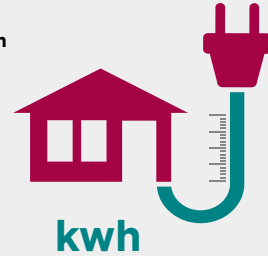
Hemfosa's stakeholders were asked to participate in a survey with the objective of identifying material focus areas that Hemfosa should include in its sustainability report. In addition to this questionnaire-based survey, Hemfosa also engaged in an ongoing dialog with the stakeholders during the year, in part through tenant meetings and contacts during day-to-day operations. In addition to the stakeholders, Group management was also assigned to evaluate the company'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 a number of priority areas within the areas of financial responsibility, environmental responsibility and social responsibility.



## Significant events in 2016

### Energy measurement system

During 2016, an energy-data measurement system was implemented, which will provide Hemfosa with important follow-up of the properties' energy consumption. The measurement will illuminate the property portfolio's use of district heating and electricity. On the basis of the results, Hemfosa can identify the properties offering potential for energy-performance improvements and quantify the impact of the implemented energy-savings initiatives. The objective for 2017 is that Hemfosa will be able to use the measurement system to survey energy consumption in all properties.



## samhall

### Cooperation with Samhall

Hemfosa has entered into cooperation with Samhall with the aim of creating meaningful and developmental jobs for people with functional impairments leading to reduced work capacity. Hemfosa has signed a service agreement with Samhall for providing property upkeep services for 22 properties. The aim is to further develop the cooperation in 2017 through such measures as procuring a regional framework agreement with Samhall.



### Charitable contributions

In 2016, Hemfosa implemented a number of charitable initiatives and, by means of contributions, achieved Gold level as a friend company of the Child Cancer Fund. We also pursue initiatives on a local level; for example, we donated 100 bunk beds to the Municipality of Karlskrona during the year to improve living conditions at temporary refugee hostels.

# Financial responsibility

Since its inception eight years ago, Hemfosa has grown into a stable listed property company with favorable earnings. The tenants of community service properties are largely publicly financed operations such as schools, health and care services, and judicial institutions. These tenants usually sign long leases that provide favorable stability to our operations and provide us with a platform for satisfying our tenants' short and long-term needs. Hemfosa works to ensure that the operation contributes to a sustainable society characterized by healthy growth and attempts to do this with as little impact as possible on people and the environment because we care for people and the environment but also because sustainability risks are closely linked to financial risks.

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 is to find efficient and creative solutions to meet the requirements and wishes of our tenants. Modern, technical solutions are often both more cost-effective and more eco-friendly, while creating tenant satisfaction. With a distinct orientation towards community service properties – with central and local governments as the largest tenants – we focus on long-term tenants who generate stable cash flows and thus represent a limited financial risk. 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 development of the property portfolio, Hemfosa can increase its value over time.

During the year, for example, equity per ordinary share increased by 32 percent. Hemfosa's earnings capacity, profit, financial position and key performance data are presented in this annual report; refer to the table of contents.

## ANTI-CORRUPTION

Hemfosa has a stated objective to act credibly, honestly and transparently in all contexts, and also expects the same of its company's employees, business partners and other players with whom the Group has contact. 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 in order to promote good business ethics within the company. Our corporate values, standpoints and processes for reporting suspicions are described in the Code of Conduct. The process makes employees aware of how they should react to irregularities, unethical/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. The Code of Conduct is provided as an appendix to the Employee Handbook that every employee receives on joining the company. Since Hemfosa strives to be a credible and honest company, business partners and other Hemfosa 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 2016. Information and disclosures in this area are regarded as important steps for systematic enhancing of the employees' knowledge of business ethics and anti-corruption.



# Environmental responsibility

Environmental work is an important control parameter in Hemfosa's property management and transaction operations, with a focus on sustainability and a long-term approach. The choices we make in respect of materials, energy solutions and procurement of services affect society, people and the environment. In the environmental area, this involves identifying and evaluating the environmental risks associated with property acquisitions and also managing the environmental liabilities in the existing property portfolio. By so doing, we help to counteract climate change and the risk this entails. Hemfosa's environmental responsibility is based on the environmental policy adopted by the Board of Directors in April 2016 as well as current environmental targets.

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 also having a positive impact on the properties' value. At the same time as harmful environmental impact from the operations is reduced at the rate and extent required, Hemfosa has to live up to demands for quality and competitiveness. The prerequisites for success are excellent knowledge and commitment from employees combined with an ambition to continuously learn more about the environmental area. Hemfosa impacts the environment through its operations, in part in the form of energy consumption, waste generation and the use of materials. Hemfosa works continuously in these areas by developing ongoing property management, in part in accordance with prevailing rules, regulations and legislation, and in part to find solutions that are efficient for the user, and also from a cost and sustainability perspective. These efforts are evaluated in our costing in connection with remodeling and new builds. Active work to reduce emissions is also conducted internally in the organization in respect of the choice of, for example, travel, energy consumption and purchasing.

In connection with 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. The objective is to increase the number of green leases.

## MATERIALS SELECTION

In connection with project development, such as renovation and remodeling, opportunities frequently arise to conduct comprehensive environmental analyses and to implement energy-saving measures. In the new-build projects in which Hemfosa is involved, the environmental aspect is a key feature of planning. This is partly due to the more stringent regulations governing new builds, but also because tenants are increasingly demanding environmentally compatible premises, not least in community service properties.

Hemfosa always takes into account sustainability aspects, such as the work environment, waste management and materials selection.

## Hemfosa's environmental policy

**To successfully conduct environmental and sustainability work, Hemfosa has formulated an environmental policy, which provides guidance for work in this area:**

- Focus actively on the energy efficiency of its buildings and premises.
- Be aware of the environmental risks and environmental liabilities associated with the properties and, when actions are required, draw up long-term sustainable solutions.
- Work with the tenants to achieve a healthy indoor environment.
- Engage in environmentally compatible conversions and new builds.
- Subject suppliers to environmental and sustainability requirements.
- Raise the employees' level of expertise and awareness about the environment and sustainability.

While managing and developing its properties, Hemfosa endeavors to primarily select local suppliers for the provision of, for example, labor, raw materials and products. In connection with all major new builds and conversions, the potential for some form of environmental certification is always studied. The transaction operation includes a developed acquisition and sales process in which the environmental aspect is an important component. In connection with the acquisition of properties, environmental analyses of both land and buildings are performed to identify potential environmental risks and to assess the measures that could be required to reduce the environmental impact.

During 2017, Hemfosa's objective is to start work on applying SundaHus in connection with remodeling. This web-based system will be implemented during 2017. SundaHus is a comprehensive solution for systematizing work on phasing out hazardous substances in the entire lifecycle of a building. Hemfosa's objective is that the materials used in its business in connection with remodeling will comply with at least Level C of the SundaHus classification. Implementation of SundaHus will provide Hemfosa with increased control over the materials that exist in its properties. The system can also be used in operation and management, thus contributing to keeping documentation of the content of buildings up to date and continued work on phasing out hazardous substances.

## ENERGY CONSUMPTION

### Energy efficiency in Hemfosa's properties

Since the property sector accounts for a large part of society's total energy load, it is important for all property owners to take their responsibility for the issue. It is also a key consideration from a financial perspective, since heating costs represent 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 energy 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 in the properties is a prioritized area for Hemfosa and is a key aspect of our environmental policy. In ongoing property management, continuous actions are taken to reduce electricity consumption in the existing property portfolio, such as reviews of operational times for ventilation or choosing more energy-efficient heating systems. To reduce and increase the efficiency of energy consumption in the property portfolio, Hemfosa uses an external supplier for providing an energy follow-up system. On the basis of this information, Hemfosa can identify the sources of deviating usage by comparing similar properties and conducting measurements in relation to set energy targets.

During 2016, an energy-data measurement system was implemented for monitoring the property portfolio's consumption of district heating and electricity. The software provides real time control over Hemfosa's entire property portfolio, including surveillance and alarm functions. The objective for 2017 is that by using

### Energy consumption in Hemfosa's leased properties

	2016 (GJ)
Electricity <sup>1</sup>	366,546
Heat	452,294
Cooling	2,867
<b>Total energy</b>	<b>821,707</b>

<sup>1</sup> Includes electricity for properties (such as ventilation, pumps, outdoor lighting and elevators) and for operations (such as lighting, computers, office machinery, kitchen equipment, compressed air, engines)

### Energy intensity

	2016 (MJ)
Energy intensity (MJ/sqm) <sup>1</sup>	389

<sup>1</sup> Electricity, heat and cooling



the energy-data measurement system, Hemfosa will be able to survey energy consumption in all properties and also reduce it.

Hemfosa has installed Ecopilot® in a number of properties, which has shown favorable results in the form of reduced energy consumption. Ecopilot® makes it possible to evaluate the properties’ energy consumption by providing full control over the building’s energy savings and reduced carbon emissions. The objective is that additional properties in Hemfosa’s portfolio, assuming they have the right prerequisites, will be encompassed by Ecopilot® in 2017.

During 2016, Hemfosa also identified two properties in which solar energy or ground source heating will be installed, with the work scheduled to start in 2017. Accordingly, these properties will be used as a basis for evaluating future projects.

**EMISSIONS OF GREENHOUSE GASES**

**Direct and indirect greenhouse gas emissions from Hemfosa’s leased properties**

Hemfosa’s greatest environmental impact derives from emissions of greenhouse gases resulting from the heating of leased properties, as well as hot water. Active work has

been conducted in recent years to reduce emissions of greenhouse gases. One initiative for reducing emissions of greenhouse gases is that since 2015 Hemfosa solely purchases 100-percent eco-labeled, renewable electricity for its property portfolio. As a result of this work, no oil boilers are now found in Hemfosa’s properties.

Of Hemfosa’s carbon emissions, a negligible percentage, 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).

**Carbon emissions**

	<b>2016 (metric tons CO<sub>2</sub>)</b>
SCOPE 2	
Electricity <sup>1</sup>	846
District heating	6,221
<b>Total SCOPE 2</b>	<b>7,067</b>

1 Includes electricity for properties and operations. Emissions from electricity are based on emission factors, according to agreements with Vattenfall. Emissions are calculated based on the average emission factor for Sweden, which was 1,324 metric tons of CO<sub>2</sub>.

**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. Hemfosa currently has a total of 18 properties in its property portfolio that are environmentally certified. During

2016, nine properties that were certified according to Green Building and two properties according to SGBC Silver were added. One property is also environmentally certified according to the international environmental certification system BREEAM. During 2017, Hemfosa has established a goal of implementing relevant environmental certification of an additional ten properties.

**15** properties



**GreenBuilding**

GreenBuilding is an EU initiative launched in 2004 to hasten energy-efficiency enhancement 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



**SGBC**

Sweden Green Building Council (SGBC) is a certification system based on MILJÖ BYGGNAD 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.

# Social responsibility

Hemfosa is specialized in community service properties, which means that our tenants largely conduct publicly financed operations such as schools, judicial institutions or health and care services. Hemfosa is characterized by a wealth of knowledge and understanding of the special requirements and needs that frequently hallmark these operations. Hemfosa's corporate culture is characterized by entrepreneurship, humanity and inclusion, which are supported by a flat and alert organization. Good business ethics and long-term, trusting relations are important starting points both internally and in 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 (hydroelectric power), district heating, water, property upkeep, cleaning, painting and repairs of installations account for a large share. In accordance with the industry's Code of Conduct for Suppliers, Hemfosa must actively subject suppliers to environmental and sustainability requirements in connection with procurement. As a feature of such efforts, Hemfosa updated its purchasing and procurement process in 2016, in that in new agreements we now prioritize suppliers who have signed the industry's Code of Conduct. To provide additional control over the supply chain, Hemfosa reduced the number of suppliers in 2016 and conducted initiatives to purchase the materials required locally.

**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.

## Partnerships for greater community responsibility

As a feature of efforts involving Hemfosa's community responsibility, collaboration was launched in 2016 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 concerning nine properties in Stockholm and another 13 properties in Sweden, covering property upkeep such as cleaning of stairwells, lawn mowing and snow clearance. Hemfosa is very pleased with this collaboration and is reviewing the potential to further develop it.

## HEALTH AND SAFETY

### Health and safety of tenants and customers

Hemfosa's tenants should always feel that they can rely on Hemfosa's properties providing a work environment that is safe, accessible and healthy. Ensuring that our properties are safe and adapted to special requirements is therefore a highly prioritized area for our 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 by Hemfosa and is an area that is continuously developed.

In respect of systematic fire safety, Hemfosa complies with all prevailing requirements from public authorities, which entail regular checks of technical fire and evacuation installations, training and exercises. When conducting this work, Hemfosa occasionally uses a computerized program, provided by a nationwide chain specializing in fire and evacuation safety. The system contributes to efficient and safe management of systematic fire safety efforts. 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, Hemfosa acts according to applicable laws and regulations and efficiently rectifies the problem. Communication with the tenants who are affected is candid and frequent, and Hemfosa works to resolve any such problems in a way that causes the minimum impact on tenants.

### **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. The company thus attaches great importance to making sure that all employees are aware of and understand the company's 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 by providing excellent market familiarity and proximity to tenants. By accepting considerable personal responsibility for performing their work, employees are provided with 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 2016, Hemfosa's sick leave corresponded to 1.3 percent.

#### *Focus on expertise*

For Hemfosa, a distinct focus on expertise and results 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 its inception and not least in the past year, Hemfosa has worked actively to safeguard skills development and ensure the supply of qualified expertise at all levels of the rapidly growing property 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 took on new executive roles during 2016 and joined the company's Management Group exemplifies this approach. In addition, the organization has been strengthened through new expertise resulting from recruitment during the year of highly qualified new employees to a number of positions.



*Equal opportunities 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 through-

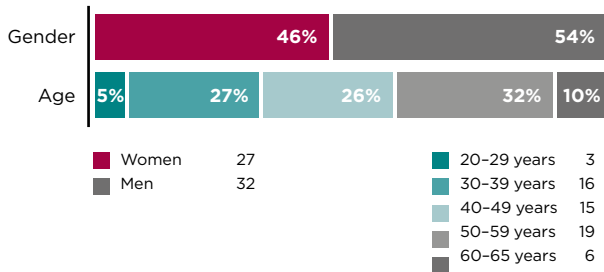
out the company and not be dependent on gender, background, origin or age. Hemfosa aims to ensure that all employees feel that they are active in a safe and productive work environment where they all have equal opportunities, the potential for development and are treated in the same manner.

Equal opportunities and equal treatment are assigned great importance in connection with skills supply to the company; this is also something that must be upheld by the company for both ethical and legal reasons. Hemfosa's Code of Conduct contains guidelines governing the company's equality efforts and the aim is that this work will be a natural feature of operations. Hemfosa has an even distribution between men and women in most areas of its operations.

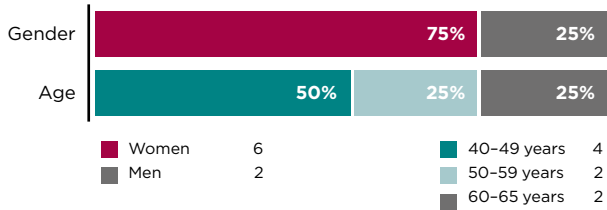
Of the company's total workforce of 59 employees, women account for 42 percent, while they account for 75 percent of members of the Executive Management Group. Women account for 50 percent of the Members of the Board. Hemfosa works actively according to its HR policy to eliminate all forms of discriminatory treatment of employees and to promote good business ethics within the company.

**Breakdown by gender and age**

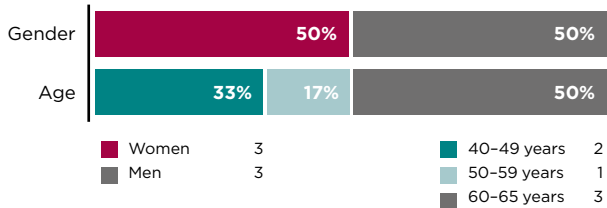
**All employees, 59**



**Management Group, 8**



**Board of Directors, 6**



**Healthcare and personal care properties** account for nearly 17 percent of the total value of Hemfosa's community service properties. Our personal care properties comprise such activities as preschools, retirement homes and group homes.



Share of the community service properties' property value



# 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, bond loans and a commercial paper program. Shareholders' equity accounts for about 41 percent of the financing, while interest-bearing liabilities represent some 48 percent. Bonds and commercial paper jointly account for 7 percent and other liabilities for about 4 percent.

## EQUITY

At December 31, 2016, Hemfosa's shareholders' equity totaled MSEK 15,570 (10,749), equal to an equity/assets ratio of 41.2 percent (34.2). Hemfosa's financial target is an equity/assets ratio of at least 30 percent. The Parent Company's equity amounted to MSEK 11,117 (8,985) at December 31, 2016. During the year, a rights issue of 26,288,041 ordinary shares was implemented, contributing equity of MSEK 1,814 to Hemfosa. At year-end, preference capital totaled MSEK 1,791 (1,791). The 2016 Annual General Meeting resolved to pay dividends totaling MSEK 552 to ordinary shareholders, and MSEK 110 to preference shareholders, subject to quarterly payment. The implemented rights issue required an additional dividend payment of MSEK 83. At year-end, dividends of MSEK 678 had been paid, with the remaining dividends expensed in the Statement of financial position.

## INTEREST-BEARING LIABILITIES

At 31 December 2016, Hemfosa's interest-bearing liabilities amounted to MSEK 20,666 (18,961), with MSEK 17,993 (17,729) pertaining to loans from credit institutions, MSEK 1,748 (1,200) to bond loans, MSEK 895 (-) to commercial paper, MSEK 11 (14) to vendor's mortgages and MSEK 20 (18) to other liabilities. Hemfosa has committed covered lines of credit of MSEK 1,300 (1,300), as well as a further MSEK 500 in credit-approved covered lines of credit. As mentioned above, the lines of credit are facilities to back up the outstanding

commercial paper program, of which MSEK 895 was issued at year-end. Hemfosa also has overdraft facilities totaling MSEK 450 (325), which were unutilized at December 31, 2016. Hemfosa's year-end cash and cash equivalents totaled MSEK 1,221 (732). The Group also has loans raised in NOK pertaining to the property portfolio in Norway, as well as loans raised in EUR for the Finnish property portfolio.

The loan-to-value ratio was 59.4 percent (63.9). At December 31, 2016, the average interest rate was 1.98 percent (2.03).

STIBOR 3 months was negative throughout 2016. In some cases, the Group has entered into loan agreements with interest-rate floor provisions, 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.

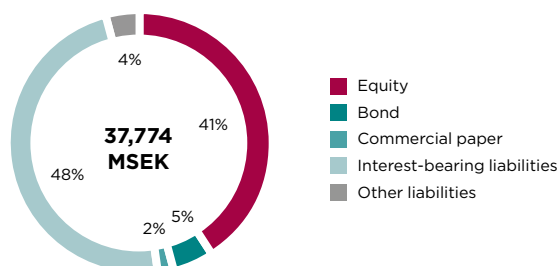
## Changes during 2016

During the year, new loans were raised totaling MSEK 3,687. Of these, MSEK 1,696 pertained to financing of previously unfinanced properties, MSEK 895 to commercial paper, MSEK 750 to a new bond loan, MSEK 483 to the refinancing of existing loans and MSEK 65 to project financing. Repayment of interest-bearing liabilities during 2016 totaled MSEK 1,981, of which MSEK 507 pertained to repayment connected to the divestment of properties and MSEK 1,474 to repayment of loans raised. During the year, in connection with issuance of bond loans, Hemfosa bought back MSEK 202 of previously outstanding bonds. The net change in interest-bearing liabilities during 2016 was an increase of MSEK 1,706. For loans maturing in 2017, Hemfosa is of the opinion that the probability of refinancing the loans on market terms is high.

## 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

### Capital structure



## Financial policy

### 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 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.

from property management increases, and changes in interest rates have less impact on the Group's interest expenses. At December 31, 2016, the nominal volume of Hemfosa's outstanding interest-rate swaps was MSEK 5,162 (5,767) and interest-rate caps MSEK 4,830 (2,286). Taking into account the concluded interest-rate swaps and interest-rate caps, together with the loans that carry fixed interest rates, 56.0 percent (52.4) of Hemfosa's loan portfolio is interest-rate hedged. At year-end, the average remaining fixed-rate period was 1.3 years (1.3).

### Fixed-rate period per instrument December 31, 2016

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

Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 8,053 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, 2016

	Overdraft facilities, MSEK	Proportion, %	Loan interest, MSEK	Net interest rate, derivatives, MSEK <sup>1</sup>	Total, MSEK
2017	5,768	28 <sup>2</sup>	324	54	378
2018	6,384	31	262	43	305
2019	4,203	20	141	6	147
2020	3,463	17	44	3	46
2021	735	4	4	1	5
2022-	115	1	42	0	42
<b>Total</b>	<b>20,666</b>	<b>100</b>	<b>817</b>	<b>106</b>	<b>923</b>

<sup>1</sup> The net rate in the table is attributable to swaps with negative value, according to IAS 39.

<sup>2</sup> On the balance-sheet date, credit decisions had been adopted that were put into effect in January 2017. Taking this into account, the proportion of loans maturing in 2017 amounted to 24 percent.

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

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

# 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, organiza-

tional systematic and work processes are key risk areas for Hemfosa, which continuously works systematically when managing these and other risks and uncertainties.

## OPERATIONS AND ORGANIZATION

Risk area	Risk description	Risk management
<b>Rental income</b>	<p>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 would adversely impact the company's rental income and a recession would increase 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.</p> <p>Both rental income and cash flow will be affected if the above risks are realized.</p>	<p>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 service operations 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 16 of this Annual Report.</p> <p>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.</p>
<b>Property expenses</b>	<p>Operating expenses consist primarily of rates-based costs such as costs for electricity, cleaning, water and heat.</p> <p>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 or to satisfy requirements from the market and public authorities.</p>	<p>Hemfosa works continuously with measures to increase the efficiency of property management in terms of, for example, improved energy systems that reduce energy consumption.</p> <p>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.</p>
<b>Transaction-related risks</b>	<p>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 subject to risks associated with the seller and the acquired operation.</p>	<p>Hemfosa occupies a strong position in the transaction market 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.</p> <p>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.</p>

Risk area	Risk description	Risk management
<b>Project development</b>	Hemfosa works continuously with tenant-specific modifications and project development, and also engages in major projects. 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.	<p>In connection with tenant-specific modifications, Hemfosa is able to renegotiate leases so that they are adapted to the level of investment. In conjunction with negotiations, the tenant's ability to complete an investment is always assessed.</p> <p>Hemfosa generally only enters into agreement on the takeover of newly built properties after completion and when floor areas are fully leased.</p> <p>The development and new-build projects in which Hemfosa is involved are normally conducted in joint ventures with experienced project development companies.</p>
<b>Changes in property value</b>	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.	Hemfosa has 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.
<b>Environmental risks</b>	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 remediation or reclamation relating to the presence or suspicion of contamination in a building, soil, catchment areas or groundwater.	<p>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.</p> <p>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. Hemfosa also endeavors to make environmentally compatible choices of materials and to safely manage chemicals and waste in its properties.</p>
<b>Internal processes and controls</b>	Within the framework of its continuing operations, Hemfosa could be adversely impacted by faulty procedures, inadequate control or irregularities.	<p>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.</p> <p>Hemfosa's Code of Conduct contains guidelines for the conduct of employees in certain situations.</p>
<b>Tax</b>	Changes in corporation, value-added and property tax could have either a positive or a negative impact on Hemfosa's profit. A change in tax legislation that, for example, would reduce the possibilities for depreciation for tax purposes or for utilizing loss carryforwards would adversely impact Hemfosa's tax situation.	Hemfosa carefully tracks political developments and the proposals for changes that have been forwarded, in order to be well prepared to implement possible adjustments of Hemfosa's tax management policy should new rules be implemented.

## FINANCING

Risk area	Risk description	Risk management
<b>Interest-rate risk</b>	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.	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 have less impact on 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.
<b>Financing</b>	Access to loans and liquidity is a prerequisite for Hemfosa's strategy of continuing to grow in community service properties. 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.	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. During 2016, Hemfosa increased and broadened its capital base with the aim of strengthening the Group's scope for acquisitions and creating a diversified financing base.
<b>Liquidity risk</b>	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.	Hemfosa performs its work using short-term liquidity forecasts that establish payment obligations on a week-by-week basis and also 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.
<b>Currency exposure</b>	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.  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, DECEMBER 31, 2016**

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

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

<sup>1</sup> Taking into account derivative agreements

<sup>2</sup> Not taking into account derivative agreements

# 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 15 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, 2016, 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

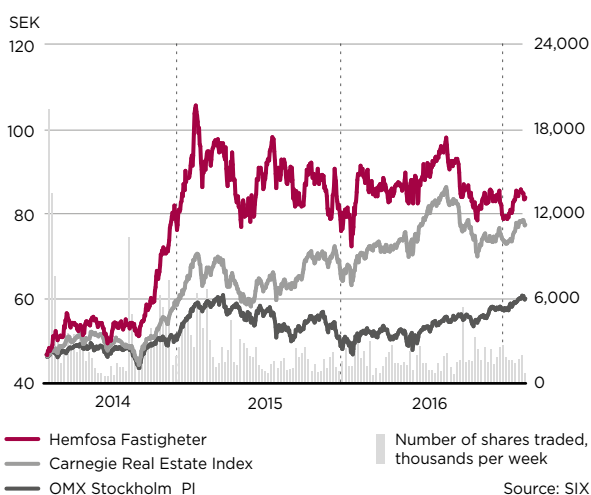
The closing price for the ordinary share on December 30, 2016 was SEK 85.00, representing a price increase of 5.7 percent during the year. During the same period, the Nasdaq Stockholm PI index rose 5.8 percent, while the Carnegie Real Estate Index rose 5.4 percent. A total of 86,397,729 ordinary shares valued at SEK 7,464,666,628 were traded during 2016. On an average trading day, 341,493 ordinary shares were traded in an average of

729 transactions. Of total trading in Hemfosa’s ordinary shares, 77.5 percent occurred on Nasdaq Stockholm, 8.8 percent on BATS CXE and 6.3 percent on other exchanges.

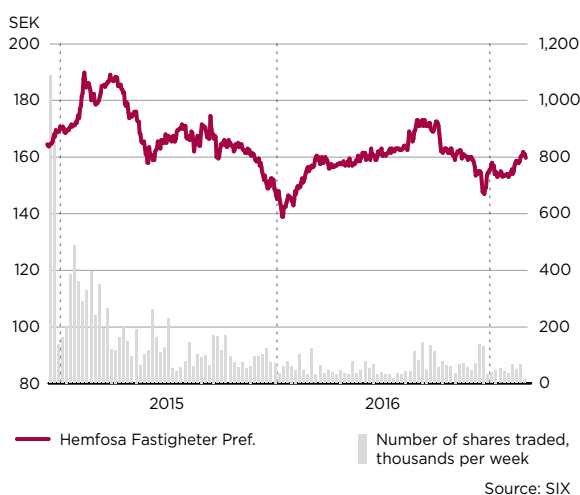
Each ordinary share carries one voting right, while preference shares carry one tenth of a voting right. The Hemfosa ordinary share is traded under the “HEMF” ticker.

In May 2016, Hemfosa completed a new issue of ordinary shares with preferential right for holders of ordinary shares. The rights issue was fully subscribed, contributed issue proceeds totaling some MSEK 1,814 to the company before issue costs and increased the share capital by SEK 13,144,021 to SEK 84,364,124. The proceeds will be used for financing property acquisitions, which are continuously evaluated by the company in its day-to-day operations, and for investments in existing properties.

### Ordinary share



### Preference share



## PREFERENCE SHARE

The closing price of the preference share on December 30, 2016 was SEK 155.50, representing a price increase of 2.0 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 divided among quarterly payments of SEK 2.50 per preference share. Of total trading in Hemfosa's preference share, 99.3 percent occurred on Nasdaq Stockholm and 0.6 percent on other exchanges. Hemfosa's preference share is traded under the "HEMF PREF" ticker.

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

## 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. Distributable profit for the year amounted to MSEK 1,253. For the 2016 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.40 per ordinary share with

## Trend in share capital

	Date	Changes in number of ordinary shares	Change in number of preference shares	Changes in share capital, MSEK
New issue, 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 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	-	13
<b>Total</b>		<b>131,440,208</b>	<b>10,999,999</b>	<b>84</b>

**SHAREHOLDER INFORMATION**

At December 30, 2016, Hemfosa had 19,375 shareholders, of whom Swedish investors, institutions and private individuals owned 69.3 percent of the shares. Foreign

international institutional investors owned 30.7 percent of the shares. The five largest owners jointly controlled 31.9 percent of the share capital and 33.8 percent of the voting rights.

**Owner distribution, December 30, 2016**

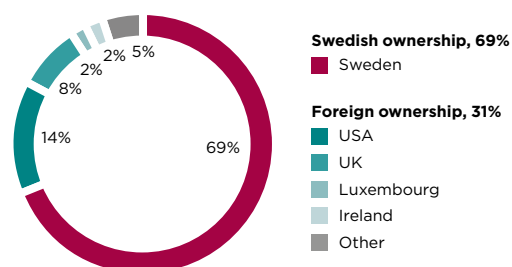
Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	14,885,225	-	8.8	9.4
Swedbank Robur Funds	12,761,926	125,000	7.6	8.0
Länsförsäkringar Fondförvaltning AB	12,411,722	-	7.4	7.8
Kåpan Pensioner	8,236,274	-	4.9	5.2
Lannebo funds	5,435,000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

For share-related key figures, see page 63

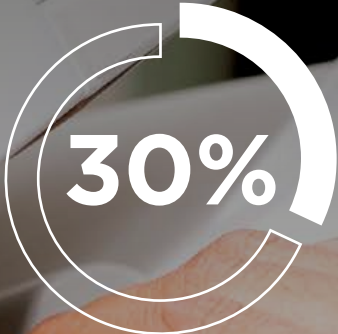
**Ownership structure by size of holding at December 30, 2016**

Holdings	Number of shareholders	Holdings, %	Voting rights, %
1-500	12,218	1.28	0.91
501-1,000	3,134	1.40	1.06
1,001-5,000	3,037	3.84	2.97
1,001-5,000	408	1.72	1.33
10,001-15,000	136	0.99	0.86
15,001-20,000	61	0.64	0.54
20,001-	381	90.12	92.33
<b>Total</b>	<b>19,375</b>	<b>100.00</b>	<b>100.00</b>

Source: Euroclear

**Percentage of share capital, at December 30, 2016**

**Offices** account for nearly 30 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



# 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 resulting in a clear-cut division of responsibility between management and the Board and in other areas within 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](http://www.bolagsstyrning.se), where the Swedish model for corporate governance is also described. During 2016, 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 2016.

## GENERAL MEETING OF SHAREHOLDERS

Hemfosa's 2017 Annual General Meeting (AGM) will be held on April 25, 2017 in Stockholm. Shareholders are entitled to have a matter addressed at the AGM assuming that a written request to this effect has been received by the Board of Directors no later than March 7, 2017. For practical reasons, however, the company would prefer to have received such a request no later than February 17, 2017. Such requests are to be addressed to the Board of Directors. Contact details are available on the company's [www.hemfosa.se](http://www.hemfosa.se) website. Hemfosa always endeavors to ensure that the Board of Directors, Executive Management Team, Nomination Committee and the auditor attend 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.

## 2016 AGM

Hemfosa's 2016 AGM resolved in accordance with the Board Of Director's decision of March 14, 2016 to increase the share capital through the issue of new ordinary shares with preferential rights for holders of ordinary shares. The AGM also resolved to authorize the Board on one or more occasions up to 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 that could have been issuable pursuant to this mandate corresponded to no more 10 percent of the total number of ordinary Hemfosa shares at the time of exercising the authorization. The authorization has not been utilized.

## THE HEMFOSA SHARE AND SHAREHOLDERS

The number of shares in the company on December 31, 2016 was 168,728,248, divided between two classes of shares: 157,728,249 ordinary shares and 10,999,999 preference shares. The preference shares provide entitlement and precedence to a dividend of SEK 10 per 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, 2016 was 19,375. No shareholders, directly or indirectly, hold shares that represent one tenth or more of the votes for all shares in the company. The company's five largest shareholders on December 31, 2016 were: The Fourth Swedish National Pension Fund (total holding of 14,885,255 ordinary shares or 9.4% of the voting rights), Swedbank Robur Funds (total holding of 12,761,926 ordinary shares and 125,000 preference shares corresponding to 8.0% of the voting rights), Länsförsäkringar Fondförvaltning AB (total holding of 12,411,722 ordinary shares or 7.8% of the voting rights), Kåpan Pensioner (total holding of 8,236,274 ordinary shares or 5.2% of the voting rights) and Lannebo Funds (total holding of 5,435,000 ordinary shares or 3.4% of the voting rights).

### 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](http://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.

### 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, is to issue proposal to the AGM concerning the number of Board members and composition of the Board, including the Chairman of the Board, and proposals concerning

fees to Board members, including any separate fees for Committee work. The Nomination Committee is also to present a proposal for 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 amendment to the current rules of the Nomination Committee.

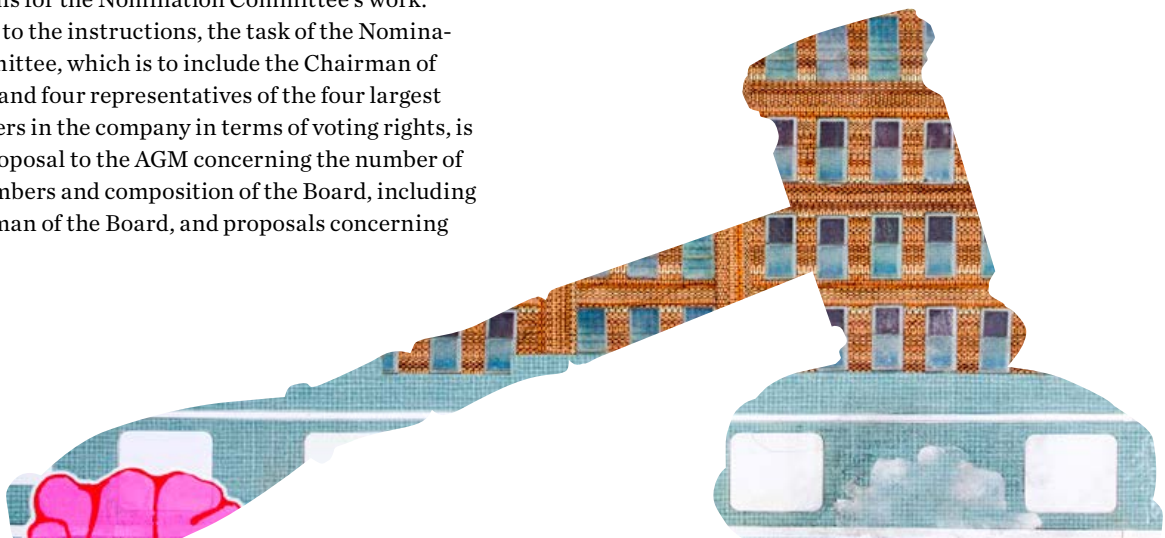
Hemfosa's Nomination Committee ahead of the 2017 AGM comprises Thomas Ehlin (Fourth Swedish National Pension Fund), Eva Gottfridsdotter-Nilsson (Länsförsäkringar Fondförvaltning AB), Lennart Francke (Swedbank Robur Funds), Gunnar Balsvik (Kåpan Pensioner) and Bengt Kjell (Chairman of the Board). Thomas Ehlin, who was appointed by the largest shareholder in terms of votes, is Chairman of the Nomination Committee.

Prior to the 2017 AGM, the Nomination Committee held two minuted meetings during 2016.

### 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 19, 2016 resolved to reelect Bengt Kjell, Caroline Sundewall, Jens Engwall, Anneli Lindblom and Ulrika Valassi as Board members. In addition, Per-Ingemar Persson 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 thereto updated continuously to comply with legislation, or should other requirements arise. According to the Code, a majority of the Board members elected by the Meeting 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 2016

The company's Board held 22 meetings during 2016, 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 2016, the Board made decisions on a rights

issue of ordinary shares, several major acquisitions, divestments and investments, as well as financing and refinancing programs.

### Composition of the Board

The composition of the Board of Directors in 2016, 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 2016 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 2016 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.

### Composition of the Board

AGM-elected <sup>1</sup>	Elected, year <sup>2</sup>	Born in	Total annual fee, SEK <sup>3</sup>	Independent in relation to shareholders	Independent in relation to company and management	Attendance Board meetings
<b>Chairman of the Board</b>						
Bengt Kjell	2009	1954	400,000	Yes	Yes	22/22
<b>Members</b>						
Jens Engwall	2009	1956	-	Yes	No	22/22
Magnus Eriksson	2011	1959	175,000	Yes	Yes	9/10
Anneli Lindblom	2013	1967	240,000	Yes	Yes	22/22
Per-Ingemar Persson	2016	1956	180,000	Yes	Yes	12/12
Daniel Skoghäll	2009	1962	175,000	Yes	Yes	10/10
Caroline Sundewall	2013	1958	215,000	Yes	Yes	22/22
Ulrika Valassi	2013	1967	215,000	Yes	Yes	19/22

<sup>1</sup> 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.

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

<sup>3</sup> For additional details, see the "Director fees" section below. The fees reported in the table above pertain to the annual period in office.



The committees have a preparatory and 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 2016 comprised the Board members Anneli Lindblom (Chairperson), Caroline Sundewall and Ulrika Valassi.

During 2016, the Audit Committee held eight 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 and 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 2016, the Remuneration Committee comprised the Board members Bengt Kjell (Chair) and Magnus Eriksson up to the 2016 AGM and Bengt Kjell (Chair) and Per-Ingemar Persson after the 2016 AGM, both of whom were adjudged to be independent in relation to the company and Group management.

In 2016, 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.

### **REMUNERATION**

At the AGM on April 19, 2016, the Meeting resolved that until the next AGM, an annual fee of SEK 400,000 would be paid to the Chairman of the Board and that SEK 180,000 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.

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. In addition to Jens Engwall (CEO), Group Management consists of seven executives: 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) and Ylva Hult Palmryd (Head of Legal).

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 19, 2016, 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. A variable portion is to be intended 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 ITP1 plan in Sweden. 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. Senior executives in this connection mean 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 in an individual case.

In the 2016 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 19, 2016, the registered firm of accountants KPMG AB was elected auditor for the period

up to the end of the 2017 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 2016, above and beyond the audit assignment, KPMG was engaged for additional services, primarily tax and transaction counseling, but also matters related to the issuance of ordinary shares with preferential rights for the holders of ordinary share. Such services were always, and solely, provided to the extent that is consistent with the regulations in the Swedish Auditing Act and FAR's rules of professional conduct pertaining to the objectivity and independence of auditors.

## 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 has 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 comprises 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 that ensures 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 certain financial information about the company and its subsidiaries to keep itself informed of the development of leasing and other property management work, and to review and monitor 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 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 measures are taken to deal with any problems and proposals that arise is particularly significant. 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 2016, Hemfosa complied with the Code without any deviations.

### AUDITORS' STATEMENT ON THE CORPORATE GOVERNANCE REPORT

#### To the Annual General Meeting of Hemfosa Fastigheter AB (publ), Corp. Reg. No. 556917-4377

It is the Board of Directors that is responsible for the 2016 Corporate Governance Report and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and, based on this reading and our knowledge of the company and the Group, we believe that we have sufficient grounds for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. In our opinion, a Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and consolidated accounts.

Stockholm, March 27, 2017  
KPMG AB

Björn Flink  
Authorized Public Accountant

# Board of Directors and Auditor

## **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 Expassum 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):** 2,468,339 ordinary share and 10,000 preference shares.

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

## **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, IKANO S.A., 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.

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

## **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.*

## **Per-Ingemar Persson, born in 1956**

Board member of the company since 2016, and member of the Remuneration Committee.

**Education:** M.Sc., Lund Technical University

**Other assignments:** Chairman of the Board of NEWS and ELU Konsult AB. Board member and Deputy Chairman of Wihlborgs Fastigheter AB. Board member of PEKE Konsult AB and a number of wholly owned companies or associated companies in the Veidekke 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.*

Caroline Sundewall

Jens Engwall

Bengt Kjell

Ulrika Valassi

Anneli Lindblom



**Caroline Sundewall, born in 1958**

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

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

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

**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.*

**Ulrika Valassi, born in 1967**

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

**Education:** Graduate in business administration, Uppsala University.

**Other assignments:** Board member of Ålandsbanken Abp and of Intrum Justitia AB. Board member and CEO of AU Management AB.

**Shareholding in the company (incl. any shares held by related parties):** 4,800 ordinary shares.

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

**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.

Holdings at December 31, 2016

**Per-Ingemar Persson**

# Management

## Jens Engwall, born in 1956

CEO

For further information about Jens Engwall, refer to the section "Board of Directors" on page 58.

## 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 and 4,000 preference shares.

## 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):** 1,686,860 ordinary shares.

## Annika Ekström, born in 1965

Property Manager

**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):** 38,021 ordinary shares.

## 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.

Linda Eriksson

Ann-Sofie Lindroth



**Ann-Sofie Lindroth, born in 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.

**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.

**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):** 7,346 ordinary shares.

**Simon Venemyr Ottersland, born in 1976**

Co-opted member

Details apply to December 31, 2016



Simon Venemyr  
Ottersland

Jens Engwall

Mikael Weiland

Annika Ekström

Ylva Hult  
Palmryd

Karin  
Osslind

Stina Lindh Hök

# Multi-year review

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

Full-year	2016	2015	2014	2013	2012
Rental income	2,642	2,443	1,612	1,584	1,573
Property expenses and property administration	-825	-773	-538	-537	-587
<b>Net operating income</b>	<b>1,817</b>	<b>1,670</b>	<b>1,074</b>	<b>1,047</b>	<b>986</b>
Central administration	-128	-112	-74	-79	-83
Other operating income and expenses	21	0	62	0	21
Share in profit of joint ventures	542	255	239	125	62
Financial income and expenses	-440	-450	-480	-770	-800
<b>Profit from property management</b>	<b>1,812</b>	<b>1,363</b>	<b>821</b>	<b>323</b>	<b>186</b>
Change in value of properties	1,594	1,500	695	-214	946
Change in value of financial instruments	18	-42	-277	23	-23
Current tax	-18	-5	-2	-	0
Deferred tax	177	-478	-113	99	-187
<b>Profit for the year</b>	<b>3,583</b>	<b>2,339</b>	<b>1,124</b>	<b>231</b>	<b>923</b>
Other comprehensive income/loss	156	-132	-	-	-
<b>Comprehensive income for the year</b>	<b>3,739</b>	<b>2,207</b>	<b>1,124</b>	<b>231</b>	<b>923</b>
<b>Earnings per share for the year before and after dilution, SEK</b>	<b>23.25</b>	<b>16.28</b>	<b>9.78</b>	<b>7.14</b>	<b>35.60</b>

## Consolidated statement of financial position, MSEK

Dec 31	2016	2015	2014	2013	2012
Investment properties	34,668	29,553	24 718	16,284	16,019
Shares in joint ventures	1,676	1,075	609	455	282
Shares in associated companies	56	-	-	-	-
Derivatives och other fixed assets	13	7	10	32	48
Current receivables	140	82	94	66	125
Cash and cash equivalents	1 221	732	594	284	242
<b>Total assets</b>	<b>37,774</b>	<b>31,449</b>	<b>26,025</b>	<b>17,121</b>	<b>16,716</b>
Equity	15,570	10,749	8,949	2,369	2,176
Interest-bearing liabilities	20,605	18,898	15,760	13,660	13,339
Derivatives	87	103	105	118	135
Deferred tax liabilities	506	701	492	430	527
Other liabilities	1,006	997	718	544	539
<b>Total equity and liabilities</b>	<b>37,774</b>	<b>31,449</b>	<b>26,025</b>	<b>17,121</b>	<b>16,716</b>

## Consolidated statement of cash flow, MSEK

	2016	2015	2014	2013	2012
Cash flow from operating activities, before changes in working capital	1,260	1,100	581	196	144
Cash flow from changes in working capital	-152	120	46	65	-74
Cash flow from investing activities	-3,247	-3,943	-7,504	-503	78
Cash flow from financing activities	2,621	2,862	7,187	284	-204
<b>Total cash flow</b>	<b>482</b>	<b>138</b>	<b>310</b>	<b>42</b>	<b>-56</b>



# Key figures

## Key financial data

	2016	2015	2014	2013 <sup>3</sup>	2012 <sup>3</sup>
Return on equity, %	27.1	23.7	19.7	13.6	53.8
Equity/assets ratio, % <sup>2</sup>	41.2	34.2	34.4	13.8	13.0
Loan-to-value ratio, properties, % <sup>2</sup>	59.4	63.9	63.8	83.9	83.3
Debt/equity ratio, multiple <sup>2</sup>	1.3	1.8	1.8	5.8	6.1
Interest-coverage ratio, multiple <sup>2</sup>	3.9	3.5	2.2	1.3	1.2

## Share-related key figures, ordinary shares

	2016	2015	2014	2013 <sup>3</sup>	2012 <sup>3</sup>
Profit from property management, SEK per share <sup>1,2</sup>	11.49	9.22	7.11	12.92	7.44
Profit after tax, SEK per share <sup>1</sup>	23.25	16.28	9.78	7.40	36.92
Equity, SEK per share <sup>1</sup>	86.95	65.71	53.71	94.76	87.04
Net asset value (EPRA NAV), SEK per share <sup>1,2</sup>	93.87	73.98	71.91	116.40	113.52
Cash flow from operating activities before changes in working capital <sup>1</sup>	7.76	7.27	4.99	7.84	5.76
Dividend, SEK per share	4.20	3.00	-	-	-
Weighted average number of shares, 000s	148,149	131,440	109,954	25,000	25,000
Number of shares outstanding at balance-sheet date, 000s	157,728	131,440	131,440	25,000	25,000

## Share-related key figures, preference shares

	2016	2015	2014	2013	2012
Equity, SEK per share	162.85	162.85	162.50	-	-
Dividend, SEK per share	10.00	10.00	1.25	-	-
Number of shares outstanding at balance-sheet date, 000s	11,000	11,000	10,000	-	-

## Property-related key figures

	2016	2015	2014	2013	2012
Number of properties at year-end.	432	411	353	195	204
Rental value at year-end, MSEK <sup>2</sup>	2,999	2,768	2,520	1,738	1,764
Leasable area at year-end, 000s of sqm	2,627	2,607	2,516	1,713	1,720
The properties' fair value in the balance sheet, MSEK	34,668	29,553	24,718	16,284	16,019
Property value, SEK per sqm	13,195	11,336	9,824	9,556	9,310
Economic leasing rate, %	91.1	90.4	90.7	90.0	89.0
Surplus ratio, % <sup>2</sup>	68.8	68.4	66.6	66.1	63.0
Yield, % <sup>2</sup>	5.5	5.8	6.1	6.4	6.3

<sup>1</sup> Due to the new issue of ordinary shares, historical key figures have been recalculated using a correction factor. This does not apply to the years 2012 and 2013.

<sup>2</sup> Pertains to Alternative Performance Measures according to the European Securities and Markets Authority (ESMA) which, in common with other performance measures, are defined in the glossary on page 107.

<sup>3</sup> Performance measures for 2012 and 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 2016 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 Fastigheter owns commercial properties in Sweden, Norway and Finland with a fair value of SEK 34.7 billion (29.6). At December 31, the property portfolio comprised 432 properties (411) with leasable area of 2,627,000 square meters (2,607,000) and a rental value of MSEK 2,999 (2,768). The economic leasing rate was 91.1 percent (90.4). The properties had a total fair value of SEK 34.7 billion (29.6).

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 Öresund regions.

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

located in the Oslo region of Norway and in major metropolitan regions of Finland, and exclusively comprises 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 eight members and is presented in the Corporate Governance Report on pages 52–57 and pages 60–61 of this Annual Report.

At December 31, 2016, the number of employees in Hemfosa was 59 (59).

## CORPORATE GOVERNANCE

A separate Corporate Governance Report is presented on pages 52–57 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.

The Board of Directors' motion concerning guidelines to the forthcoming AGM contains one new feature compared with the preceding year. The new feature is that senior executives may be offered incentive programs that are to primarily be share or share-price based. A resolution on this has to be adopted by the AGM. Refer also to the Corporate Governance Report on pages 52–57 of this Annual Report.

### NEW SHARE ISSUE IN SAMFUNNSBYGG AS

Hemfosa's operations in Norway are conducted through Hemfosa Samfunnsbygg AS ("Samfunnsbygg"). The company's establishment in the Norwegian market was initiated when Hemfosa acquired a shareholding in Samfunnsbygg. At that time, Samfunnsbygg was a wholly owned subsidiary of Immob. Holding AS ("Immob"), a company owned by Simon Venemyr Ottersland, CEO of Samfunnsbygg. Following the acquisition, Hemfosa became the owner of 97.23 percent of the shares and voting rights of Samfunnsbygg, while Immob. continued to own 2.77 percent of the shares and voting rights.

To generate commitment and shared risk taking during the build-up of Hemfosa's Norwegian operations, an agreement was entered into under which, subject to certain conditions, Immob. has the rights and the obligation to subscribe for Samfunnsbygg shares. At a general meeting of Samfunnsbygg's shareholders on July 4, 2016, a resolution was passed to issue shares while disapplying the shareholders' preferential rights. Following the new issue, Immob., in accordance with the agreement between the parties, increased its relative shareholding in Samfunnsbygg from 2.77 percent to 4.18 percent.

Since Simon Venemyr Ottersland was CEO of Samfunnsbygg at the time of the issue resolution, the share issue to Immob. was subject to the regulations of Chapter 16 of the Swedish Companies Act, which meant that the issue resolution required the approval of a general meeting of Hemfosa shareholders.

The intention is that approval by the Parent Company will be addressed at the 2017 Annual General Meeting.

### OPPORTUNITIES AND RISKS

Hemfosa is exposed to various 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 18 Financial risks and risk management.

#### 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. Directly or indirectly publicly financed tenants in the lease portfolio accounted for some 62

## Significant events during the fiscal year

- The Board clarified the strategy for the proportion of community service properties, which are to ultimately account for at least 75 percent of the total property value. The financial objective for the interest-coverage ratio was adjusted to a target of a multiple of at least two.
- A successful share issue, with pre-emptive rights for Hemfosa's ordinary shareholders, contributed about SEK 1.8 billion to the company.
- Hemfosa additionally diversified the company's sources of financing by establishing a commercial paper program and issuing bond loans.
- Hemfosa strengthened its presence in Finland through the acquisition of community service properties with a total rental value of approximately MSEK 100.
- Hemfosa acquired community service properties in Norway with a total rental value of about MSEK 45.
- The Swedish portfolio was supplemented with community service properties with a total rental value of approximately MSEK 175.
- Streamlining of the property portfolio resulted in divestments of properties that did not belong to the property type community service properties. The total rental value for community service properties was about MSEK 1,850.
- Hemfosa signed a ten-year lease for 11,000 square meters of previously vacant floor space in the Södra Porten area of Mölndal.

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.

<b>MSEK</b>	<b>2016</b>	<b>2015</b>
Losses on rents and accounts receivable	3	2

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. The market risks that influence Hemfosa are currency risk and interest-rate risk.

#### 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. In order 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 and means that 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.

## COMMENTARY ON FINANCIAL DEVELOPMENT DURING THE YEAR

### Earnings

Rental income amounted to MSEK 2,642 (2,443), up 8.1 percent. The leasing rate was 91.1 percent (90.4). Property expenses amounted to MSEK 825 (773), and net operating income corresponded to a surplus ratio of 68.8 percent (68.4). The yield for the entire portfolio was 5.5 percent (5.8).

Management of the property portfolio generated profit from property management of MSEK 1,812 (1,363), up 33 percent year-on-year, with the increase due primarily to changes in the value of properties owned indirectly, which are recognized within Share of profit/loss in joint ventures, and in part to the larger property portfolio.

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

The current tax expense totaled MSEK 17 (5) and the deferred tax asset was MSEK 177 (-478), of which MSEK -419 (-412) derived from investment properties and MSEK 597 (-74) to revaluation of loss carryforwards. The effective tax rate for Hemfosa was +4.7 percent (-17.1), due to the measurement of tax loss carryforwards. Hemfosa's total loss carryforwards, which have been measured in the Statement of financial position, amounted to MSEK 4,758 (1,764) at December 31, 2016, corresponding to deferred tax of MSEK 1,047 (424).

### Equity

At December 31, 2016, Hemfosa's shareholders' equity totaled MSEK 15,570 (10,749), equal to an equity/assets ratio of 41.2 percent (34.2). Hemfosa's financial target is an equity/assets ratio of at least 30 percent.

### Interest-bearing liabilities

The Group's interest-bearing liabilities amounted to MSEK 20,606 (18,898) at December 31, 2016. 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, 2016, the derivative instruments had a negative fair value totaling MSEK 84 (101) and the change in value was MSEK 18 (-42).

### Cash flow

Cash flow from operating activities during the year amounted to MSEK 1,108 (1,220), corresponding to SEK 7.76 per ordinary share (7.27). Investing activities impacted cash flow in the amount of MSEK -3,246 (-3,943), of which investments in existing properties accounted for MSEK -893 (-566), direct and indirect acquisitions of properties for MSEK -3,544 (-4,594), direct and indirect divestment of properties for MSEK 1,280 (1,423), acquisition of shares in joint ventures for MSEK -77 (-221) and other items for MSEK -12 (14).

Financing activities had an impact of MSEK 2,621 (2,862) on cash flow for the year. During the year, MSEK 678 (399) was paid in dividends to Hemfosa's shareholders. A new issue of shares during 2016 contributed MSEK 1,808 (165) after issue costs. Overall, the change in cash and cash equivalents during the year was MSEK 482 (138).

### Parent Company

For full-year 2016, the Parent Company recognized profit after tax of MSEK 1,069 (765). The Parent Company's investments in operations outside Sweden resulted in exchange-rate gains of MSEK 16 (-110), which are recognized in interest expense and similar income statement items. Anticipated dividends from subsidiaries amounted to MSEK 979 (850).

At December 31, 2016, the Parent Company had shareholders' equity totaling MSEK 11,117 (8,985).

### The share

Hemfosa has two classes of shares: ordinary share and preference shares, which were listed on Nasdaq Stockholm, Mid Cap, until December 31, 2016. Effecting January 1, 2017, the shares 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 48–50 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
<b>Total</b>		<b>168,728,248</b>	<b>84</b>

At year-end, the share capital amounted to MSEK 84 (72). Hemfosa issued new ordinary shares during 2016. On the balance-sheet date, the company had 157,728,249 ordinary shares (131,440,208) 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 19,375.

### ENVIRONMENTAL WORK

Hemfosa Fastigheter aims to be a good community citizen and a responsible landlord. The company complies with the Swedish guidelines for good corporate governance and the demands placed on a modern property owner. The environmental policy pursued by Hemfosa states that the organization is to focus actively on the energy efficiency of its buildings and premises. The company must 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 shall aim 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 in the Hemfosa's Responsibility section on pages 31–40 of this Annual Report.

### EXPECTATIONS CONCERNING FUTURE DEVELOPMENT

Hemfosa does not provide a forecast on its future financial development. During 2017, 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, 2016

Premium reserve	9,791,873,796
Retained earnings	171,679,627
Profit for the year	1,068,947,571
<b>Total unrestricted equity</b>	<b>11,032,500,994</b>

#### Funds available for distribution by the AGM

Dividend payable to holders of ordinary shares SEK 4.40 per ordinary share	694,004,296
Dividend payable to holders of preference share is SEK 10.00 per preference share	109,999,990
To be carried forward	10,228,496,708
<b>Total</b>	<b>11,032,500,994</b>

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 2016	Full-year 2015
Rental income	3	2,642	2,443
Property expenses			
Operating expenses	3,7	-433	-413
Maintenance costs		-212	-194
Property tax		-98	-86
Property administration		-82	-81
<b>Net operating income</b>	2,4,5,6	<b>1,817</b>	<b>1,670</b>
Central administration	5,6,7	-128	-112
Other operating income		21	0
Share in profit of joint ventures	12	542	255
Financial income	8	4	5
Financial expenses	8	-444	-455
<b>Profit from property management</b>		<b>1,812</b>	<b>1,363</b>
Changes in value of properties, realized	11	46	91
Changes in the value of properties, unrealised	11	1,548	1,409
Changes in value of financial instruments, realized		-	3
Changes in value of financial instruments, unrealised		18	-45
<b>Profit before tax</b>		<b>3,424</b>	<b>2,821</b>
Current tax	9	-18	-5
Deferred tax	9	177	-478
<b>Profit for the year</b>		<b>3,583</b>	<b>2,339</b>
<b>Other comprehensive income</b>			
<i>Items that have or could be transferred to profit for the period</i>			
Translation differences for the period when translating foreign operations		156	-132
<b>Comprehensive income for the year</b>		<b>3,739</b>	<b>2,207</b>
<i>Profit/loss for the year attributable to:</i>			
Parent Company shareholders		3,556	2,324
Non-controlling interests		27	15
<b>Profit for the year</b>		<b>3,583</b>	<b>2,339</b>
<i>Comprehensive income for the year attributable to:</i>			
Parent Company shareholders		3,709	2,191
Non-controlling interests		30	16
<b>Comprehensive income for the year</b>		<b>3,739</b>	<b>2,207</b>
<b>Earnings per share for the year before and after dilution, SEK</b>	10	<b>23.25</b>	<b>16.28</b>

# Consolidated statement of financial position

MSEK	Note	Dec 31, 2016	Dec 31, 2015
<b>ASSETS</b>			
Investment properties	11	34,668	29,553
Tangible assets		2	1
Shares in joint ventures	12	1,676	1,075
Shares in associated companies	13	56	
Derivatives	18.19	3	2
Other financial assets		8	3
<b>Total fixed assets</b>		<b>36,413</b>	<b>30 635</b>
Rents receivables	19	32	34
Current receivables	14	108	48
Cash and cash equivalents	15	1,221	732
<b>Total current assets</b>		<b>1,361</b>	<b>814</b>
<b>TOTAL ASSETS</b>		<b>37,774</b>	<b>31,449</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	26	84	72
Other contributed capital		7,509	5,713
Provision		21	-132
Retained earnings including profit for the year		7,891	5,084
<b>Shareholders' equity attributable to Parent Company shareholders</b>		<b>15,506</b>	<b>10,737</b>
<b>Non-controlling interests</b>		<b>64</b>	<b>12</b>
<b>Total shareholders' equity</b>		<b>15,570</b>	<b>10,749</b>
<b>Liabilities</b>			
Non-current interest-bearing liabilities	16	14,639	17,228
Other long-term liabilities		4	3
Derivatives	18.19	87	103
Deferred tax liabilities	17	506	701
<b>Total non-current liabilities</b>		<b>15,236</b>	<b>18,035</b>
Current interest-bearing liabilities	16	5,966	1,670
Other current liabilities	20	1,002	994
<b>Total current liabilities</b>		<b>6,968</b>	<b>2,664</b>
<b>Total liabilities</b>		<b>22,204</b>	<b>20,699</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,774</b>	<b>31,449</b>

# Consolidated statement of changes in equity

Reconciliation of shareholders' equity, (MSEK)	Shareholders' equity attributable to Parent Company shareholders				Total	Non- controlling interests	Total equity
	Share capital	Other con- tributed capital	Trans- lation reserve	Retained earnings incl. profit for the year			
Opening equity, Jan 1, 2015	71	5,549	-	3,317	8,938	12	8,949
<b>Transactions with the Group's shareholders</b>							
<b>Contributions from and distributions to shareholders</b>							
New share issue, preference shares	1	164	-	-	165	-	165
Dividend, preference shares	-	-	-	-157	-157	-	-157
Dividend, ordinary shares	-	-	-	-394	-394	-	-394
<b>Changes in interests in subsidiaries</b>							
Acquisition of subsidiaries with non-controlling interests	-	-	-	-4	-4	4	-
Divestment of part-owned subsidiary	-	-	-	-	-	-20	-20
<b>Total transactions with the Group's shareholders</b>	<b>1</b>	<b>164</b>	<b>-</b>	<b>-556</b>	<b>-391</b>	<b>-16</b>	<b>-407</b>
<b>Profit of the year Jan-Dec 2015</b>				<b>2,324</b>	<b>2,324</b>	<b>15</b>	<b>2,339</b>
<b>Other Comprehensive income Jan-Dec 2015</b>			<b>-132</b>	<b>-132</b>	<b>-132</b>	<b>1</b>	<b>-132</b>
<b>Comprehensive income Jan-Dec 2015</b>	<b>-</b>	<b>-</b>	<b>-132</b>	<b>2,324</b>	<b>2,191</b>	<b>16</b>	<b>2,207</b>
<b>Closing equity, Dec 31, 2015</b>	<b>72</b>	<b>5,713</b>	<b>-132</b>	<b>5,084</b>	<b>10,737</b>	<b>12</b>	<b>10,749</b>
Opening shareholders' equity, Jan 1, 2016	72	5,713	-132	5,084	10,737	12	10,749
<b>Transactions with the Group's shareholders</b>							
<b>Contributions from and distributions to shareholders</b>							
New issue, ordinary shares	12	1,796 <sup>2</sup>	-	-	1,808	-	1,808
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-635	-635	-	-635
Increase in non-controlling interests	-	-	-	-4	-4	22	18
<b>Total transactions with the Group's shareholders</b>	<b>12</b>	<b>1,796</b>	<b>0</b>	<b>-749</b>	<b>1,059</b>	<b>22</b>	<b>1081</b>
<b>Profit of the year Jan-Dec 2016</b>				<b>3,556</b>	<b>3,556</b>	<b>27</b>	<b>3,583</b>
<b>Other Comprehensive income Jan-Dec 2016</b>			<b>153</b>	<b>-</b>	<b>153</b>	<b>3</b>	<b>156</b>
<b>Comprehensive income Jan-Dec 2016</b>			<b>153</b>	<b>3,556</b>	<b>3,709</b>	<b>30</b>	<b>3,739</b>
<b>Closing equity, Dec 31, 2016</b>	<b>84</b>	<b>7,509</b>	<b>21</b>	<b>7,891</b>	<b>15,506<sup>1</sup></b>	<b>64</b>	<b>15,570</b>

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.



# Consolidated statement of cash flows

MSEK	Note	Full-year 2016	Full-year 2015
<b>Operating activities</b>			
Profit from property management		1,812	1,363
Adjustments for items not included in cash flow	23	-541	-264
Income tax paid		-11	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,260</b>	<b>1,100</b>
<b>Cash flow from changes in working capital</b>			
Changes in operating receivables		-56	22
Changes in operating liabilities		-96	98
<b>Cash flow from operating activities</b>		<b>1,108</b>	<b>1,220</b>
<b>Investing activities</b>			
Acquisition of investment properties		-46	-103
Divestment of investment properties		16	45
Acquisition of subsidiaries	23	-3,498	-4,491
Divestment of subsidiaries	23	1,264	1,378
Investments in existing properties		-893	-566
Acquisition of joint venture and associated companies		-59	-221
Shareholders' contribution paid/repaid by joint ventures		-127	-40
Repayment of shareholders' contributions to/from joint ventures		6	-
Dividends received from joint ventures and associated companies		103	50
Acquisition/divestment of financial assets		-10	4
Acquired/divested tangible assets		-2	-
<b>Cash flow from investing activities</b>		<b>-3,247</b>	<b>-3,943</b>
<b>Financing activities</b>			
New share issue		1,808 <sup>1</sup>	165
Issue of bond loans		750	-
Loans raised		4,527	4,240
Amortization of loans		-3,804	-1,101
Redemption of existing swap agreements		-	-43
Dividend paid		-678	-399
New issue to non-controlling interests		18	-
<b>Cash flow from financing activities</b>		<b>2,621</b>	<b>2,862</b>
<b>Cash flow for the period/year</b>		<b>482</b>	<b>138</b>
Exchange-rate difference in cash and cash equivalents		7	0
Cash and cash equivalents at the beginning of the year		732	594
<b>Cash and cash equivalents at the end of the year</b>		<b>1,221</b>	<b>732</b>

<sup>1</sup> The amount includes costs totaling MSEK 6 for raising capital.

# Income statement for the Parent Company

<b>MSEK</b>	<b>Note</b>	<b>Full-year 2016</b>	<b>Full-year 2015</b>
Net sales		34	53
Other external costs	6	-34	-34
Personnel expenses	5	-39	-30
Depreciation/amortization		0	0
<b>Profit before financial income and expenses</b>		<b>-39</b>	<b>-11</b>
Profit from shares in Group companies	8	979	850
Interest income and similar income items	8	32	286
Interest expenses and similar expense items	8	-41	-196
<b>Profit before appropriations</b>		<b>931</b>	<b>929</b>
<b>Appropriations</b>			
Group contributions received/paid		162	-187
<b>Profit before tax</b>		<b>1,093</b>	<b>742</b>
Deferred tax	9	-24	24
<b>Profit for the year</b>		<b>1,069</b>	<b>765</b>

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

# Balance sheet for the Parent Company

MSEK	Note	Dec 31, 2016	Dec 31, 2015
<b>ASSETS</b>			
Tangible assets		1	0
<b>Financial fixed assets</b>			
Shares in Group companies	25	5,258	3,527
Non-current receivables from Group companies		477	523
Deferred tax asset		-	24
<b>Total financial fixed assets</b>		<b>5,735</b>	<b>4,074</b>
<b>Total fixed assets</b>		<b>5,736</b>	<b>4,074</b>
Current receivables from Group companies		7,568	7,103
Other current receivables		47	13
Cash and bank balances		671	286
<b>Total current assets</b>		<b>8,286</b>	<b>7,402</b>
<b>TOTAL ASSETS</b>		<b>14,022</b>	<b>11,476</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital	26	84	72
<b>Unrestricted equity</b>			
Premium reserve		9,792	7,996
Retained earnings		172	152
Comprehensive income for the year		1,069	765
<b>Equity</b>		<b>11,117</b>	<b>8,985</b>
<b>Liabilities</b>			
Bond		750	1,200
Non-current liabilities to Group companies		0	-
<b>Total non-current liabilities</b>	27	<b>750</b>	<b>1,200</b>
Bond		998	-
Liabilities to credit institutions		895	-
Current liabilities to Group companies		-	1,101
Other current liabilities		262	190
<b>Total current liabilities</b>		<b>2,155</b>	<b>1,291</b>
<b>Total liabilities</b>		<b>2,905</b>	<b>2,491</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,022</b>	<b>11,476</b>

# Statement of changes in equity for the Parent Company

MSEK	Restricted equity	Unrestricted equity			Total equity
	Share capital	Premium reserve	Translation reserve	Retained earnings incl. profit for the year	
<b>Opening equity, Jan 1, 2015</b>	<b>71</b>	<b>7,832</b>	<b>-</b>	<b>704</b>	<b>8,607</b>
<b>Transactions with the company's owners</b>					
New share issue, preference shares	1	164	-	-	165
Dividend, preference shares	-	-	-	-157	-157
Dividend, ordinary shares	-	-	-	-394	-394
<b>Total transactions with the company's owners</b>	<b>72</b>	<b>7,996</b>	<b>-</b>	<b>-551</b>	<b>-387</b>
<b>Comprehensive income Jan-Dec 2015</b>	<b>-</b>	<b>-</b>	<b>-86</b>	<b>765</b>	<b>765</b>
<b>Closing equity, Dec 31, 2015</b>	<b>72</b>	<b>7,996</b>	<b>-86</b>	<b>918</b>	<b>8,985</b>
<b>Opening equity, Jan 1, 2016</b>	<b>72</b>	<b>7,996</b>	<b>-86</b>	<b>1,004</b>	<b>8,985</b>
<b>Transactions with the company's owners</b>					
New issue, ordinary shares	12	1,796	-	-	1,808
Dividend, preference shares	-	-	-	-110	-110
Dividend, ordinary shares	-	-	-	-635	-635
<b>Total transactions with the company's owners</b>	<b>12</b>	<b>1,796</b>	<b>86</b>	<b>-745</b>	<b>1,063</b>
<b>Comprehensive income Jan-Dec 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,069</b>	<b>1,069</b>
<b>Closing equity, Dec 31, 2016</b>	<b>84</b>	<b>9,792</b>	<b>-</b>	<b>1,242</b>	<b>11,117</b>

# Cash-flow statement for the Parent Company

MSEK	Note	Full-year 2016	Full-year 2015
<b>Operating activities</b>			
Profit before appropriations		931	1,039
Adjustments for items not included in cash flow	23	-979	-850
Income tax paid		-	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>-48</b>	<b>189</b>
<b>Cash flow from changes in working capital</b>			
Changes in operating receivables		-36	4
Changes in operating liabilities		6	-36
<b>Cash flow from operating activities</b>		<b>-78</b>	<b>157</b>
<b>Investing activities</b>			
Acquisition of financial assets		-37	-868
Divestment of financial assets		-	2
Shareholders' contribution paid		-1,694	-
Acquisition of tangible assets		-1	-
Deposits and lending to/from Group companies		-378	934
<b>Cash flow from investing activities</b>		<b>-2,110</b>	<b>68</b>
<b>Financing activities</b>			
New share issue		1,808	165
Dividend paid		-678	-399
Emission of bond		750	-
Loans raised		693	-
Repayment of loan liabilities		-	-18
<b>Cash flow from financing activities</b>		<b>2,573</b>	<b>-252</b>
<b>Cash flow for the period/year</b>		<b>385</b>	<b>-27</b>
Cash and cash equivalents at the beginning of the year		286	313
<b>Cash and cash equivalents at the end of the year</b>		<b>671</b>	<b>286</b>

# 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 27, 2017. 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 25, 2017.

### Measurement basis applied for 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

IFRS amendments with effect from January 1, 2016 have had any material effect on the consolidated financial statements.

### New IFRSs that have not yet been applied

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, as of 2018. The Group does not plan to implement 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 in order to simplify and thus increase equivalency with the company's internal risk management strategies. Evaluation is under way of the impact on the consolidated financial statements when IFRS 9 becomes effective. The preliminary assessment is that IFRS 9 will not have any material impact on the consolidated financial statements as long as no decisions are made regarding hedge accounting of interest-rate risk. The Group's receivables 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. Since the Group's revenue essentially comprises rental income recognized according to IAS 17 Leases, IFRS 15 will only apply to sales of property management services and media. The Group does not plan to implement IFRS 15 prospectively. Evaluation is under way of the impact on the consolidated financial statements when IFRS 15 becomes effective and, in all material respects, the assessment that it will only result in an increased breakdown of revenue into rental income and other income. IFRS 15 will result in expanded disclosure requirements regarding income.

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 preliminarily 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.

Calculation of amounts in respect of the impact of IFRS 16 and choices of transitional methods have not yet been implemented. The disclosures on operating leases provided in Note 3 provide an indication of the type and scope of the leases prevailing at present. The Group's tenants will be more affected by IFRS 16, which could impact the design of future contractual terms.

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**

Rental income encompasses 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 correspond 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-invoiced 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.

### Other comprehensive income

The translation reserve includes all exchange-rate differences that arise from the translation of the financial statements of foreign subsidiaries that have compiled their reports in a currency other than that in which the consolidated financial statements are presented. When foreign subsidiaries are discontinued or sold, their share of the translation reserve is transferred to profit/loss. Provisions are recognized as a separate item in equity. Various provisions can exist but this item currently pertains only to the translation reserve.

### 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. 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, which varies from five to ten years.

### 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 is based on consolidated net profit/loss 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.

### Remuneration of employees

#### Defined-contribution pension plans

The Hemfosa Group has 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 the contract
- When a limit to the company's ability to withdraw the offer comes into effect

### 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 financial statements 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.

***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 statement 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***

Participations in subsidiaries are recognized in the Parent Company in accordance with the cost method, whereby transaction charges are included in the carrying amount of shareholdings 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.

***Accounting policies amended during the year***

RFR 2 IAS 21, Item 3 has been repealed. This means that exchange rate differences associated with monetary items that constitute a component of a reporting company's net investment in a foreign operation no longer have to be recognized in a reserve for fair value within equity. These exchange rate differences are to instead be recognized in profit or loss according to IAS 21, Item 21. The amendment has been implemented retroactively and comparative figures have been restated.

## 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 distributed 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 segments, as specified in Note 11 Investment properties.

MSEK	Sweden		Norway		Finland		Total consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental income	2,287	2,247	261	196	94	-	2,642	2,443
Property expenses								
Operating expenses	-424	-411	-3	-2	-6	-	-433	-413
Maintenance costs	-207	-191	-3	-3	-2	-	-212	-194
Property tax	-90	-83	-3	-2	-5	-	-98	-86
Property administration	-78	-79	-3	-2	-	-	-82	-81
<b>Net operating income</b>	<b>1,488</b>	<b>1,483</b>	<b>249</b>	<b>187</b>	<b>81</b>	<b>0</b>	<b>1,817</b>	<b>1,670</b>
Central administration							-128	-112
Other operating income							21	0
Share in profit of joint ventures							542	255
Financial income and expenses							-440	-450
<b>Profit from property management</b>							<b>1,812</b>	<b>1,363</b>
Changes in value of properties, realized							46	91
Changes in the value of properties, unrealised							1,548	1,409
Changes in value of financial instruments, realized							-	3
Changes in value of financial instruments, unrealised							18	-45
<b>Profit before tax</b>							<b>3,424</b>	<b>2,821</b>

### NOTE 3 OPERATIONAL LEASING

Hemfosa leases out its investment properties according to operational leasing agreements. The most prevalent term of newly signed leases is 3 to 6 years. The average remaining lease term is 5.8 years (5.9). 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.

#### Contractual future rental income, Dec 31, 2016

MSEK Lease expiry	Number of Leasable area, leases	000s of sqm	Contractual annual rent	Proportion, %
2016	1,849	214	231	8
2017	623	313	361	13
2018	499	375	454	17
2019	300	319	346	13
2020	104	188	218	8
>2020	364	891	1122	41
<b>Total</b>	<b>3,739</b>	<b>2,299</b>	<b>2,731</b>	<b>100</b>

#### Contractual future rental income, Dec 31, 2015

MSEK Lease expiry	Number of Leasable area, leases	000s of sqm	Contractual annual rent	Proportion, %
2016	1,929	253	267	11
2017	654	277	296	12
2018	453	292	327	13
2019	281	271	319	13
2020	93	227	227	9
>2020	326	948	1,068	43
<b>Total</b>	<b>3,736</b>	<b>2,268</b>	<b>2,503</b>	<b>100</b>

#### Maturity structure, existing leases

MSEK	2016	2015
Within one year	2,665	2,455
Between one and five years	7,176	6,634
Longer than five years	5,903	5,671

### 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, six have ground rent periods that will expire within the next five years. Total costs during the year for ground rent amounted to MSEK 2 (3).

MSEK	2016	2015
Agreed ground rent, year 1	5	2
Agreed ground rent, years 2 to 5	19	6
Agreed ground rent, later than five years	10	3
<b>Total</b>	<b>34</b>	<b>11</b>

### NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES

#### Group

MSEK	2016	2015
<i>Management Group</i>		
Salaries and other compensation, etc.	21	16
Pension costs, defined-contribution plans	4	3
Social security contributions	8	6
<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	1
<i>Other employees</i>		
Salaries and other compensation, etc.	31	30
Pension costs, defined-contribution plans	3	3
Social security contributions	9	10
<b>Total costs of employee benefits</b>	<b>76</b>	<b>68</b>

#### Average number of employees

Group	2016		2015	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Average number of employees in Sweden	55	45%	58	44%
Average number of employees in Norway	4	1%	1	0%
Average number of employees in Finland	1	0%	-	-

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

#### 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 1.3 for 2016 and MSEK 1.4 for 2015, 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. Senior executives in this connection mean the CEO, CFO and other members of Group management.

The Deputy CEO's employment at Hemfosa ended on December 9, 2016. Hemfosa pays salary during the period of notice, which extends until May 31, 2017.

## NOTE 5 CONT'D.

## Gender distribution in company management

## Group

	2016		2015	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Board of Directors	6	50%	7	43%
Other senior executives	8	75%	8	50%

## Salary and other remuneration for senior executives

## Parent Company

KSEK	Basic salary, director fees		Variable remuneration		Pension contributions		Share-based remuneration		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Chairman of the Board</b>												
<b>Bengt Kjell</b>												
Remuneration from Parent Company	388	350	-	-	-	-	-	-	-	-	388	350
<b>Board member</b>												
<b>Anneli Lindblom</b>												
Remuneration from Parent Company	239	233	-	-	-	-	-	-	-	-	239	233
<b>Board member</b>												
<b>Caroline Sundewall</b>												
Remuneration from Parent Company	214	209	-	-	-	-	-	-	-	-	214	209
<b>Board member</b>												
<b>Ulrika Valassi</b>												
Remuneration from Parent Company	214	209	-	-	-	-	-	-	-	-	214	209
<b>Board member</b>												
<b>Per-Ingemar Persson</b>												
Remuneration from Parent Company	135	-	-	-	-	-	-	-	-	-	135	-
<b>Board member</b>												
<b>Magnus Eriksson</b>												
Remuneration from Parent Company	44	175	-	-	-	-	-	-	-	-	44	175
<b>Board member</b>												
<b>Daniel Skoghäll</b>												
Remuneration from Parent Company	44	175	-	-	-	-	-	-	-	-	44	175
<b>Chief Executive Officer</b>												
<b>Jens Engwall</b>												
Remuneration from Parent Company	4,078	3,567	-	-	935	788	-	-	246	255	5,259	4,610
<b>Other senior executives</b>												
<i>(7 (7) individuals)</i>												
Remuneration from Parent Company from subsidiaries	15,496	10,363	1,055	1,455	3,070	2,257	-	-	380	737	20,001	14,812
<b>Total</b>	<b>20,852</b>	<b>15,281</b>	<b>1,055</b>	<b>1,455</b>	<b>4,005</b>	<b>3,045</b>	<b>-</b>	<b>-</b>	<b>626</b>	<b>992</b>	<b>26,538</b>	<b>20,773</b>

## NOTE 5 CONT'D.

## Parent Company

MSEK	2016	2015
<i>Management Group</i>		
Salaries and other compensation, etc.	19	14
Pension costs, defined-contribution plans	4	3
Social security contributions	7	5
<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	1
<i>Other employees</i>		
Salaries and other compensation, etc.	6	6
Pension costs, defined-contribution plans	1	1
Social security contributions	2	2
<b>Total costs of employee benefits</b>	<b>39</b>	<b>31</b>

## Average number of employees

Parent Company	2016		2015	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Average number of employees	16	64%	16	69%

## Gender distribution in company management.

Parent Company	2016		2015	
	Number of persons	Proportion of women	Number of persons	Proportion of women
Board of Directors	6	50%	7	43%
Other senior executives	8	75%	8	50%

## NOTE 6 FEES AND REMUNERATION TO AUDITORS

Group	2016	2015
<b>MSEK</b>		
<i>KPMG</i>		
Auditing assignments	7	6
Remuneration for audit activity in addition to auditing assignments	2	-
Tax advisory services	1	1
Other assignments	3	2
<b>Total fees and remuneration to auditors</b>	<b>12</b>	<b>9</b>

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	2016	2015
<i>KPMG</i>		
Auditing assignments	3	3
Remuneration for audit activity in addition to auditing assignments	2	-
Tax advisory services	0	-
Other assignments	2	-
<b>Total fees and remuneration to auditors</b>	<b>6</b>	<b>3</b>

## NOTE 7 OPERATING EXPENSES SPECIFIED BY COST TYPE

MSEK	2016	2015
Operating expenses <sup>1</sup>	433	413
Maintenance costs	212	194
Property tax	98	86
Depreciation/amortization	1	1
Other external costs	134	124
Personnel expenses	76	68
<b>Total operating expenses</b>	<b>954</b>	<b>885</b>

<sup>1</sup> Operating expenses include externally purchased services for property management.

## NOTE 8 FINANCIAL INCOME AND EXPENSES

Group	2016	2015
<b>MSEK</b>		
Interest income	1	2
Exchange gains	2	0
Other financial income	1	3
<b>Financial income</b>	<b>4</b>	<b>5</b>
Interest expenses <sup>1</sup>	-408	-414
Other financial costs	-36	-41
<b>Financial expenses</b>	<b>-444</b>	<b>-455</b>
<b>Net</b>	<b>-440</b>	<b>-450</b>

<sup>1</sup> Interest attributable to liabilities measured at accrued cost accounted for MSEK 355 (349) of the Group's interest expenses.

## NOTE 8 CONT'D.

## Parent Company

MSEK	2016	2015
Dividends from subsidiaries	979	4,969
Impairment of shares in Group companies	-	-4,119
<b>Profit from shares in Group companies</b>	<b>979</b>	<b>850</b>
Interest income	-	0
Interest income from Group companies	15	286
Exchange gains	17	0
<b>Interest income</b>	<b>32</b>	<b>286</b>
Interest expenses, credit institutions	-33	-80
Interest expenses to Group companies	-	-1
Exchange-rate losses	0	-110
Other financial costs	-8	-6
<b>Interest expense</b>	<b>-41</b>	<b>-197</b>
<b>Net interest income and expenses</b>	<b>970</b>	<b>939</b>

## NOTE 9 INCOME TAX

During 2016, nominal corporate tax rates were 22 percent in Sweden, 25 percent in Norway and 20 percent in Finland. As of January 1, 2017, the tax rate in Norway is 24 percent. The table below shows the sub-items underlying the effective tax rate in Hemfosa.

The effective tax rate for full-year 2016 was +4.7 (-17.1), which differs from the nominal tax rate of 22 percent. This is 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 of shares in profit from joint ventures of MSEK 542 (255), which is included in profit from property management, constitute after-tax profit.

## Group

Reconciliation of effective tax	2016	2015	
Profit before tax	3,424	2,821	
Tax according to applicable tax rate	-22.0%	-753 -22.0%	-621
Other tax rates within the the Group	-0.1%	-4 -0.4%	-11
Non-deductible costs	0.0%	0 0.0%	0
Non-taxable income	1.5%	52 2.0%	55
Profit/loss from shares in joint ventures	3.5%	119 2.0%	56
Capitalization of loss carryforwards not capitalized in prior years	21.5%	736 0.1%	22
Tax attributable to previous years	-0.1%	-3 -0.1%	-2
Other	0.4%	13 0.6%	18
<b>Recognized effective tax</b>	<b>4.7%</b>	<b>160 -17.1%</b>	<b>-483</b>

Current tax expense	2016	2015
Current tax expense	-14	-4
Adjustment of tax attributable to prior years	-3	-1
<b>Total</b>	<b>-17</b>	<b>-5</b>

Deferred tax expense	2016	2015
Deferred tax attributable to investment properties	-419	-414
Deferred tax attributable to measurement of tax loss carryforwards during the year	597	-74
Other	-1	10
<b>Total</b>	<b>177</b>	<b>-478</b>
<b>Total recognized tax</b>	<b>160</b>	<b>-483</b>

## Parent Company

Reconciliation of effective tax	2016	2015	
Profit before tax	931	742	
Tax according to applicable tax rate for Parent Company	-22.0%	-205 -22.0%	-163
Non-taxable income	22.0%	205 17.1%	187
Deductible costs, recognized directly against equity	0.1%	1 -	-
Tax attributable to previous years	-2.2%	-24 -	-
<b>Recognized effective tax</b>	<b>-2.2%</b>	<b>-24 -4.9%</b>	<b>24</b>

## NOTE 10 EARNINGS PER SHARE

Consolidated profit for the year attributable to Parent Company shareholders amounted to MSEK 3,556 (2,324).

During 2016, Hemfosa paid a dividend of SEK 4.20 (3.00) per ordinary share and of SEK 10.00 (10.00) per preference share.

	2016	2015
Profit for the year attributable to Parent Company shareholders, MSEK	3,556	2,324
Dividend on preference shares, MSEK	-110	-108
Profit attributable to Parent Company ordinary shareholders before dilution, MSEK	3,446	2,216
Average weighted number of ordinary shares, millions	148	131
Earnings per share before and after dilution, SEK	23.25	16.28

Since there are no instruments that generate a dilution effect, earnings per share after dilution matches earnings per share before dilution.



## NOTE 11 INVESTMENT PROPERTIES

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

### Reconciliation of opening and closing balance for investment properties

MSEK	Total		Sweden		Norway		Finland	
	2016	2015	2016	2015	2016	2015	2016	2015
Fair value at the beginning of the year	29,553	24,718	25,999	24,718	3,042	-	512	-
Cost of investment properties, asset acquisition	3,606	4,223	2,040	963	635	2,748	931	512
Investment in existing portfolio	893	566	883	555	10	11	-	-
Divestment of investment properties	-1,329	-1,441	-1,329	-1,441	-	-	-	-
Realized change in value of divested properties	46	91	46	91	-	-	-	-
Unrealized changes in value of properties	1,549	1,409	1,139	1,113	348	296	62	-
Translation differences	350	-13			325	-13	25	-
<b>Fair value at the end of the year</b>	<b>34,668</b>	<b>29,553</b>	<b>28,778</b>	<b>25,999</b>	<b>4,360</b>	<b>3,042</b>	<b>1,530</b>	<b>512</b>

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	2016	2015
Rental income	2,642	2,443
Direct costs for investment properties that generated rental income during the year	-689	-633
Direct costs for investment properties that did not generate rental income during the year	-54	-59

### 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 1.0 percent for 2017 and 2.0 percent for 2018 and thereafter. The inflation assumption for Norway is 2.5 percent for 2017 and thereafter. The inflation assumption for Finland is 1.0 percent for 2017 and 2018, 1.5 percent for 2019 and 2.0 percent for 2020 and thereafter.

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

The value of Hemfosa's property portfolio was MSEK 34,668 (29,553).

Calculation assumptions	Carrying amount, MSEK		Net operating income, MSEK <sup>1</sup>		Yield requirement, %		Weighted yield requirement, %		Discount interest rate for cash flow, %		Discount interest rate for residual value, %	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Sweden	28,778	25,999	1,634	1,537	5.7	5.9	3.7-10.0	4.0-10.0	5.0-12.1	5.0-12.1	6.5-12.1	6.0-12.1
Norway	4,360	3,042	260	191	6.0	6.3	4.5-7.8	5.1-7.4	7.1-10.4	7.7-10.1	7.1-10.4	7.7-10.1
Finland	1,530	512	104	38	6.8	7.4	6.2-9.0	7.0-7.1	6.9-10.9	8.9	8.3-10.9	8.9
<b>Total</b>	<b>34,668</b>	<b>29,553</b>	<b>1,997</b>	<b>1,766</b>	<b>5.8</b>	<b>6.0</b>	<b>6.2</b>	<b>6.4</b>	<b>7.4</b>	<b>7.6</b>	<b>8.4</b>	<b>8.5</b>

<sup>1</sup> According to the company's earnings capacity, in which rental income totaled MSEK 2,774 (2,516).

## NOTE 11 CONT'D.

## Sensitivity analysis - impact on fair value

MSEK		Total		Sweden		Norway		Finland	
		2016	2015	2016	2015	2016	2015	2016	2015
Change in net operating income	+/-5.0%	+/- 1,344	+/-1,167	+/- 1,134	+/- 1,030	+/- 153	+/- 109	+/- 60	+/- 21
Change in required yield	+/-0.1%	+/- 555	+/-463	+/- 459	+/- 403	+/- 75	+/- 50	+/- 22	+/- 7
Change in growth assumptions	+/-0.5%	+/- 168	+/-146	+/- 142	+/- 129	+/- 19	+/- 14	+/- 7	+/- 3
Change in discount interest rate	+/-0.1%	+/- 467	+/-391	+/- 400	+/- 348	+/- 51	+/- 35	+/- 18	+/- 6

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

The second material holding of a participation in joint ventures is Gardermoen Campus Utvikling AS (GCU), which is owned jointly with Aspelin Ramm Eiendom AS, a Norwegian development company. Hemfosa's ownership share amounts to 65 percent. GCU is developing an area at Gardermoen Air-

port, Norway, into an important national hub for expertise in health and social care. In February 2017, Hemfosa signed an agreement for the acquisition of Aspelin Ramm's shareholding in GCU percent at a value of approximately MSEK 328. The acquisition of the remaining share is subject to conditions and is expected to be completed in February 2018 after the properties have undergone an approved final inspection, and after the tenants have paid rent for the first time.

As a result of investments in joint ventures, Hemfosa had 57 (61) indirectly owned properties with a recognized property value, corresponding to Hemfosa's share, of MSEK 4,128 (3,049) at December 31, 2016.

MSEK	Total		Söderport Holding AB		Gardermoen Campus Utvikling AS		Other holdings	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
Carrying amount at the end of the year	1,075	609	832	574	209	-	32	35
Acquisition of joint ventures	15	209	-	-	15	209	-	-
Dividends received	-100	-50	-100	-50	-	-	-	-
Share in profit of joint ventures	542	255	286	253	255	-	1	2
Shareholders' contribution	126	40	-	45	132	-	-6	-5
Translation difference	31	-	-	-	31	-	-	-
Other	-10	9	-9	9	0	-	-	-
<b>Carrying amount on December 31</b>	<b>1,676</b>	<b>1,075</b>	<b>1,009</b>	<b>832</b>	<b>641</b>	<b>209</b>	<b>26</b>	<b>32</b>

Joint ventures	Corp. Reg. No.	Registered office	Proportion	Carrying amount	
				Dec 31, 2016	Dec 31, 2015
Söderport Holding AB	556819-2230	Stockholm	50%	1,009	833
Gardermoen Campus Utvikling AS	913,111,915	Oslo, Norway	65%	641	209
Gästgivaregatan Holding AB	556925-8808	Stockholm	50%	26	24
Culmen Strängnäs II AB	556799-1970	Stockholm	50%	0	8
<b>Total carrying amount of shares in joint ventures</b>				<b>1,676</b>	<b>1,075</b>

## NOTE 12 CONT'D.

## Key performance data for material holdings in joint ventures

	Söderport Holding AB		Gardermoen Utvikling Campus AS	
	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2015
<b>100%</b>				
Non-current assets	6,409	5,690	1,580	317
Current assets	101	107	81	43
Current liabilities	224	217	95	25
Long-term liabilities	4,268	3,915	429	14
Equity, MSEK	2,018	1,665	986	321
<i>of which, Hemfosa's share</i>	<i>1,009</i>	<i>833</i>	<i>641</i>	<i>209</i>
Income	548	552	-	-
Interest income	1	2	1	1
Interest expenses	-161	-153	0	0
Tax cost	-160	-147	-131	0
Profit	552	537	1	0
Other comprehensive income/loss	-	-	15	-
Total profit	552	537	430	0
<i>of which, Hemfosa's share</i>	<i>276</i>	<i>269</i>	<i>270</i>	<i>0</i>
No. of properties	54	59	3	2
Leasable area, 000s of sqm	686	670	-	-

Hemfosa has entered into suretyship amounting to MSEK 187 (50) connected to its shares in joint ventures.

## NOTE 13 SHARES IN ASSOCIATED COMPANIES

During the year, Hemfosa acquired 20 percent of the shares and votes in the company Offentlig Eiendom AS, Corp. Reg. No. 916 428 467 with registered office in Oslo. The company manages community service properties in Norway.

MSEK	Dec 31, 2016	Dec 31, 2015
Opening balance	-	-
Acquisitions	59	-
Dividends received	-3	-
<b>Total shares in associated companies</b>	<b>56</b>	<b>-</b>

## NOTE 14 CURRENT RECEIVABLES

MSEK	Dec 31, 2016	Dec 31, 2015
Prepaid expenses and accrued income	32	25
Other receivables	77	23
<b>Total current receivables</b>	<b>109</b>	<b>48</b>

## NOTE 15 CASH AND CASH EQUIVALENTS

Unutilized overdraft facilities not included in cash and cash equivalents amounted to MSEK 450 (325).

MSEK	Dec 31, 2016	Dec 31, 2015
<i>The following subcomponents are included in cash and cash equivalents:</i>		
Cash and bank balances	1,221	732

## NOTE 16 INTEREST-BEARING LIABILITIES

At 31 December 2016, Hemfosa's interest-bearing liabilities amounted to MSEK 20,666 (18,961), with MSEK 17,993 (17,729) pertaining to loans from credit institutions, MSEK 1,748 (1,200) to bond loans, MSEK 895 (0) to commercial paper, MSEK 11 (14) to vendor's mortgages and MSEK 19 (18) to other liabilities. Hemfosa has a committed covered lines of credit of MSEK 1,300 (1,300), as well as a further MSEK 500 in credit-approved covered line of credit. The lines of credit are facilities to back up the outstanding commercial paper program, of which MSEK 895 was issued at year-end. Hemfosa also has overdraft facilities totaling MSEK 450 (325), which were unutilized at December 31, 2016. 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.

## NOTE 16 CONT'D.

MSEK	Dec 31, 2016	Dec 31, 2015
<b>Interest-bearing liabilities</b>		
Loans from credit institutions	17,993	17,729
Bond	1,748	1,200
Commercial paper	895	-
Vendor's mortgages	11	14
Other liabilities	19	18
<b>Total interest-bearing liabilities</b>	<b>20,666</b>	<b>18,961</b>

Of which, current interest-bearing liabilities	5,966	1,670
Less opening charges for raising new loans	-61	-63
<b>Total interest-bearing liabilities</b>	<b>20,605</b>	<b>18,898</b>

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 2016 and 2015.

MSEK	Dec 31, 2016	Dec 31, 2015
Loan-to-value ratio	59.4%	63.9%
Remaining fixed-rate period	1.3 years	1.3 years
Remaining term for loans	2.1 years	2.7 years

In addition to the terms and conditions for the loans, 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 506 (701).

Deferred tax amounted to MSEK 1,066 (447) and are primarily attributable to assigning a value to loss carryforwards. During the year, Hemfosa made a new assessment of the possibility of using the loss carryforwards existing in the Group, whereupon the carryforwards were assigned a value in the Statement of financial position.

Deferred tax liabilities amounted to MSEK 1,572 (1,149) primarily attributable to temporary differences in the investment properties. Temporary differences in the properties pertain to the difference between the carrying amount of the properties and their taxable value. The deferred tax liability attributable to these temporary differences matches the tax that would be charged against earnings had the total property portfolio been divested on the balance-sheet date. According to the prevailing regulatory framework, temporary differences on all assets and liabilities are to be taken into account in the Statement of financial position, with the exception of temporary differences on properties in connection with asset acquisitions. The residual value of investment properties for tax purposes totaled MSEK 18,042 (21,314) at December 31, 2016, which means that temporary differences of MSEK 9,481 (8,239) are not recognized 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.

Deferred tax asset	2016	2015
<i>Loss carryforwards</i>		
At the beginning of the year	424	240
Recognized in profit or loss	597	-74
Recognized in other comprehensive income during the year	-13	36
Acquired and divested assets	37	222
Translation difference	2	-
<b>At the end of the year</b>	<b>1,047</b>	<b>424</b>

<i>Derivatives</i>		
At the beginning of the year	23	24
Recognized in profit or loss	-4	-1
<b>At the end of the year</b>	<b>19</b>	<b>23</b>

Deferred tax liability	2016	2015
<i>Properties</i>		
At the beginning of the year	-1,149	-756
Recognized in profit or loss	-411	-402
Acquired and divested assets	-	1
Translation difference	-12	9
<b>At the end of the year</b>	<b>-1,572</b>	<b>-1,149</b>

Deferred tax liability, net	2016	2015
At the beginning of the year	-701	-492
Recognized in profit or loss	177	-478
Recognized in other comprehensive income during the year	-13	36
Acquired and divested assets	37	223
Translation difference	-10	9
Other	5	-
<b>At the end of the year in the Statement of financial position</b>	<b>-506</b>	<b>-701</b>

## 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	
	2016	2015	2016	2015	2016	2015	2016	2015
Rents and accounts receivable	-	-	32	34	-	-	32	34
Derivatives	3	2	-	-	-	-	3	2
Cash and cash equivalents	-	-	1,221	732	-	-	1,221	732
<b>Total</b>	<b>3</b>	<b>2</b>	<b>1,253</b>	<b>766</b>	<b>-</b>	<b>-</b>	<b>1,256</b>	<b>768</b>
Non-current interest-bearing liabilities	-	-	-	-	14,639	17,228	14,639	17,228
Non-current derivatives	87	103	-	-	-	-	87	103
Current interest-bearing liabilities	-	-	-	-	5,966	1,670	5,966	1,670
Accounts payable	-	-	-	-	98	89	98	89
<b>Total</b>	<b>87</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>20,703</b>	<b>18,987</b>	<b>20,790</b>	<b>19,090</b>

The carrying amount is a reasonable estimate of the fair value. 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 inter-

est-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, 2016 and December 31, 2015, respectively.

### Offsetting of financial instruments

MSEK	Dec 31, 2016		Dec 31, 2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Carrying amount in the balance sheet	3	87	2	103
Amount encompassed by netting	-3	-3	-2	-2
<b>Amount after netting</b>	<b>0</b>	<b>84</b>	<b>0</b>	<b>101</b>

## 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 for staff of 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 ratio 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 period per instrument

Maturity structure	Fixed-rate period Dec 31, 2016					Fixed-rate period Dec 31, 2015				
	Loans <sup>1</sup> , MSEK	Interest-rate swap, MSEK	Interest-rate cap, MSEK	Interest-rate hedged loan, MSEK	Proportion, %	Loans <sup>1</sup> , MSEK	Interest-rate swap, MSEK	Interest-rate cap, MSEK	Interest-rate hedged loan, MSEK	Proportion, %
<1 year	20,598	-4,777	-4,446	11,375	55	17,067	-4,655	-2,286	10,126	54
1-2 years	0	3,370	1,902	5,272	26	1,763	385	384	2,532	13
2-3 years	0	497	1,420	1,917	9	0	3,304	1,902	5,206	28
3-4 years	27	710	911	1,648	8	0	322	0	322	2
4-5 years	0	200	213	413	2	29	644	0	673	4
>5 years	41	0	0	41	0	39	0	0	39	0
<b>Total</b>	<b>20,666</b>	<b>0</b>	<b>0</b>	<b>20,666</b>	<b>100</b>	<b>18,898</b>	<b>0</b>	<b>0</b>	<b>18,898</b>	<b>100</b>

<sup>1</sup> 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 the 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, 2016

	Change, %	Earnings effect, MSEK
Interest expenses assuming current fixed-interest periods and changed interest rates <sup>1</sup>	+/-1	+ 60/-6
Interest expenses assuming change in average interest rate level <sup>2</sup>	+/-1	-/+207
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/-1	+/-110

<sup>1</sup> Taking into account derivative agreements

<sup>2</sup> Not taking into account derivative agreements

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 1.98 percent (2.03) at Dec 31, 2016. Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of

MSEK 9,992 (8,053) 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	Dec 31, 2016			Dec 31, 2015		
	Nominal amount, MSEK	Average interest rate, %	Market value, MSEK	Nominal amount, MSEK	Average interest rate, %	Market value, MSEK
<1 year	385	0.1	2	112	0.8	-6
1-2 years	3,370	1.2	76	385	0.1	-2
2-3 years	497	0.0	3	3,304	1.1	-86
3-4 years	710	1.3	2	322	0.5	-3
4-5 years	200	0.6	4	644	1.3	-6
>5 years	0	0	0	0	0	0
<b>Total</b>	<b>5,162</b>	<b>1.0</b>	<b>87</b>	<b>5,767</b>	<b>1.0</b>	<b>-103</b>

**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 89 and MNOK 1,536 at December 31, 2016. 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 at December 31, 2016**

	Change, %	Earnings effect, MSEK
Changes in SEK/NOK exchange rates	+/- 10	+/- 162
Change in SEK/EUR exchange rate	+/- 10	+/- 85

**Liquidity risk**

Liquidity risk is the risk of not having sufficient payment capacity in the short and the long term to be able to honour 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.

**Maturity structure, interest-bearing liabilities**

MSEK	Dec 31, 2016					Dec 31, 2015				
	Loan maturity	Proportion, %	Interest, loans	Net interest, derivatives, MSEK <sup>1</sup>	Total interest	Loan maturity	Proportion, %	Interest, loans	Net interest, derivatives, MSEK <sup>1</sup>	Total interest
<1 year	5,768	28	324	54	378	1,569	8	318	50	369
1-2 years	6,384	31	262	43	305	6,646	35	262	44	305
2-3 years	4,203	20	141	6	147	6,492	34	184	35	219
3-4 years	3,463	17	44	3	46	796	4	80	1	81
4-5 years	735	4	4	1	5	3,286	17	23	0	23
>5 years	115	1	42	0	42	109	1	49	0	49
<b>Total</b>	<b>20,666</b>	<b>100</b>	<b>817</b>	<b>106</b>	<b>923</b>	<b>18,898</b>	<b>100</b>	<b>916</b>	<b>131</b>	<b>1,047</b>

<sup>1</sup> The net interest rate shown in the Maturity structure tables is attributable to negative value swaps, according to IAS 39.

<sup>2</sup> On the balance-sheet date, there were adopted credit decisions that were put into effect in January 2017. Taking this into account, the proportion of loans maturing in 2017 amounted to 24 percent.

**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 2016, refinancing of approximately MSEK 483 (525) was implemented. Hemfosa's loan-to-value ratio at 31 December 2016 was 59.4% (63.9).

**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:

<b>Credit risk</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
Rents receivables	32	34
Other current receivables	76	7
Cash and bank balances	1,221	732
<b>Total</b>	<b>1,329</b>	<b>773</b>

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

<b>Current receivables</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
Rent receivables not due	0	6
Rent receivables past due 0-30 days	21	15
Rent receivables past due 30-90 days	2	1
Rent receivables past due > 90 days	9	12
<b>Total</b>	<b>32</b>	<b>34</b>

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.

**Tax risk**

Changes in corporation, value-added and property tax could have either a positive or a negative impact on Hemfosa's financial position. A change in tax legislation that, for example, would reduce the possibilities for depreciation for tax purposes or for utilizing loss carryforwards would adversely impact Hemfosa's tax situation.

Hemfosa carefully tracks political developments and the proposals for changes that have been forwarded, in order to be well prepared to implement possible adjustments of Hemfosa's tax management policy should new rules be implemented.

**Capital management**

At December 31, 2016, Hemfosa's shareholders' equity totaled MSEK 15,570 (10,749). During the year, a private placement of a total of 999,999 new preference shares was implemented, which contributed equity of MSEK 165 to Hemfosa. At year-end, preference capital totaled MSEK 1,791 (1,791). The 2016 Annual General Meeting resolved to pay dividends totaling MSEK 662 (494) to holders of ordinary and preference shares, subject to quarterly payment.

At year-end, dividends of MSEK 524 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 be at least 30 percent.

During 2016, the loan-to-value ratio was 59.4 percent (63.9), the interest-coverage ratio was a multiple of 3.9 (3.5) and the equity/assets ratio was 41.2 percent (34.2).

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

<b>Group</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
<b>MSEK</b>		
Accrued financial expenses	61	58
Prepaid rental income	489	504
Other accrued expenses and prepaid income	117	89
Accounts payable	98	89
Current liabilities that are not interest-bearing	237	254
<b>Total</b>	<b>1,002</b>	<b>994</b>

**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.

<b>Group</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
<b>MSEK</b>		
<b>Pledged assets</b>		
<i>In the form of pledged assets for own debts and provisions</i>		
Property mortgages	24,016	25,168
Participations in Group companies	9,711	5,292
<b>Total pledged assets</b>	<b>33,727</b>	<b>30,460</b>
<b>Contingent liabilities</b>		
Sureties for liabilities in joint ventures	187	50
<b>Total contingent liabilities</b>	<b>187</b>	<b>50</b>

**Parent Company**

<b>MSEK</b>	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
<b>Pledged assets</b>		
<i>In the form of pledged assets for own debts and provisions</i>		
Participations in Group companies	5,258	3,527
<b>Total pledged assets</b>	<b>5,258</b>	<b>3,527</b>
<b>Contingent liabilities</b>		
Sureties for liabilities in Group companies	14,273	12,639
Guarantee for undertakings in joint ventures	25	-
Sureties for liabilities in joint ventures	187	50
<b>Total contingent liabilities</b>	<b>14,435</b>	<b>12,689</b>



## 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, 2016, the Group had sureties of MSEK 187 (50) for the liabilities of joint ventures. During 2016, Hemfosa sold three properties valued at MSEK 206 to Söderport Holding. At the same date, the Group had no receivables or liabilities with joint ventures. The same applied at December 31, 2015.

### 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	Dec 31, 2016	Dec 31, 2015
<b>Adjustments for non-cash items for operating activities</b>		
Depreciation of property, plant and equipment	1	1
Share in profit/loss of joint ventures	-542	-255
Other	0	-9
<b>Total non-cash items for operating activities</b>	<b>-541</b>	<b>-264</b>

### Interest paid and received

MSEK	Dec 31, 2016	Dec 31, 2015
Interest received	1	2
Interest paid	-405	-416

### Acquisition of subsidiaries

MSEK	Dec 31, 2016	Dec 31, 2015
<i>Assets and liabilities acquired</i>		
Investment properties	3,530	4,297
Tax loss carryforwards	37	222
Operating receivables	17	3
Cash and cash equivalents	51	84
<b>Total assets</b>	<b>3,635</b>	<b>4,606</b>
Current operating liabilities	87	31
<b>Total provisions and liabilities</b>	<b>87</b>	<b>31</b>
Purchase consideration paid	3,548	4,575
Less: Cash and cash equivalents in the acquired operations	-51	-84
Impact on cash and cash equivalents	3,497	4,491

### Divestment of subsidiaries

MSEK	Dec 31, 2016	Dec 31, 2015
<i>Assets and liabilities divested</i>		
Investment properties	1,313	1,395
Operating receivables	5	8
Cash and cash equivalents	2	18
<b>Total assets</b>	<b>1,320</b>	<b>1,421</b>
Current operating liabilities	50	26
Deferred tax liability	5	-
<b>Total provisions and liabilities</b>	<b>55</b>	<b>26</b>
Purchase considerations received	1,265	1,395
Less: Cash and cash equivalents in the divested operations	-2	-18
Impact on cash and cash equivalents	1,263	1,378

### Parent Company

MSEK	Dec 31, 2016	Dec 31, 2015
<b>Adjustments for non-cash items for operating activities</b>		
Depreciation of property, plant and equipment	0	0
Dividends from subsidiaries	979	850
<b>Total non-cash items for operating activities</b>	<b>979</b>	<b>850</b>

## 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 as a result of 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

Hemfosa has at its disposal tax loss carryforwards. The losses, according to the current tax rules, that are assessed to be utilizable against future profit constitute the basis for calculating the deferred tax assets.

However, Hemfosa is unable to provide any guarantees that today's, or new tax regulations, do not entail restrictions in the opportunities to utilize the loss carryforwards.

### 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 the majority 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.

## NOTE 25 SHARES IN GROUP COMPANIES

MSEK	Dec 31, 2016	Dec 31, 2015
At the beginning of the year	3,527	2,661
Acquisitions	37	4,798
Shareholders' contribution	1,694	186
Impairment	-	-4,118
<b>Carrying amount at the end of the year</b>	<b>5,258</b>	<b>3,527</b>

### Shares in subsidiaries

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

Loan agreements in one of Hemfosa's subgroups include restrictions limiting the possibility to receive dividends from these subgroups.

Directly owned subsidiaries, Dec 31, 2016	Carrying amount, MSEK	Corp. Reg. No.	Registered office	Number of shares/ participations	Proportion, %
Hemfosa Sverige AB	2,268	556780-5816	Stockholm	10,000,000	100
Hemfosa Tetis AB	283	556847-5825	Stockholm	11,700,000	100
Hemfosa Samfunnsbygg AS	576	914,149,703	Oslo	2 680 848	95.8 <sup>1</sup>
Hemfosa Kronfastigheter Holding AB	66	556950-1736	Nacka	50,000	100
Hemfosa Fastigheter AB	0	559036-7404	Stockholm	500	100
-Hemfosa Norden AB	109	556710-6892	Stockholm	5,000,000	100
Hemfosa Tetis AB	1,956	556245-5567	Stockholm	320,850,500	100
<b>Total</b>	<b>5,258</b>				

<sup>1</sup> The remaining shareholding is owned by Immob Holding AS.

## NOTE 25 CONT'D.

## Indirectly owned subsidiaries

Company name	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion, %
Brochsgate 3 AS	813013282	Oslo	1	96 <sup>1</sup>
Bråtaberg Property AB	556811-5298	Stockholm	100,000	100
Eventyrskogen Eiendom AS	915165834	Oslo	1,000	96 <sup>1</sup>
Farmannsveien 50 AS	916932839	Oslo	100	96 <sup>1</sup>
Fastighets AB Bredmosstorpet 5	559041-1368	Stockholm	500	100
Fastighets AB Isgrundet	556797-3051	Stockholm	1,000	100
Fastighetsaktiebolaget Tre Skåne	556044-1031	Stockholm	50,000	100
Fastighetsbolaget Hemfosa Örebro Ånsta AB	556704-3368	Stockholm	1,000	100
Felis AS	991742646	Oslo	100,000	96 <sup>1</sup>
Finnås Barnehage AS	915166296	Oslo	100	96 <sup>1</sup>
Fredrikstad Eiendomsinvest AS	894881852	Oslo	1,000	96 <sup>1</sup>
Fårsna Skola AB	556885-1199	Stockholm	1,000	100
Gronnestolen Barnehage AS	994310658	Oslo	100	96 <sup>1</sup>
Gunnar Nilsens Gate 25 AS	913013301	Oslo	1	96 <sup>1</sup>
Gävle Hälsofastigheter AB	556719-1480	Stockholm	1,000	100
Görban AB	556716-2127	Stockholm	1,000	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 5 AB	556645-0473	Stockholm	1,000	100
Hemfosa Atrecal Fastigheter Norr AB	559031-2913	Stockholm	50,000	100
Hemfosa Atrecal Fastigheter Syd AB	559032-9461	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 Bastionen Teti AB	556866-8296	Stockholm	500	100
Hemfosa Bataljonsgatan Fastighets AB	556378-6267	Stockholm	2,000	100
Hemfosa Björnsjö Fastighets AB	556928-0505	Stockholm	500	100
Hemfosa Blåbäret Holding AB	556874-5011	Stockholm	50,000	100
Hemfosa Bremen 3 Fastighets AB	556761-8953	Stockholm	1,000	100
Hemfosa Bykvarn AB	556974-7792	Stockholm	500	100
Hemfosa Centrum 18:1 AB	556670-3491	Nacka	1,000	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 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 Enen Teti AB	556866-3925	Stockholm	500	100
Hemfosa Enköping AB	556670-3509	Nacka	1,000	100
Hemfosa Eskilstuna Teti AB	556866-3818	Stockholm	500	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

<sup>1</sup> The remaining shareholding is owned by Immob Holding AS.

## NOTE 25 CONT'D.

Company name	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion, %
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 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 4:3 Teti AB	556866-3768	Stockholm	500	100
Hemfosa Gävle Muréngatan AB	556929-8440	Stockholm	500	100
Hemfosa Görväl 2 AB	556616-0114	Nacka	1,000	100
Hemfosa Göteborg 2:5 Teti AB	556866-3859	Stockholm	500	100
Hemfosa Göteborg 2:8 Teti AB	556866-3842	Stockholm	500	100
Hemfosa Hanba AB	556968-9259	Stockholm	500	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 Husby Teti AB	556866-8346	Stockholm	500	100
Hemfosa Huskvarna Fastighets AB	559012-0910	Stockholm	500	100
Hemfosa Härryda KB	969616-1224	Nacka	1,000	100
Hemfosa Härryda Teti AB	556866-8122	Stockholm	500	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 Iput Förvaltning AB	556862-9876	Stockholm	500	100
Hemfosa Jungfrun 11 Fastighets AB	556911-2914	Stockholm	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	500	100
Hemfosa Karlstad Örnen 4 AB	556820-8333	Stockholm	500	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	Stockholm	500	100
Hemfosa Kisa AB	556851-4417	Stockholm	50,000	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 Lagunen Fastigheter AB	556176-1874	Stockholm	50,000	100
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 Luleå AB	556672-2632	Stockholm	1,000	100
Hemfosa Malmen Fastighets AB	556561-0788	Stockholm	1,000	100
Hemfosa Marieberg 5 KB	969684-6915	Stockholm	100	100
Hemfosa Mark Teti AB	556866-8130	Stockholm	500	100
Hemfosa Mattläggaren 1 AB	556743-8022	Stockholm	1,000	100
Hemfosa MF Eskilstuna AB	556680-4836	Stockholm	1,000	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 Missionen 2 Fastighets AB	556981-8767	Stockholm	500	100
Hemfosa Misteln 13 AB	556989-0055	Nacka	50,000	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

## NOTE 25 CONT'D.

Company name	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion, %
Hemfosa Myrås Fastighets AB	556989-0022	Nacka	50,000	100
Hemfosa Märsta 24:4 AB	556661-9671	Nacka	1,000	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 Nyby Fastigheter AB	556974-7941	Stockholm	500	100
Hemfosa Nynäshamn AB	556920-3168	Stockholm	50,000	100
Hemfosa Nödinge 38.25 AB	556989-0048	Nacka	50,000	100
Hemfosa Orkestern 2 AB	556571-2105	Nacka	1,000	100
Hemfosa Red Oy	2714894-5	Helsinki	100	100
Hemfosa Riksdalern AB	556858-5458	Stockholm	50,000	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 Signalisten i Västerås HoldCo AB	556983-3931	Stockholm	500	100
Hemfosa Sigvald 6 AB	556909-4757	Stockholm	500	100
Hemfosa Sijhjälmä 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 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 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	100,000	100
Hemfosa Strängnäs Holding AB	556736-5365	Stockholm	100,000	100
Hemfosa Strängnäs 1 AB	556706-3382	Stockholm	1,000	100
Hemfosa Sundsvall AB	556676-6415	Stockholm	1,000	100
Hemfosa Sundsvall Pan 5 AB	556971-2960	Stockholm	500	100
Hemfosa Svalöv Teti AB	556866-2844	Stockholm	500	100
Hemfosa Svenljunga AB	556992-0795	Nacka	50,000	100
Hemfosa Sägklingen 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 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 Kommanditbolag	916624-6232	Nacka	1,000	100
Hemfosa Torlunda 1:278 HoldCo AB	556983-3634	Stockholm	500	100
Hemfosa Trivium Fastighets AB	556937-3748	Stockholm	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 1 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 Upplands Väsby Teti AB	556866-8189	Stockholm	500	100
Hemfosa Uppsala AB	556676-6431	Stockholm	1,000	100
Hemfosa Valhalla 1:6 HoldCo AB	556983-3626	Stockholm	500	100
Hemfosa Vallentuna-Mörby 1:118 KB	969601-2633	Stockholm	100	100
Hemfosa Vendelsö AB	556845-2287	Stockholm	500	100
Hemfosa Wera AB	556987-3945	Stockholm	500	100
Hemfosa Vimmerby AB	556720-6510	Stockholm	1,000	100
Hemfosa VMO Fastighets AB	556942-6413	Stockholm	500	100

## NOTE 25 CONT'D.

Company name	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion, %
Hemfosa Wera AB	556987-3945	Stockholm	500	100
Hemfosa Vetlanda AB	556818-4476	Stockholm	500	100
Hemfosa Vonco Fastighets AB	556761-9043	Stockholm	1,000	100
Hemfosa VXJ Fastighets 2 AB	556942-6504	Stockholm	500	100
Hemfosa Vällingby Fastighets AB	556818-1589	Stockholm	1,000	100
Hemfosa Vänersborg KB	916848-9087	Nacka	1,000	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 Västhamnen Holdco AB	556959-1380	Stockholm	1,000	100
Hemfosa Västra Götalandsregionen Fastighets AB	556937-3649	Stockholm	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 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 Signalisten Fastighets AB	556978-3599	Stockholm	1,000	100
HF Trappan 08 AB	556746-9845	Stockholm	1,000	100
Holum Barnehage AS	915165818	Oslo	100	96 <sup>1</sup>
Hovsmarka Barnehage AS	994926330	Oslo	1,000	96 <sup>1</sup>
Importen Nordic Assets AB	556685-1233	Nacka	1,000	100
Jonas Lies Gate 20 AS	914718198	Oslo	1	96 <sup>1</sup>
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	Helsinki	100	100
Kiinteistö Oy Tampereen Sähkökortteli	2445460-5	Helsinki	2,500	100
Kiinteistö Oy Tamteva	2445436-5	Helsinki	2,500	100
Kiinteistö Oy Virastotalo Brahe	2376268-1	Helsinki	2,500	100
Kiinteistö Oy Vitikka 1	1448061-5	Helsingfors	158,000	100
Kunnskapsbyen Barnehage AS	915165974	Oslo	100	96 <sup>1</sup>
Kunnskapsveien 55 AS	884038502	Oslo	10,000	96 <sup>1</sup>
Lillebæk AS	884250412	Oslo	17,000	96 <sup>1</sup>
Lillebæk KS	985250452	Oslo		96 <sup>1</sup>
Moster Barnehage AS	915165982	Oslo	100	96 <sup>1</sup>
Oria AS	991742549	Oslo	100,000	96 <sup>1</sup>
Oslo Kontorbygg II AS	996284808	Oslo	10,000	96 <sup>1</sup>
Prins Chr. Augusts Pl. AS	914717981	Oslo	1	96 <sup>1</sup>
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
Ringstadbekk AS	985196109	Oslo	100	96 <sup>1</sup>
Samhold AS	914884926	Oslo	50,000	96 <sup>1</sup>
Samhold II AS	915595251	Oslo	50,000	96 <sup>1</sup>
Samhold III AS	916328036	Oslo	50,000	96 <sup>1</sup>
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
Sletten Barnehage AS	992747412	Oslo	1,000	96 <sup>1</sup>
Steinsviken Barnehage AS	986927867	Oslo	1,000	96 <sup>1</sup>
Stockholm Barnfröken 1 AB	559079-8491	Nacka	50,000	100
Stockholm Barnfröken 1 Holding AB	559083-6192	Nacka	500	100
Stockholm Glödlampan 3 AB	559083-6218	Nacka	500	100
Stockholm Glödlampan 3 Holding AB	559083-6226	Nacka	500	100
Stockholm Knarrarnäs 8 AB	559079-8509	Nacka	50,000	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
Stockholm Xalma AB	559079-8442	Nacka	50,000	100

<sup>1</sup> The remaining shareholding is owned by Immob Holding AS.

## NOTE 25 CONT'D.

Company name	Corp. Reg. No.	Registered office	Number of shares/participations	Proportion, %
Tau Barnehage AS	992747390	Oslo	1,000	96 <sup>1</sup>
TBH Logistikfastigheter AB	556796-5909	Stockholm	1,000	100
Tryckerivägen i Landvetter AB	556748-0537	Stockholm	1,000	100
Trygstad Barnehage AS	994524011	Oslo	1,000	100
Tyresö Hus Fastighets AB	556814-7945	Stockholm	500	100
Ulvenvatnet Barnehage AS	992864206	Oslo	1,000	96 <sup>1</sup>
Ulvsunda Elementär AB	559080-3242	Nacka	50,000	100
Valbo Hälsofastigheter AB	556721-7913	Stockholm	1,000	100
Weibullsholm Östra LF AB	556796-5917	Nacka	1,000	100
Vogts gate AS	913013395	Oslo	1	96 <sup>1</sup>
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
Årskjær Eiendom AS	915165923	Oslo	100	96 <sup>1</sup>

<sup>1</sup> The remaining shareholding is owned by Immob Holding AS.

## NOTE 26 SHAREHOLDERS' EQUITY

Trend in share capital	Date	Change in number of ordinary shares	Change in number of preference shares	Quotient value SEK	Share premium amounts, MSEK	Changes in share capital, MSEK
Paid in share capital	January 2013	50,000		1	0	0
New issue, ordinary shares	June 2013	22,207,103		1	2,228	22
New issue, ordinary shares	June 2013	2,792,897		1	280	3
Reduction in ordinary shares	June 2013	-50,000		1	0	0
Share issue offsetting debt, ordinary shares	March 2014	30,937,495		1	2,939	31
New issue, ordinary shares	March 2014	9,782,608		1	799	10
New share issue, preference shares	December 2014		5,000,000	1	1,586	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	164	1
New issue, ordinary shares	May 2016	26,288,041		0.5	1,796	12
<b>Total</b>		<b>157,728,249</b>	<b>10,999,999</b>	<b>0.5</b>	<b>9,792</b>	<b>84</b>

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. Distributable profit for the year amounted to MSEK 1,253. For the 2016 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.40

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

Unrestricted equity, MSEK	Dec 31, 2016
Premium reserve	9,792
Retained earnings	172
Profit for the year	1,069
<b>Total unrestricted equity</b>	<b>11,033</b>
<b>Funds available for distribution by the AGM</b>	<b>11,033</b>
Dividend payable to holders of ordinary shares SEK 4.40 per ordinary share, a total of	694
Dividend payable to holders of preference share SEK 10.00 per preference share, a total of	110
To be carried forward	10,228
<b>Total</b>	<b>11,033</b>

## NOTE 27 NON-CURRENT INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities fall due for payment as follows:

MSEK	Dec 31, 2016	Dec 31, 2015
Between one and five years	2,643	1,200
Later than five years	-	-

## NOTE 28 EVENTS AFTER THE BALANCE-SHEET DATE

- In February 2017, Hemfosa issued a non-covered bond loan totaling MSEK 750. The bond has a tenor of three and a half years and carries floating interest at a rate of STIBOR 3m + 275 basis points.
- In February 2017, Hemfosa entered into agreements for the acquisition of Aspelin Ramm's shareholding in Gardermoen Campus Utvikling AS, corresponding to 35 percent, for approximately MSEK 328. The acquisition of the remaining holding is scheduled to be finalized in February 2018. The acquisition is subject to the condition that the properties undergo an approved final inspection, and that the tenants pay rent for the first time.
- In March 2017, Hemfosa's joint venture Söderport Holding AB signed an agreement concerning divestment of a property in Gothenburg for MSEK 979. The property, which contains premises for warehousing and offices, is situated in Torslanda and comprises leasable area of 134,000 square meters.

## 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 27, 2017  
Hemfosa Fastigheter AB (publ)  
(Corp. Reg. No. 556917-4377)

Bengt Kjell  
*Chairman of the Board*

Jens Engwall  
*Chief Executive Officer*

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, 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 for the year 2016, except for the corporate governance statement on pages 52–57. The annual accounts and consolidated accounts of the company are included on pages 52–57 and 64–102 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 2016 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 2016 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 52–57. 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.

### 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.

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.

### Valuation of Investment property

See Note 1 Significant accounting policies, Note 11 Investment property and Note 24 Important estimates and judgments on pages 80, 87–88 and 96 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>Investment properties are held at fair value in the Groups financial statements. The carrying value of these properties is MSEK 34 668 as per 31 December 2016, which represents 92% of the Groups total assets. The fair value of Investment properties as per 31 December 2016 has been determined based on valuations carried out by independent third party valuers.</p> <p>Given investment properties significant share of the Groups total assets and the significant judgement and estimates required in the valuation process, valuation of Investment properties is a Key Audit Matter.</p> <p>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</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

**Valuation of deferred tax assets**

See Note 1 Significant accounting policies, Note 9 Income taxes and Note 17 Deferred tax liabilities/assets on pages 79, 86, and 90 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 1 047 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 and 17 fulfills the requisits in related accounting standard.</p>

**Valuation of deferred tax liabilities**

See Note 1 Accounting policies, Note 9 Income taxes and Note 17 Deferred tax liabilities/assets on pages 79, 86 and 90 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 1 572 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 and 17 fulfills the requirements in the related accounting standard.</p>

### Other Information than the annual accounts and consolidated accounts

This document contains other information than the annual accounts and consolidated accounts on pages 1–51, 58–63 and 107–121. The Board of Directors and the Managing Director are responsible for the 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 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 for the year 2016 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.

Stockholm 27 March 2017

KPMG AB

Björn Flink  
Authorized Public Accountant

# Glossary

## Return on equity

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

## Loan-to-value ratio

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

## Yield

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

## Net operating income

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

## Equity per ordinary share

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

## Equity per preference share

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

## Economic leasing rate

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

## Property

Properties held under title or site leasehold.

## Profit from property management

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

## Profit from property management per ordinary share

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

## Rental income

Rents charged plus supplements for heating and property tax.

## Rental value

Rental income for the total leasable area.

## IAS

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

## IFRS

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

## Cash flow from operating activities per ordinary share

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

## Market value of properties

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

## Preference share capital

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

## Earnings per ordinary share

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

## Interest-rate swap

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

## Interest-rate cap

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

## Interest coverage ratio

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

## Community service properties

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

## Debt/equity ratio

Interest-bearing liabilities as a percentage of equity.

## Equity/assets ratio

Equity as a percentage of total assets.

## 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 according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period.

The purpose of this performance indicator is to show the fair value of net assets in a long-term perspective. Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivative instruments and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

## Ground rent

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

## Site leasehold

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

## Dividend policy

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

## Fair value of properties

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

## Surplus ratio

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

# Property listing

## Sweden

### Community service properties

#### CATEGORY SCHOOL

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Handlaren 1	School	Silverdalsgatan 2	Älmhult	2003	2014	1,670	
Hagtornen 10	School	Älvsborgsgatan 4	Borås	1984	2008	5,537	
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	
Sätra 108:23	School	No information available	Gävle	2009	-	498	
Guldheden 8:11	School	Reutersgatan 2C	Gothenburg	1992	1995	10,500	
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	Norrbysvägen 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	3,671	
Geresta 1	School	Rosenbäcksgatan 39	Härnösand	1998	2011	10,392	
Hopparen 1	School	Murbergsvägen 25	Härnösand	1950	1979	884	
Hörnå 2	School	Sehlstedtsvägen 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	Tjädersvägen 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	Härnösand	1988, 1992	-	9,759	
Batteriet 6	School	Regulatorvägen 11	Huddinge	1993, 2003, 2014	-	3,819	
Grankotten 1	School	Gamla Dalarövägen 6	Huddinge	2017		1,030	
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	12,509	L
Innerstaden 1:267	School	Folkparksgatan 15	Motala	1945		1,200	
Lännersta 1:123	School	Lännerstavägen 1	Nacka	1998, 2013		2,563	L
Mensättra 28:8	School	Källängsvägen 1	Nacka	1997, 2015		562	L
Solsidan 13:1	School	Vinbärsvägen 1	Nacka	1972, 2015		550	L
Biotiten 1	School	Balders Bäge 2	Norrtälje	2012	-	3,087	

## CATEGORY SCHOOL, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Almby 13:772	School	Braxenvägen 3	Örebro	2012	-	2,476	
Missionen 2	School	Åstadalsvägen 4	Örebro	2010	-	2,861	
Mosås 8:28	School	Bodekullsvägen 14	Örebro	1994		2,740	
Husby 4:32	School	Företagsallén 14B	Österåker	1992	1992	2,828	
Runö 7:162	School	Näsvägen 15	Österåker	1998	1998	6,080	
Runö 7:163	School	Näsvägen 17	Österåker	1988	1988	4,573	
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	
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	4,789	
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	Vänernsborg	1916, 1970, 2008, 2011	2012	7,637	
Niklasberg 3	School	Regementsgatan 13	Vänernsborg	1916	2010	4,943	
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
Fläkten 13	School	Alegatan 15	Växjö	1979, 1989	2010, 2011	2,880	
Segerstad 4	School	Segerstadsvägen 7	Växjö	1990	2015	1,375	
<b>Total 72</b>						<b>339,772</b>	

## CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
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	
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	Rosenbäckallén 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	Hästkövägen 88	Järfälla	1950	2001	4,504	
Bryggaren 12	Office	Växnäsgränd 5A	Karlstad	1955	1967	12,144	
Karolinen 2	Office	Växnäsgränd 10	Karlstad	1978	1978	47,358	

## CATEGORY OFFICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Botulf 4	Office	Hultgrensgatan 4	Köping	1969	1969	3,118	
Kristianstad 4:7	Office	Kockumsgatan 6	Kristianstad	1904, 1906, 1940	1929, 1940	14,348	
Södra Kasern 2	Office	Västra Storgatan 51L	Kristianstad	1790		26,008	
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	16,702	
Presidenten 1	Office	Slottsgatan 78	Norrköping	1975	1975	35,833	
Berga 6:489	Office	Luffarbacken 5	Österåker	1985	1985	2,048	
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	Bastiongatan 40	Uddevalla	1950	2007	6,980	
Hvitfeldt 22	Office	Bagges Gränd 1	Uddevalla	1980	2013	10,071	
Vilunda 6:59	Office	Drabantvägen 11, Dragonvägen 86-90	Upplands Väsby	1972	1972	5,658	
Vallentuna-Mörby 1:118	Office	Fabriksvägen 1A	Vallentuna	1981	1981	2,668	
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	16,034	
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	
<b>Total 42</b>						<b>360,593</b>	

## 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	
Idre 5:114	Judicial system	Byvägen 34	Älvdalen	1988	1988	256	
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	Djulögatan 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	



## CATEGORY JUDICIAL INSTITUTIONS, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
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	6,910	
Mekanikern 1	Judicial system	Boråsvägen 50	Land	1957	1957	2,314	
Ingenjören 6	Judicial system	Järnvägsparken 1	Motala	1974	1974	6,985	
Vakten 1	Judicial system	Södergatan 1	Nässjö	1985, 1996, 2008	1985	2,634	
Ungern 6	Judicial system	Nytorggsgatan 1A	Örnsköldsvik	1972	1986	6,009	
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	
<b>Total 34</b>						<b>208,566</b>	

## 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	
Älvkarleby 2:2	Healthcare	Älvkarleövägen 4a	Älvkarleby	1930	-	700	
Hägern 4	Healthcare	Gammelvägen 12	Älvsbyn	1950	-	196	
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	Hårstorpsvägen 13	Finspång	1972	1995	2,880	
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	
Markheden 4:45, 4:46	Healthcare	Bäckvägen 5	Gävle	2009	-	1,986	
Såtra 108:21	Healthcare	Folkparksvägen 5	Gävle	2009	-	1,784	
Söder 66:9	Care services	Södra Centralgatan 19a	Gävle	2016	-	6,785	
Tuve 15:90	Healthcare	Kärrdalsvägen 42	Göteborg	1925	-	299	
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	Hallstahammar	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	12,515	
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	Rosenbäckssallen 15 A	Härnösand	1963	1963	5,141	
Orren 12	Care services	Institutgatan 16 B	Härnösand	1980	1991	238	

## CATEGORY CARE SERVICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
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	Brännavägen 67	Härnösand	1970	1985	5,634	
Venus 7	Care services	Lönegrensgratan 2 & 8 Vårstagatan 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	
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	
Åsphult 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 Gård 1	Lidköping	1856, 1974, 2003		250	
Lyrestads Klockarbol 5:39	Care services	Sjörtorpsvägen 2	Mariestad	1958	1992	4,284	
Tordyveln 1	Healthcare	Brätenvägen 4	Mariestad	1984	2014	810	
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	
Älgen 17	Care services	Höjdgatan 3	Nynäshamn	1993	-	1,137	
Gimo 11:97	Healthcare	Vattmyren 321	Östhammar	1983	-	172	
Färnebo Prästgård 1:28	Healthcare	Runemovägen 18a	Sala	1955	-	288	
Salbohed 1:3	Healthcare	Kopparbergsvägen 31	Sala	1980	-	3,716	
Boberg 4:10	Healthcare	Boberg 9	Säter	1900/2001	-	500	
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
Kontorskylten 7	Healthcare	Frostviksgatan 1	Stockholm	1971, 2014		5,955	L
Seminarieriet 6	Care services	Seminarievägen 10A	Strängnäs	1904, 1980	2008- 2010	13,999	
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	16,160	
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	

## CATEGORY CARE SERVICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Kungsängen 24:13	Retirement Homes	Kungsgatan 91	Uppsala	2016		5,600	
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	Vänernborg	1979	2010	305	
<b>Total 91</b>						<b>237,138</b>	

## CATEGORY OTHER PROPERTIES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Fastlandet 2:90	Recreational	Murbergsvägen 1	Härnösand	1960	1960	1,575	
Torget 1	Other	Stora Torget 2	Härnösand	1863	1984	798	
Kullbäckstorp 2:470	Land	-	Härreda	-	-	0	
Signalisten 11	Land	Signalistgatan 4	Västerås	-	-	0	L
Signalisten 12	Storage	Signalistgatan 4	Västerås	1990	1990	6,658	
Västerås 1:199	Garage	No information available	Västerås	-	-	0	L
<b>Total 6</b>						<b>9,031</b>	

## 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		8,910	
Söder 18:19	Office	Källgränd 4	Gävle	1964,	1996	4,835	
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	21,675	
Gamlestaden 2:8	Office	Hornsgatan 1	Gothenburg	1963	1966	20,882	
Höjden 2	Office	Bergöös Väg 6	Hallsberg	1984	1984	3,118	
Söderbymalm 3:462	Office	Rudsjöterrassen 1	Haninge	1983	1983	52,261	
Kornet 2	Office	Järnvägsgatan 1	Hässleholm	1966	1966	3,698	
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	
Ploggen 4	Office	Depåvägen 6Ba	Luleå	1966	2008	3,456	
Byrådirektören 3	Office	Von Troils Väg 1	Malmö	1974, 2013	1974	13,910	L
Snödroppen 2	Office	Flöjelbergsgatan 1C	Mölnadal	1961	1993	25,939	
Tulpanen 3	Office	Bergfotsgatan 2	Mölnadal	1960	1998	53,671	
Sicklaön 358:1	Office	Hästholmsvägen 26	Nacka	1987	1987	16,681	
Orkestern 2	Office	Folkborgsvägen 23	Norrköping	1977, 1986	1989	3,931	
Husby 4:25	Office	Företagsallén 4	Österåker	1988	1988	1,086	
Husby 4:27	Office	Företagsallén 10	Österåker	1988	1988	1,418	
Lärkan 10	Office	Storgatan 50	Skellefteå	1930	2015	5,407	
Glödlampan 3	Office	Ranhammarsvägen 3	Stockholm	2002		2,545	
Knarrarnäs 8	Office	Knarrarnäsgatan 13	Stockholm	1990		3,080	L
Malax 3	Office	Raseborgsgatan 9	Stockholm	1988		6,658	L
Prästgårdsängen 2	Office	Solberga Ångsväg 1	Stockholm	1986		6,652	L

## CATEGORY OFFICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
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
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 Gåsen 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	5,197	
Värnamo 14:11	Office	Jönköpingsvägen 41	Värnamo	1917, 1940, 1966	2012	4,058	
Vindruvan 15	Office	Storgatsbacken 12	Värnamo	1989		1,990	
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	
Sågen 2	Office	Ängsgårdsgatan 4	Västerås	1992	1992	3,333	
Sågen 6	Office	Ängsgårdsgatan 12	Västerås	1987	1987	5,945	
Sågklingan 10	Office	Ängsgårdsgatan 13	Västerås	1990	1990	1,709	
Verkstaden 8	Office	Östra Ringvägen 2	Västerås	1936	1951, 1977	20,275	
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	
<b>Total 69</b>						<b>581,715</b>	

## CATEGORY LOGISTIC &amp; 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	

## CATEGORY LOGISTIC &amp; STORAGE, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
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	
Skjutsstallslyckan 22	Storage	Lundavägen 54	Malmö	1955	1955	7,650	
Gasmätaren 2	Storage	Argongatan 9	Mölnadal	1984	1992	14,183	
Ånsta 20:262	Storage	Lastgatan 2	Örebro	2006	2006	15,976	
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	Fabriksgatan 10-12	Värnamo	1975, 2006, 2008		5,595	
Yxan 6	Storage	Fabriksgatan 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	
Plåtstagaren 1	Storage	Åläkragatan 4	Vimmerby	2008	2009	10,259	
<b>Total 29</b>						<b>421,995</b>	

## CATEGORY OTHER

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Handlaren 4	Land	Danska vägen 120	Älmhult	-	-	0	
Centrum 12:1	Retail	Källgatan 9	Enköping	1929	1947	587	
Centrum 16:5	Retail	Källgatan 14	Enköping	1969	1969	2,026	
Centrum 18:1	Retail	Eriksgatan 24	Enköping	1971	1971	7,406	
Nålsögat 6	Retail	Tivoliallén 2	Eskilstuna	1996	1996	3,571	
Trasten 12	Retail	Stora Torget 4B	Filipstad	1980	1980	1,891	
Filen 5	Retail	Mårtensgatan 23A	Gislaved	1973	1973	1,643	
Baggatomen 6:1	Hotel	Hotellvägen 1	Härryda	1937	-	4,559	
Hultåsa 1:18	Land	Lindenvägen 1	Hultsfred	-	-	0	
Riksdalern 3	Retail	Ullebergsleden 10	Karlstad	2001	2001	6,692	
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	Mölnadal	1989	1991	5,500	
Husby 4:23	Land	Företagsallén 1	Österåker	-	-	0	
Husby 4:24	Land	Företagsallén 6	Österåker	-	-	50	
Husby 4:28	School	Företagsallén 8	Österåker	1988	1988	1,432	
Transistorn 1	Industrial	Svedjevägen 12	Skellefteå	1968	1985	9,320	
Resecentrum 3	Land	Stationsgatan 7	Skövde	-	-	0	
Elementet 8	Retail	Ulvundavägen 108	Stockholm	1938, 2002		7,523	
Backen 10	Retail	Verkstadsgatan 1	Tranås	1945	1988	3,397	
Drivhjulet 3	Industrial	Kardanvägen 65	Trollhättan	1989	1999	1,680	
Hjulet 6	Industrial	Kardanvägen 12B	Trollhättan	1980	2009	1,710	
Kugghjulet 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	

## CATEGORY OTHER, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Drabanten 1	Retail	Nydalavägen 16	Värnamo	1940, 1986		1,258	
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	No information available	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	Land	-	Vingåker	-	-	0	
<b>Total 50</b>						<b>203,631</b>	

## 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	
<b>Total 2</b>						<b>55,662</b>	

## CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Farmannsveien 50 A	Office	Anton Jenssens Gate 11	Tønsberg	1898	1991	3,661	
Farmannsveien 50 B	Office	Anton Jenssens Gate 7	Tønsberg	1991	-	2,314	
Farmannsveien 50 D	Office	Anton Jenssens Gate 5	Tønsberg	1995	-	6,550	

## CATEGORY OFFICES, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
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	
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	
Wilbergjordet 1	Office	Wilbergjordet 1	Fredrikstad	2003	-	6,044	
<b>Total 10</b>						<b>62,684</b>	

## CATEGORY JUDICIAL INSTITUTIONS

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Farmannsveien 50 C	Judicial system	Anton Jenssens Gate 9	Tønsberg	1994	-	2,051	
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	3,784	
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	
<b>Total 5</b>						<b>27,147</b>	

## 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	
Bømlo-12/17, 12/20	Care services	Færvågen 2	Bømlo	2005	-	825	
Bømlo-123/72	Care services	Motorsportvegen 7	Bømlo	1992	-	592	
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	
Ringstabiikkvein 105	Care services	Ringstabiikkvein 105	Bærum	1924	2014	3,784	
Skedsmo-31/314	Care services	Elvengveien 14	Skedsmo	2006	-	1,167	
Strand-16/344	Care services	Kvednanesvegen 74	Strand	2008	-	1,128	
<b>Total 14</b>						<b>14,129</b>	

## CATEGORY OTHER

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Farmannsveien 50 Sam	Garage	Anton Jenssens Gate 13	Tønsberg	1929/2003	-	514	
<b>Total 1</b>						<b>514</b>	

## Finland

### Community service properties

#### CATEGORY OFFICES

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Hatanpään valtatie 36	Office	Hatanpään valtatie 36	Tampere	2003	-	12,919	
Kivihaantie 7	Office	Kivihaantie 7	Helsinki	1972	2006	19,431	
Nihtisillankuja 6	Storage	Nihtisillankuja 6	Espoo	1975	-	4,881	
<b>Total 3</b>						<b>37,231</b>	

#### CATEGORY JUDICIAL INSTITUTIONS

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Kummatinkatu 6	Judicial system	Kummatinkatu 6	Raahe	2003	-	6,855	
Vitikka 1	Judicial system	Vitikka 1	Espoo	1979	-	35,402	
<b>Total 2</b>						<b>42,257</b>	

#### CATEGORY SCHOOL

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm	Leasehold
Åkerlundinkatu 5	School	Åkerlundinkatu 5	Tampere	1972	2009	7,438	
Pajuniityntie 11	School	Pajuniityntie 11	Helsinki	1969	2002	17,730	
<b>Total 2</b>						<b>25,168</b>	



## Joint ventures

### JOINTLY OWNED WITH SKANSKA

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm <sup>1</sup>	Leasehold
Tellus 4	Retail	Köpmangatan 5, Gästgivaregatan 14 etc.	Södertälje	1968.1998	1968	10,214	
<b>Total 1</b>						<b>10,214</b>	

### JOINTLY OWNED WITH ASPELIN RAMM

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm <sup>1</sup>	Leasehold
Part of Ullensaker-136/158	Land	Fylkesveg 454	Ullensaker	-	-	-	
<b>Total 1</b>							

### JOINTLY OWNED WITH SAGAX

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm <sup>1</sup>	Leasehold
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	1,590	L
Lagret 1	Logistics, warehouse and industrial	Upplagsvägen 13, 15, 17, 19, 31	Stockholm	1969	1969	8,842	L
Lagerhuset 3	Logistics, warehouse and industrial	Upplagsvägen 21-27, 25B-C, 27A-B	Stockholm	1929, 1954, 1985	1954	10,588	L
Linjen 1	Logistics, warehouse and industrial	Pyramidbacken 3	Huddinge	1989	1989	2,150	
Hällsättra 4	Logistics, warehouse and industrial	Stensättravägen 9, 9A-B	Stockholm	1975	1985	13,785	L
Ostmästaren 3	Logistics, warehouse and industrial	Ostmästargränd 6-12, 8A	Stockholm	1982.1983	1983	19,576	L
Ostmästaren 4	Logistics, warehouse and industrial	Byängsgränd 4-16, Ostmästargränd 1-3	Stockholm	1983	1985	36,923	L
Ostmästaren 5	Office	Ostmästargränd 5, 11-13	Stockholm	1990	1990	10,202	L
Ostmästaren 6	Office	Byängsgränd 20-22	Stockholm	1991	1991	8,535	L
Varuhissen 1	Logistics, warehouse and industrial	Upplagsvägen 1-5	Stockholm	1987.1999	1990	14,929	L
Botvidsgymnasiet 3	Logistics, warehouse and industrial	Fågelviksvägen 9, 9A-M	Botkyrka	1991	1991	56,028	
Asea 3	Logistics, warehouse and industrial	Västberga Allé 60, Västbergavägen 43	Stockholm	1929, 1994	1980	68,338	
Ostmästaren 1	Logistics, warehouse and industrial	Ostmästargränd 2	Stockholm	1980	1980	15,287	L
Runö 7:109	Office/Industrial	Rallarvägen 7	Österåker	1986	1986	1,436	
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	
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	Äckornavägen 4	Gothenburg	2001	-	4,960	

<sup>1</sup> Area excluding garage

## JOINTLY OWNED WITH SAGAX, CONT.

Property	Subcategory	Address	Municipality	Year built	Conversion year	Leasable area, sqm <sup>1</sup>	Leasehold
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 7:20 RA	Storage/Office	Assar Gabrielssons väg/ Gustav Larssons väg	Gothenburg	1967	-	123,315	
Sörred 7:20 RV/RV-D	Workshop/offices	Assar Gabrielssons väg 1	Gothenburg	1971	-	2,706	
Sörred 7:20 VB/VBA	Office	Assar Gabrielssons väg 9/ Gustav Larssons väg 30	Gothenburg	1967	-	10,180	
Sörred 7:20 VB-D P-däck	Parking	Gustav Larssons väg	Gothenburg	2005	-	0	
Sörred 7:20 PVD	Office	Jakobs väg 17	Gothenburg	1983	-	5,599	
Sörred 7:20 SAA/SAB	Storage/Office	Gustav Larssons väg 12-26	Gothenburg	1966	-	12,934	
Östergärde 31:1 BV5	Workshop/offices	Örnekullans väg 2	Gothenburg	1986	-	7,175	
Vindbryggan 3	Industrial	Borgens Gata 20	Alingsås	1990	1990	1,439	
Köpingehill 1	Industrial	Trintegatan 2	Helsingborg	1991	1991	7,125	
Haken 15	Storage/Production	Vinkelgatan 1	Malmö	1968	1973	7,187	
Kamaxeln 6	Industrial	Truckgatan 20	Kungälv	1976	1976	1,942	
Kulingen 3	Industrial	Kulinggatan 2	Karlstad	1985	1985	7,373	
Traktorn 1	Industrial	Morabergsvägen 21, Åkerivägen 2	Södertälje	1971	1971	4,154	
Jordbromalm 6:23	Produktion	Dåntorpsvägen 11	Haninge	1980	2008	1,776	
Görla 8:60	Industrial	Görlavägen 1	Norrtälje		-	2,900	
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	Storage/Office	Förrådsgatan 6	Oskarshamn	1978, 2002	1978, 2002	2,198	
Holje 116:116	Storage	Västra Storgatan 2B	Olofström	1949	1970	51,631	
Varubalen 3	Storage/Office	Upplagsvägen 10A	Stockholm	1964	1964	10,494	L
Runö 7:164	Storage/Office	Näsvägen 19	Österåker	2008	2008	1,450	
Mörtö 9	Storage/Office	Fryksdalsbacken 38	Stockholm	1978	1983	3,297	L
Tjockö 1	Industrial	Fryksdalsbacken 40	Stockholm	1980	1980	11,491	L
Görväln 2	Industrial	Bränningevägen 10	Stockholm	1963	1963	7,279	L
Västberga Gärd 2	Retail	Västberga Gärdsväg 36	Stockholm	1970	1970	4,178	
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
Grävmaskinen 11	Logistics, warehouse and industrial	Morabergsvägen 3	Södertälje	1970	1970	1,711	L
Jordbromalm 1:11	Logistics, warehouse and industrial	Jordbrotorpsvägen 2	Haninge	1964	1975	900	
Maden 6	Office	Madenvägen 11	Sundbyberg-Rissne	2002	2002	1,403	L
Märsta 15:6	Logistics, warehouse and industrial	Industrigatan 10	Sigtuna	1972	1972	1,056	
Olhamra 1:82	Logistics, warehouse and industrial	Okvistavägen 30	Vallentuna	2005	2005	1,258	
Stensättra 2	Logistics, warehouse and industrial	Strömsättravägen 14	Stockholm	1970	1981	1,726	L
Görla 9:40	Logistics, warehouse and industrial	Abborrvägen 4	Norrtälje	2009	2014	870	
Timmermannen 1	Logistics, warehouse and industrial	Teknikervägen 2	Nynäshamn	1990	1990	541	
<b>Total 65</b>						<b>691,649</b>	

<sup>1</sup> Area excluding garage

# Information to shareholders

## Annual General Meeting

The Annual General Meeting (AGM) of Hemfosa Fastigheter AB (publ) will be held at 3 p.m. CET on Tuesday, April 25, 2017 at Hotel Rival, Mariatorget 3, Stockholm.

### REGISTRATION

Shareholders wishing to attend the AGM must:

- be entered in the register of shareholders maintained by Euroclear Sweden AB on Wednesday, April 19, 2017,
- and notify their intention to attend the AGM no later than Wednesday, April 19, 2017. Registration must be made in writing to: Hemfosa Fastigheter AB (publ), c/o Euroclear Sweden AB, "Årsstämma 2016", Box 191, SE-103 10398 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 19, 2017. 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](http://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

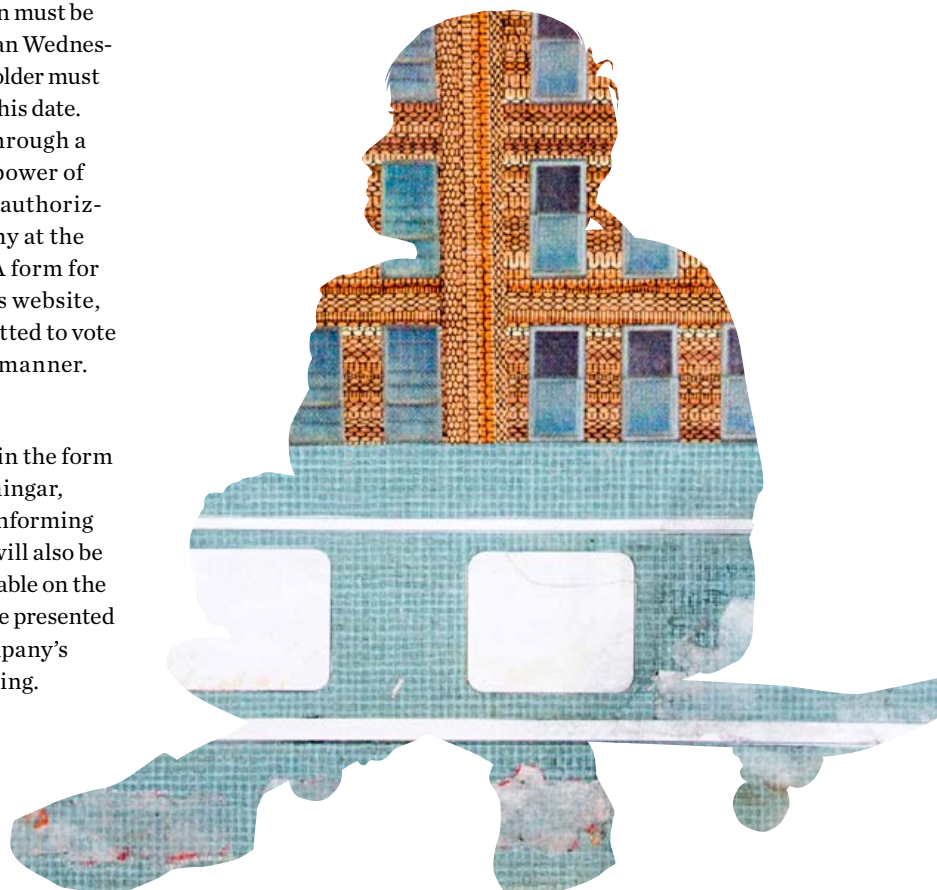
Interim report January-March 2017	<b>April 25, 2017</b>
Annual General Meeting 2017	<b>April 25, 2017</b>
Interim report January-June 2017	<b>July 20, 2017</b>
Interim Report January-September 2017	<b>November 8, 2017</b>
Year-end report 2017	<b>February 16, 2017</b>
Annual General Meeting 2018	<b>April 18, 2018</b>

### IR CONTACT

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