



ANNUAL REPORT

2016

HEMSÖ

Hemsö is one of Sweden's largest private owners of properties for public use, and **manages** and **develops properties within nursing homes, education, health care** and the **legal sector**.

The business is characterised by **long-term** and **sustainable** operations. Due to its size and geographic presence, Hemsö is well-positioned to meet the changing needs of its tenants over time.

The property portfolio comprises just over **350 properties for public use** with a total **market value of more than SEK 33 billion**. The properties are located in **Sweden, Finland** and **Germany**. The tenants are mainly government, municipal and county councils operators, but also private operators which are directly tax financed. The Third Swedish National Pension Fund is the majority owner.

Hemsö's core values

Three core values permeate Hemsö's operations – accessible, reliable and progressive.

Accessible. We are locally based and work closely with our customers. We are responsive and always strive to promote positive dialogue. We are a reliable and attentive partner, with high availability.

Reliable. We take responsibility for the properties we manage and build confidence through financial stability and stable ownership. We contribute to sustainable development and our properties are part of the social infrastructure.

Progressive. We drive developments in our industry. We develop offerings and premises based on the requirements and preferences of our customers.

2016 Annual Report and Sustainability Report

The statutory Annual Report, including the Directors' Report, for Hemsö Fastigheter AB (publ), Corp. Reg. No. 556779-8169 has been audited and comprises pp. 40-85. The Directors' Report comprises pp. 40-48. Sustainability issues are integrated into Hemsö's operating activities. The company's sustainability efforts are therefore described in each operating area. The GRI Content Index is on page 95.

CONTENTS

Overview

Significant events in 2016	2
Property portfolio	3
CEO statement	4
Value-creation strategy	6
Value-creation strategy – Targets	8
Business environment and market	10

Operations

Property portfolio	14
Property portfolio – Nursing homes	20
Property portfolio – Education	21
Property portfolio – Health care	22
Property portfolio – Legal sector	23
Asset management	24
Project development	28
Stakeholder dialogue	33
Sustainable business	34
Employees	36

Financial statements and governance

Directors' Report	40
Directors' Report – Financing	43
Directors' Report – Risk management	46
Chairman's comments	50
Corporate governance	51
Board of Directors	55
Management	56
Five-year summary	59
Financial statements	60
Notes	66
Proposed appropriation of profits	82
Audit report	83
List of properties	86
About the Sustainability Report	94
GRI Content Index	95
Definitions	96
Reporting – Sustainable bonds	97

Significant events in 2016

Q1

- Acquisition of two nursing homes in Bremen, Germany, and the Technology and Health property (Medicinaren 23) adjacent to Karolinska University Hospital in Huddinge, for a total amount of SEK 878 million.

Q2

- Acquisition of one nursing home under construction in Espoo, Finland, for SEK 272 million.
- Entered into a framework agreement for the future acquisition of nursing homes, senior housing properties and preschools in Finland.
- Hemsö's jointly owned company Vitartes signed a lease agreement for the new St Erik Eye Hospital in Hagastaden, Stockholm.
- Hemsö became the first Nordic company to issue a sustainable bond. The issue amount is SEK 1 billion.
- Nils Styf was appointed CEO and assumed his position in the fourth quarter.

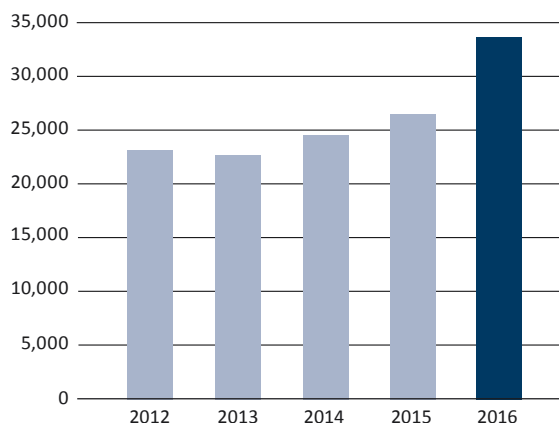
Q3

- Investments and acquisitions totalling SEK 1.8 billion. A portfolio of 16 educational properties was acquired in Nacka, outside Stockholm. Three nursing homes under construction were acquired in Finland, and one nursing home was acquired in Darmstadt, Germany.
- Establishment of an EMTN programme with a ceiling of EUR 3,0 billion. A first issue of EUR 500 million was launched.
- Rutger Källén was appointed CFO. Rutger was most recently Hemsö's Group Treasurer.

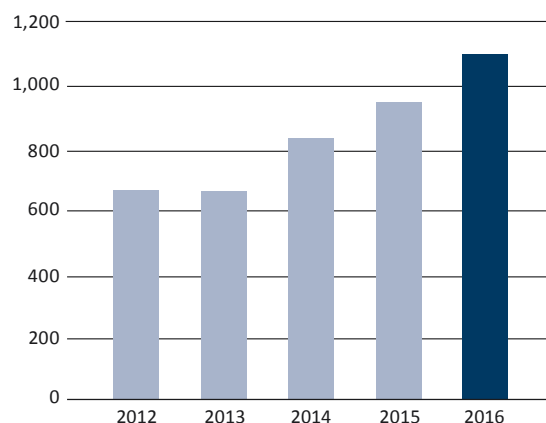
Q4

- Acquisition of four properties in Finland, including the Academill university property in Vaasa, and the acquisition of four nursing homes in Germany for a total amount of SEK 935 million.
- Divestment of a property portfolio comprising 35 properties in Sweden for SEK 1.5 billion. The planned closing date is April 2017.
- Leases for seven schools, comprising a total area of 27,000 sqm, were renewed with AcadeMedia. The lease terms ranged from 10-15 years.
- Rikard Nyhrén appointed Head of Asset Management in Sweden. Rikard was most recently Head of Technology & Service at Hemsö.

Market value of the property portfolio, SEK million



Profit from property management, SEK million



Property portfolio

Sweden

292 properties

SEK 28.0 billion in property value

83% of the portfolio's market value

Finland

31 properties

SEK 2.3 billion in property value

7% of the portfolio's market value

Germany

33 properties

SEK 3.3 billion in property value

10% of the portfolio's market value

No. of properties

356

Property value,
SEK billion

33.6

Lettable area,
tsqm

1,638

Contracted annual rent,
SEK million

2,326

Focus on tenants and asset management

Streamlined for efficient management

2016 was a strong year for Hemsö. Profit from property management rose 16 per cent, and profit after tax a full 74 per cent. We continued to invest in high-quality properties in high-growth regions, through both acquisitions and new construction projects. The portfolio was also refined. We divested properties that for various reasons did not fit with our long-term portfolio and where we felt we were unable to offer the efficient and customer-oriented management that we seek to provide. For the same

»During the year, we continued to strengthen our position as an increasingly important partner for our tenants in all of our markets.«

reasons, we also streamlined and simplified our internal organisation to enable a clearer management focus. This will ensure that everyone working with our tenants has the same goals and methods of close cooperation, as well as rapid decision-making processes to ensure the highest possible level of service.

Demographics are driving demand

During the year, we continued to strengthen our position as an increasingly important partner for our tenants in all of our markets. In Sweden, we are the largest private owner of properties for public use and have gradually forged a market-leading position in this segment. In the Finnish market, which is about to undergo the same trend as in Sweden, Hemsö is now the second-largest private owner of public properties in the country. Even in Germany – with Europe's largest, but highly fragmented nursing home market – we are now a key player for our tenants.

The strong demand for public services is governed by such megatrends as urbanisation and shifting demographics, and is relatively predictable. The megatrends are placing new demands on

public services and ensuring long-term demand for premises. In the Western world, the fastest growing segment of the population is those aged 80 or more, which will benefit Hemsö. This applies particularly in Sweden, where both the total population and life expectancy are rising sharply.

Building to own

To strengthen our offering and meet the growing need for modern public properties, project development and redevelopment have become increasingly important for Hemsö's operations.

Our project activities differ from traditional property development, in which companies construct with an aim to sell. Hemsö aims for long-term ownership of the properties it develops. We know how properties should be designed to meet the long-term needs of our tenants, and with our experience, we can limit both risks and construction costs. Nearly all of our new construction projects are fully let, with long-term leases, before construction start.

Sustainability means more than environmental considerations

Sustainability is an integral part of Hemsö's operations. When we speak about sustainability, environmental aspects such as energy consumption and choice of materials are obviously included, but we believe that sustainability is so much more. Sustainability includes how school facilities are designed to make it easier for students to learn, or how school grounds are designed to promote physical activity and play. In a sustainable society, existing properties are also used in a more efficient and profitable manner. Schools are not only open during school hours, for example, they can also be used for activities at other times. This

approach to sustainability has become an important part of our tenants' growing demands on Hemsö as their partner.

Stable rental income

Hemsö's financial strength is our simple and robust business model, which provides a stable cash flow regardless of economic conditions. It enables us to focus on properties that meet a continued need for public services and long leases. A full 95 per cent of our rental income is generated by tax financed operations, and the average term of our leases is 8.1 years.

Broader range of financing options

The stability of our operations provides access to various sources of low-cost financing. During the year, we lowered our average interest rate while extending our loan maturity and fixed-rate period. We also issued the Nordic region's first sustainable bond, amounting to SEK 1 billion. There were already a number of green bonds on the market, so we chose to integrate our broad approach to sustainability. In addition, we broadened our financing options to include the European capital market by launching an EMTN programme. Our bond issue of EUR 500 million in the autumn was heavily oversubscribed. This proves that European investors understand Hemsö's stable business model.

Overall, we are ideally positioned to continue generating steady returns for our shareholders, and ultimately for Swedish pensioners, with low risk. Our aim is to understand the needs of our tenants, follow our business model and leverage the specialised knowledge that Hemsö has developed in properties for public use. Together with my competent employees, my goal is to ensure that Hemsö is the preferred partner for municipalities and the best property company for public services.



Nils Styf, CEO



Value-creation strategy

Hemsö is dedicated to long-term ownership of public properties, and manages and develops properties for nursing homes, education, health care and the legal sector. Hemsö aims to create added value and be the preferred landlord for public-service tenants.

Hemsö's mission

Hemsö's mission is to sustainably own, manage and develop properties for public use.

Hemsö's vision

Hemsö's vision is to be the best property company for public services.

Property portfolio

The property portfolio is concentrated to metropolitan regions or cities with a growing population, and diversified in terms of property categories and geographic markets. Sweden is the primary market, but Hemsö has also built up a portfolio in Finland and Germany. Hemsö's specialised knowledge in both management and project development is a clear competitive advantage.

Management

Hemsö is primarily a long-term property partner to public-service tenants. Tenants are mainly government, municipality and county councils, but also private-sector tenants with tax financed operations. Hemsö has long-standing experience and knowledge of its tenants' public-service operations. This enables a style of business management that is able to meet the special needs of tenants in public properties. A geographically concentrated property portfolio enables efficient

management, with a high level of service and local presence. Long-term partnerships facilitate sustainable management and resource efficiency.

Project development

Hemsö works actively with project development. By working closely with municipalities and tenants, Hemsö can identify the need for redevelopment of the existing portfolio at an early stage, and initiate and implement new construction projects. The aim is that occupancy rates are high before construction start, that lease agreements are long and that both the construction process and end product is sustainable. This reduces the project risk in Hemsö's portfolio. Hemsö's long experience in managing properties for public use permeates the design and function of projects, and guarantees efficient management and customisation of the premises. The aim is that all new construction is environmentally certified and that landfill waste is minimised.

Financing

Hemsö's financing activities aim to ensure a stable capital structure at the lowest-possible cost within given risk limits. Financing is mainly raised through the market through commercial papers, bonds denominated in SEK and EUR and sustainable bonds, but also through traditional bank loans. Hemsö secures access to credit commitments, which reduces the company's financial risk. Financing is diversified, with a balanced maturity spread. Interest-rate risk is reduced by setting targets for the lowest-possible cost of capital. ■

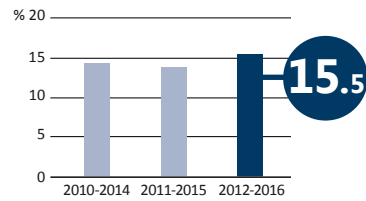


Targets

Profitability

Average return on equity of 15 per cent over a five-year period.

Outcome 2016

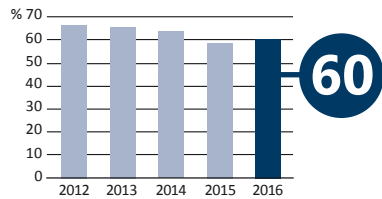


In 2016, Hemsö achieved the company target of 15 per cent average return on equity over a five-year period. In 2016, return on equity was 30.4 per cent. The result was largely attributable to increased profit from property management and a positive change in the value of the property portfolio.

Property portfolio

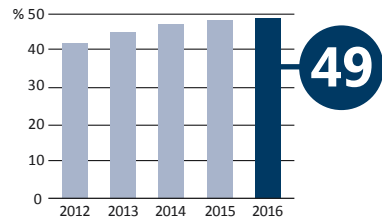
Public-sector tenants are to account for at least 50 per cent of rental income.

Outcome 2016



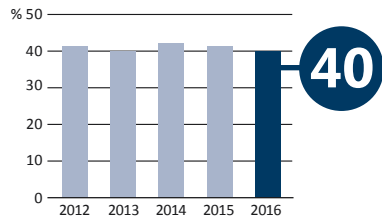
In 2016, the proportion of public-sector tenants rose to 60 per cent. This is the result of a deliberate focus on public-sector tenants.

At least 40 per cent of the property value is to be concentrated to Swedish metropolitan areas.



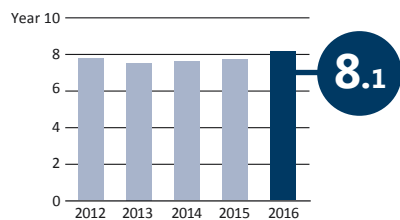
At year-end, the proportion of properties in Swedish metropolitan areas was 49 per cent. During the year, Hemsö signed an agreement to divest a large property portfolio and is thereby continuing to streamline the portfolio. New acquisitions and projects are mainly conducted in the metropolitan areas of Sweden, Finland and Germany.

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



In 2016, rental income from nursing homes remained at a stable level of 40 per cent. Nursing home acquisitions and projects are increasing proportionally to maintain this level.

The average lease term is to exceed five years.

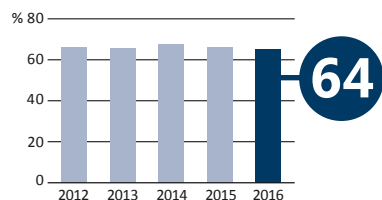


At year-end, the average lease term had increased to over eight years. Leases that expired during the year were replaced by new, long-term leases and the lease term is an important acquisition criterion.

Financing

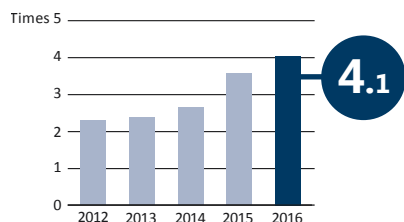
The loan-to-value ratio is not to exceed 70 per cent over the long term.

Outcome 2016



In 2016, the loan-to-value ratio declined to 64 per cent. The value of Hemsö's property portfolio increased due to lower yield requirements in the property market and value gains from completed projects.

A minimum interest-coverage ratio of 2.0 times.

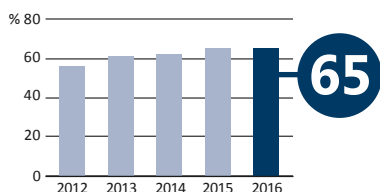


In 2016, the interest-coverage ratio rose to 4.1 times. Improved profit from property management combined with low market rates and favourable financing terms led to a strong cash flow.

Responsible business

Outcome 2016

A Customer Satisfaction Index (CSI) score of 75 by 2019.



In 2016, the score was in line with 2015 at 65. Hemsö works actively to improve its management performance, and has also completed a reorganisation to increase its tenant focus.

All newly produced buildings in Sweden are to hold environmental certification under the Sweden Green Building Council (SGBC) system Miljöbyggnad, at a minimum level of Silver.

77%

The intention is that 17 of 22 ongoing new productions will be either Miljöbyggnad or LEED-certified. When Hemsö acquires ongoing construction projects, environmental certification is not always possible to achieve.

By 2020, Hemsö will have a property portfolio with at least SEK 10 billion in sustainable financing.

1 billion

In 2016, Hemsö launched the Nordic region's first sustainable bond. The initial issue amount was SEK 1 billion.

Between 2012 and 2020, energy consumption per sqm is to decrease 30 per cent.

12%

Energy consumption has fallen 12 per cent since 2012. An energy audit has been performed on all properties in Sweden, and potential efficiencies in tenant operations have also been identified.

A minimum Employee Engagement Index score of 90.

92

The result shows that the target was achieved for 2016. The scores for commitment and leadership increased, and these are two key success factors for the overall result. The benchmark score is 86.

Sustained high level of employee attendance.

98%

Hemsö's employee attendance remained stable at a very high level. This is the result of long-term preventive measures.



Market overview

Interest in public properties as an investment opportunity remains strong. This led to increased competition and lower yield requirements during the year.

Drivers

The need for public services and, thus, public properties is primarily driven by long-term trends such as demographics and urbanisation. Due to population growth and longer life expectancy, the need for schools, health care and nursing homes is growing. Above all, the longer life expectancy throughout Europe is increasing the need for nursing homes and health care. Urbanisation means that people are moving to cities because of greater access to job opportunities, education and a broader range of cultural and commercial activities. New residential areas are emerging, bringing a growing need for public services. Economic and political factors are also important. Increased employment and the subsequent rise in public revenue create conditions for political investment in public services and, ultimately, in public properties.

Premises for public services are often customised and subject to regulation, and sometimes have limited alternative uses. In return, the tenants' operations are funded by taxes. The lease agreements are usually long-term, and the tenant turnover low. For the landlords, this means long-term relationships with tenants, low vacancy risk and tenants with high credit scores. This provides stable cash flows regardless of the economic cycle.

Sweden

Welfare-sector services in Sweden are mainly financed with public funds and, to a limited extent, with fees from care users and patients. The government, municipalities and county councils are ultimately responsible for providing public services. Municipalities are responsible for schools and nursing homes, county councils for most health care services, and central government for universities, colleges and the legal sector.

Municipalities and county councils can choose whether to provide the services themselves or through private-sector operators. In many areas, such as schools and elderly care, care users and patients usually have a high degree of freedom now to choose their school, nursing home or care provider. In schools, for example, every student is entitled to a "school voucher," which municipalities pay to the school where the student is enrolled. Similarly, many municipalities have introduced a "care voucher" system for elderly care. It follows the care user regardless of whether the services are provided by private or public operators.

Municipalities and county councils remain the dominant providers, but as freedom of choice has increased, private alternatives have grown substantially. In 2015, services purchased from private-sector operators accounted for 12 per

cent of Swedish municipalities and county councils' costs, according to the Swedish Association of Local Authorities and Regions (SALAR), representing a 7-per cent increase over the past ten years.

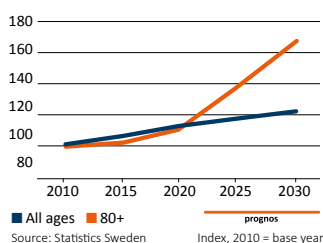
The Swedish population is growing rapidly in the younger and older age groups, and the over-80 age group, in particular, is expected to grow more than 60 per cent by 2030. Populations are growing fastest in the metropolitan areas and regional cities with colleges or universities, such as Umeå, Uppsala, Västerås, Linköping and Örebro.

Rents in public properties are affected by the efficiency of the properties and, for example, the level of school and care vouchers. Levels may vary between individual municipalities and county councils. The normal lease term for public properties is 6-15 years, but lease agreements may run for up to 20 years. Hemsö's lease agreements typically include a Consumer Price Index (CPI) clause, enabling inflation-related adjustments.

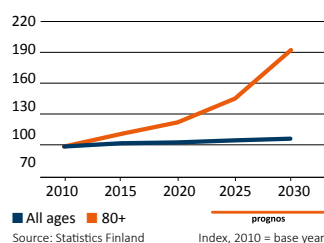
Transaction market

Most properties for public use in Sweden are owned by public bodies. In recent years, however, several municipalities and county councils have divested some parts of their property portfolios. The main drivers of this divestment are high debt, rising core-business costs, the need

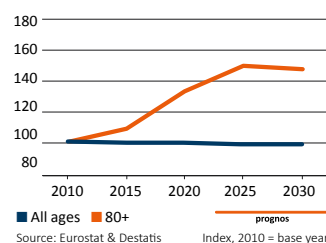
Sweden Demographic trend



Finland Demographic trend



Germany Demographic trend



for appropriate properties and upgrades to the existing portfolio. Another driver is the desire to benefit from the experience held by established owners and public-property developers. In many Swedish municipalities, a large proportion of public properties were built in the 1960s. The aged properties are often in need of upgrading and modernisation. The old premises are often unable to meet the new requirements for modern schools and teaching methods. The private-sector operators rarely own the properties themselves, and are tenants in a relatively high proportion of the new construction taking place.

The supply of public properties in the market is limited, but growing. Investor interest is high, and prices have been rising for several years. Of all three metropolitan areas, Stockholm has accounted for the highest transaction volume. This is partly due to the stronger tradition of maintaining municipal ownership in Gothenburg and Malmö.

The public-property segment is dominated by Swedish property companies, such as Akademiska Hus, Vasakronan, Specialfastigheter, Rikshem and Hemfosa. In addition to property companies, project development companies such as Skanska, NCC, Peab and Veidekke are also active in the segment, and account for a large proportion of the new construction.

Finland

In Finland, welfare-sector services are mainly financed with public funds, but fees from care users and patients account for a slightly higher contribution than in Sweden. Municipalities are responsible for elderly care, schools and most health care services. Hospital districts are responsible for hospitals where specialist care is provided, and central government for universities and the legal sector. As in Sweden, municipalities can choose whether they provide the services themselves or through private-sector operators. There is a long tradition of using private services in both elderly care and health care, and the number of private-sector operators is growing.

Finland's population growth is lower than in Sweden, but the proportion of older people is also growing sharply and driving demand for nursing homes. The over-80 age group is expected to grow by more than 60 per cent by 2030. As in Sweden, there is a strong trend towards

urbanisation and major regional cities with universities, such as Helsinki, Turku, Tampere, Oulu and Jyväskylä, are growing fastest.

Lease agreements for public properties are usually exclusive of heating and hot water, and tenants are responsible for operation and maintenance. The lease term for public properties in Finland is usually 6-15 years, but may run for up to 20 years. Hemsö's lease agreements typically include a Consumer Price Index (CPI) clause, enabling inflation-related adjustments.

Transaction market

Most properties for public use in Finland are still under public ownership. Municipalities are facing a number of challenges due to restructuring, financial requirements and the provision of municipal services.

Nursing homes account for the fastest growing social services sector, and several property funds have been formed to invest in nursing homes. Over the past year, interest in public properties as an investment opportunity has increased sharply. In addition to Hemsö, operators in the Finnish market include the eQ Group and Titanium property funds, the Keva and Ilmarinen pension insurance companies, and the Swedish property company Hemfosa. Properties in attractive locations with long-term lease agreements and financially sound

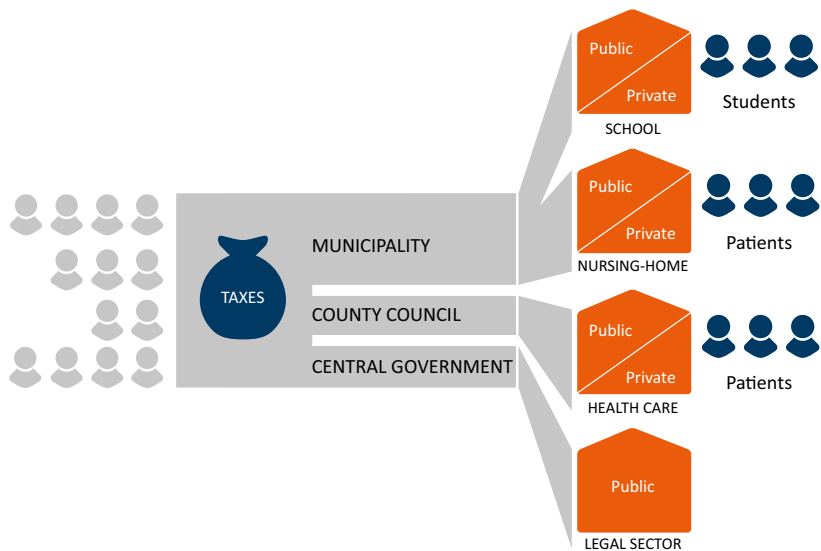
tenants are sought after. Due to the high demand, prices have risen – especially in the Helsinki region.

Municipalities have chosen a cautious approach to divestment to date. However, there are indications that several municipalities are looking into the possibility of divesting public properties and leasing the premises instead. That includes both existing properties and new construction. The ongoing social welfare and healthcare reform (SOTE) will probably impact investments in health care properties and hospitals.

Germany

Germany is the most densely populated country in Europe and also represents the largest market for nursing homes. While overall population growth is expected to level off in Germany, the proportion of older people is growing significantly. The over-80 age group is expected to grow by more than 40 per cent by 2030. The global urbanisation trend can also be seen in Germany. The population is decreasing in rural areas and small towns, in particular, but growing in metropolitan areas.

The German market for public properties is unlike the Swedish and Finnish markets on several points. In Germany, nursing-home patients largely pay for their own care. Public health insurance accounts for one-third of the cost, while the remaining portion is paid by the



Public service funding model in Sweden

In Sweden, schools, health care and care services are mainly funded by taxes and, to some extent, by fees from care users and patients, regardless of whether the services are provided by private or public operators. Municipalities are responsible for schools, while county councils are responsible for health care. Central government is responsible for the legal sector.

Every student, from day-care to upper secondary school, carries a "school voucher." Municipalities pay the school voucher to the school where the student is enrolled. Nursing-home patients pay some of their own costs, while the municipality pays the remaining amount directly to the home. Health care is predominantly taxpayer-funded and patients pay a small fee. Care providers are reimbursed by the county council, largely based on the number of patients and appointments.



patient. If the patient is unable to pay, the municipality steps in to provide financial assistance. Personal responsibility for payment is stringent, for both patient and family members. The municipality does not provide assistance until the patient or their family members' inability to pay has been formally established.

Most nursing home operators are private and the market is highly fragmented. Public operators represent no more than five per cent of the market. The services are not financed with public funds and anyone can invest in a new nursing home. This leads to competition for care users. A national rating system, MDK, has been established to evaluate the performance of health-care providers. The evaluation is official and designed to

help both individuals and patients make choices.

In Germany, tenants have much greater responsibility for their property costs. The landlord is responsible for maintenance, the replacement of façades and roofs and some shared technical installations. The tenant is responsible for all other investments and maintenance. Rents are not therefore indexed to the same extent as in Sweden. While lease agreements usually run for 20 years or longer, they are renegotiated more frequently in practice.

Transaction market

German nursing-home ownership is highly fragmented. About 13,000 nursing homes are owned by up to 5,000 different

owners (according to the property advisory firm CBRE), of which about half are also the nursing home's operator. The German transaction market is not as transparent as Swedish and Finnish markets since the property ownership register is not public and Germany, for historical reasons, has very strict and stringent privacy laws. While fragmentation provides good opportunities for acquisition, a local presence is required. In 2016, the supply of nursing homes was high. A large proportion of divestments comprised portfolios with several properties. Market participants were both individual and institutional investors. Property funds have been the most dominant buyers in recent years, but individual investors are showing more interest. ■





Property portfolio

Hemsö is one of the largest private owners of properties for public use in Sweden and has a well-diversified, high-quality property portfolio. At year-end, the market value was SEK 33.6 billion.

Hemsö's property portfolio is focused on properties for public use. The property portfolio is well-diversified in terms of property categories, tenants and geographic markets, in order to maintain a low-risk portfolio. Hemsö divides its properties into four categories: nursing homes, education, health care and the legal sector. Nursing homes represent the largest category, accounting for 40 per cent of the portfolio's market value. Education accounts for 33 per cent and

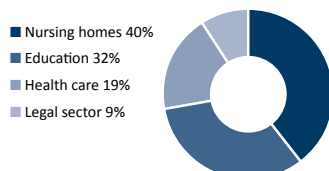
is the second-largest property category. Health care accounts for 19 per cent, and the legal sector for 9 per cent.

At 31 December 2016, Hemsö's property portfolio consisted of 356 properties (317) with a market value of SEK 33,626 million (26,502). Contracted annual rent amounted to SEK 2,326 million (2,039), with a total lettable area of 1,638 tsqm (1,499). Net operating income totalled SEK 1,652 million (1,476).

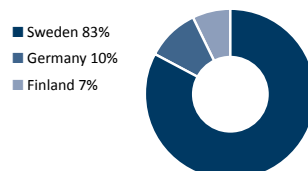
Geographic markets

Hemsö's property portfolio is distributed across the markets of Sweden, Germany and Finland. Sweden accounts for 83 per cent of the total value, Germany for 10 per cent and Finland 7 per cent. Hemsö's strategy is to build a local presence in areas where properties for public use are in high demand. Hemsö subsequently focuses on regions with stronger demographic and economic growth than the national average. 49 per cent

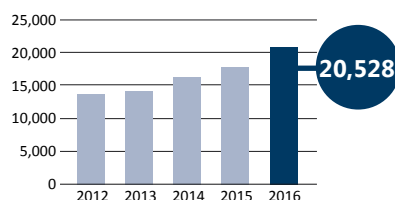
Market value per property category, %



Market value per country, %



Property value, SEK/sqm





of the portfolio is therefore located in the three Swedish metropolitan areas of Stockholm, Gothenburg and Malmö. The portfolio in Germany and Finland is also concentrated to major cities. For more information about Hemsö's operations in Germany and Finland, refer to page 18.

Development of the portfolio

In 2016, a total of 49 properties were acquired for SEK 3,362 million. Property acquisitions amounted to SEK 1,908 million in Sweden, SEK 615 million in Germany and SEK 839 million in Finland. Acquisitions were made in all of Hemsö's property categories, and met Hemsö's requirements in terms of quality and geographic concentration to regions with demographic growth. At the end of the year, Hemsö entered into an agreement for 35 property divestments in Sweden, amounting to SEK 1.5 billion. The divest-

▲ **Nacka, Sweden.** In autumn, Hemsö acquired a portfolio of 16 properties from the Municipality of Nacka. Upon completion of Hemsö's project, the lettable area will be 34,000 sqm. The Municipality of Nacka has signed a 20-year lease agreement. The agreement will enable Hemsö to demonstrate its expertise in both project development and management.

► **Vaasa, Finland.** In November, Hemsö acquired the Academill university property in Vaasa, Finland, for SEK 350 million. The tenant is state-owned Åbo University and the property has a lettable area of 18,500 sqm with a remaining lease term of 12 years. This is Hemsö's first university property in Finland.

ment will further concentrate Hemsö's portfolio. This is expected to create more efficient management units, higher quality and a better offer for Hemsö's tenants.

Over five years, the total market value of the portfolio has risen 46 per cent to SEK 33,629 million. During the same period, the property value per sqm rose 53 per cent to just over SEK 20,000/sqm, while the lettable area decreased 69 tsqm. This is a result of dedicated efforts to streamline the portfolio, with a focus on major cities and high-quality properties, and lower yield requirements in the property market.

Long-term owner

The trend is moving towards increasingly long-term partnerships, where municipalities and county councils want a long-term property owner who is able to manage, but also develop, the properties through new construction, extension and refurbishment. Counterparties are increasingly expected to have the experience and resources required to secure the municipality's long-term need for public properties. ■

Hemsö's ten-largest properties in terms of value

Municipality	Property	Property category	Lettable area, tsqm
Solna	Tegen 6	Legal sector	35.5
Lund	Klostergården 2:9	Education	51.0
Huddinge	Medicinaren 19	Health care	38.8
Huddinge	Medicinaren 23	Education	16.7
Umeå	Stigbygeln 5	Legal sector	22.1
Täby	Marknaden 1	Nursing homes	19.6
Huddinge	Medicinaren 25	Health care	19.0
Upplands Väsby	Vilunda 19:2	Education	14.9
Västerås	Rosenhill 1	Education	22.4
Västerås	Gustavsborg 2	Education	18.1
Total			222.5



Five largest acquisitions in 2016

Municipality	Property/portfolio	Property category	Lettable area, sqm	Property value, SEK million
Huddinge	Medicinaren 23	Education	20,000	762
Nacka	Portfolio	Education	25,400	612
Stockholm/Solna	Patienten 1/Princeton 1	Health care	41,000	404
Vaasa, Finland	Academill	Education	18,500	350
Sollentuna	Träkolet 16	Education	12,200	290
Total			117,100	2,560

Hemsö in Germany



Jens Nagel, Head of Region, Germany

What role does Hemsö play in Germany?

Hemsö is one of the largest and most established owners of nursing homes in Germany. In 2016, we acquired seven properties for a total amount of SEK 615 million. One of the properties is a nursing home in Darmstadt, where we will be

carrying out extensive renovation work while the business is in operation. We see major potential for these types of acquisitions. There is less competition for objects that are well-established, but in need of renovation.

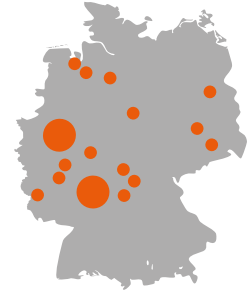
What were the most important events in 2016?

I am very proud that we secured a public sector contract for a portfolio of four nursing homes. Our reliability and stability as a counterparty played a vital role in the process. The portfolio comprises 275 nursing-home beds and 75 senior apartments, and was acquired for SEK 385 million.

What will you be focusing on in 2017?

Our goal is to achieve the same high quality of management in Germany as in Sweden. We are also planning to increase the number of refurbishment projects. Competition for these types of objects is low because they require

skill, a long-term approach and positive dialogue with tenants. These projects are in line with Hemsö's business model.



Germany

33 properties
SEK 3.3 billion in property value
10% of the portfolio's total market value
99.8% occupancy rate
SEK 224 million rental value
170 tsqm lettable area

Hemsö in Finland



Jarkko Leinonen, Head of Region, Finland

What role does Hemsö play in Finland?

Hemsö is the second-largest private owner of properties for public use in Finland. Compared with Sweden, the Finnish market has fewer participants and a lower proportion owned by private property companies. In recent years, however, the trend has been moving towards more participants and a higher proportion of private ownership. This

will obviously lead to more competition, but also provide more opportunities to increase the portfolio.

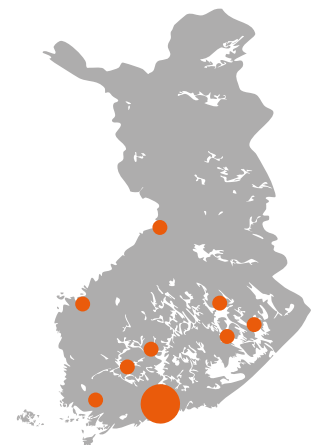
What were the most important events in 2016?

In November, we acquired the Academill university property in Vaasa. This is Hemsö's first university property in Finland and a valuable addition to the portfolio. We also acquired the first properties under the framework agreement we signed with YIT in June. The acquisition consists of one day-care centre in Espoo, in the Helsinki region, and one nursing home in Tampere. We believe this is an effective way to achieve qualitative growth in the portfolio.

What will you be focusing on in 2017?

We are planning to develop our partnership with Finnish municipalities that have a positive demographic trend. We want to develop properties and thereby invest in the future of these municipalities, in the same way as in Sweden. During the year, we strengthened the organisation in order to create stable and efficient

management. With that in place, we are now ready to take the next step towards our goal of being the best landlord in Finland for public services.



Finland

31 properties
SEK 2.3 billion in property value
7% of the portfolio's total market value
99.7% occupancy rate
SEK 177 million rental value
92 tsqm lettable area





	Sweden	Finland	Germany
No. of properties	158		
Property value	SEK 13,524 million		
Lettable area	662 tsqm		
Remaining lease term	8.9 years		
Rental income	SEK 909 million		
Dividend yield	5.4%		

Nursing homes

Portfolio and tenants

Nursing homes is Hemsö's largest property category, and accounted for 40 per cent of the property value at year-end. Hemsö owned 158 nursing-home properties, distributed between 101 in Sweden, 24 in Finland and 33 in Germany. The operations conducted on the premises include care homes with nursing, dementia care homes and housing for people with extra needs. Of the contracted annual rent, public-sector tenants accounted for 53 per cent, and private taxpayer-funded operators for 47 per cent. In Sweden, public-sector tenants accounted for 70 per cent, and private-sector tenants for 30 per cent, of contracted annual rent at year-end. In

Finland, public operators accounted for 95 per cent, and private-sector operators for 5 per cent, of contracted annual rent. Hemsö only has private-sector tenants in Germany. The largest tenants in this category are Attendo, the Municipality of Norrköping and AWO (Germany).

Demand

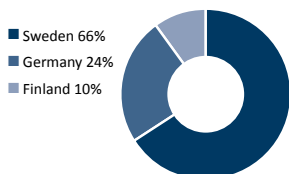
In Sweden, the need for nursing homes is rising steadily in most municipalities due to the growing number of older people. The number of people aged 80+ is now about 500,000 and is expected to rise by one-third over the next ten years. The proportion of older people in Finland and Germany is also expected to rise sharply in the coming years, entailing strong

demand for nursing homes. The major need for nursing homes in all of Hemsö's markets has contributed to the high occupancy rate of 99 per cent.

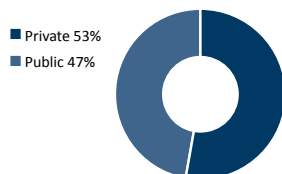
Hemsö's expertise

Hemsö has long experience in managing and developing nursing homes. In partnership with tenants and an understanding of care user needs, Hemsö creates premises that support the tenant's operations. Tenants are able to benefit from Hemsö's extensive knowledge of how to create attractive nursing homes. The premises are high-quality, space and cost-efficient and meet current and future requirements for the design of nursing homes. ■

Market value per country, %



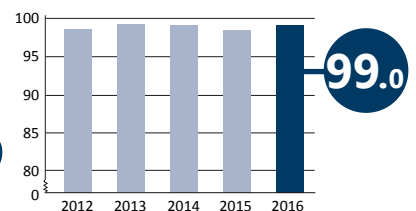
Contracted annual rent per customer category



Percentage of property value

40%

Economic occupancy rate, %





		 
No. of properties		109
Property value	SEK 10,947 million	
Lettable area	527 tsqm	
Remaining lease term	9.4 years	
Rental income	SEK 656 million	
Dividend yield	5.7%	

Education

Portfolio and tenants

Education is Hemsö's second-largest property category, and accounted for 32 per cent of the total property value at year-end. Hemsö owned 106 educational properties in Sweden, and three in Finland. Activities conducted on the properties range from day-care centres to colleges and advanced life sciences research. Of the contracted annual rent, public-sector tenants accounted for 56 per cent, and private taxpayer-funded operators for 44 per cent. In Sweden, private-sector tenants accounted for 48 per cent, and public-sector tenants for 52 per cent, of contracted annual rent at 31 December 2016. In Finland, public operators accounted for 97 per cent, and private-sector operators for 5 per cent, of contracted annual rent. In principle,

all of Hemsö's private-sector tenants in Sweden are taxpayer-funded via school vouchers. The largest tenants in this category are Academedia, Mälardalen University and the Municipality of Upplands Väsby.

Demand

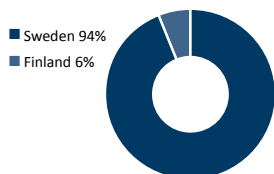
The need for educational premises in metropolitan areas and the fastest-growing regional cities is considered high due to population growth. This property category has grown relatively fast, and now represents a significant share of the public properties market. The need for educational premises varies over time, depending on the size of age groups. However, Hemsö has a stable and high occupancy rate that amounted to 96 per cent at year-end. In most cities where

Hemsö owns properties, demand is expected to grow because of urbanisation and population growth.

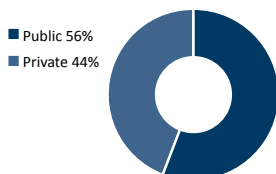
Hemsö's expertise

The diversity of schools with different approaches to education, combined with variations in the student base from year to year, makes high demands on the design of premises and their outdoor environments. Due to a wide range of partnerships with both public and private-sector tenants, Hemsö has developed unique expertise in the design of educational premises. Hemsö always works closely with its tenants and takes a holistic approach to their unique need in terms of the grounds, and the indoor and outdoor environment. ■

Market value per country, %



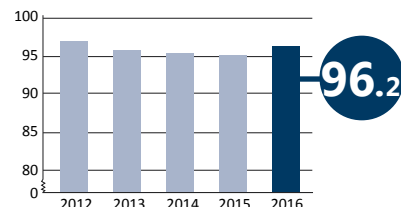
Contracted annual rent per customer category




Percentage of property value

32%

Economic occupancy rate, %



ANTRUM

		 
No. of properties		79
Property value	SEK 6,244 million	
Lettable area	339 tsqm	
Remaining lease term	4.4 years	
Rental income	SEK 431 million	
Dividend yield	6.3%	

Health care

Portfolio and tenants

At year-end, health care properties accounted for 19 per cent of Hemsö's total property value. Hemsö owned 79 properties in this category, 76 in Sweden and three in Finland. The operations conducted on the premises include medical centres, dental care, pharmacies, palliative care, assisted living facilities, rehab clinics, child health clinics, maternity centres, child and adolescent psychiatry, emergency centres and local hospitals. Of the contracted annual rent, public-sector tenants accounted for 78 per cent, and private taxpayer-funded operators for 22 per cent. In Sweden, public-sector tenants accounted for 80 per cent, and private-sector operators for 20 per cent, of contracted annual rent

at 31 December 2016. In Finland, public and private-sector operators accounted for 50 per cent, respectively, of contracted annual rent. The largest tenants in this category are the Stockholm County Council, the Västra Götaland Region and the Karolinska Institute.

Demand

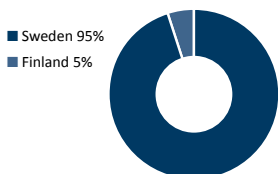
The need for primary health care premises is expected to gradually increase, particularly in metropolitan areas, since the major emergency hospitals are redefining emergency care and referring more patients to primary health care. Overall, demand for health care premises is also rising in pace with the population, new treatment options and the growing number of older people.

The stable and slightly higher demand for health care premises in Hemsö's markets contributed to the high occupancy rate of 95 per cent.

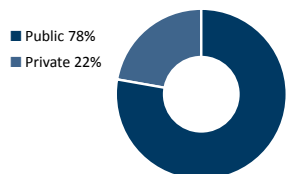
Hemsö's expertise

Hemsö has been managing and developing health care properties in partnership with its tenants for many years, and has good insight into the conditions for creating an effective health care environment. Hemsö is dedicated to meeting the unique operational needs of its tenants. Hemsö's broad supply of health care premises enables new establishments and co-locations for municipalities, county councils and private care providers. ■

Market value per country, %



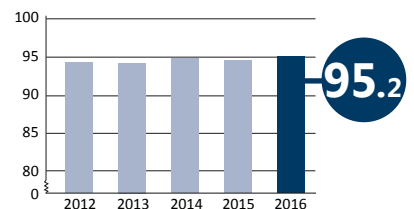
Contracted annual rent per customer category





Percentage of property value

19%

Economic occupancy rate, %





		
No. of properties		10
Property value	SEK 2,880 million	
Lettable area	110 tsqm	
Remaining lease term	7.8 years	
Rental income	SEK 194 million	
Dividend yield	5.8%	

Legal sector

Portfolio and tenants

At year-end, properties for the legal sector accounted for 9 per cent of Hemsö's total property value. Hemsö owned nine properties in Sweden and one in Finland. The properties provide premises for the police, prisons, district courts and prosecution. The properties are characterised by a large proportion of customised areas with high security requirements. The tenants often choose to integrate their functions in legal centres, which can accommodate the police, custodial operations and courts. In Sweden, government agencies comprise the majority of Hemsö's tenants and accounted for 98 per cent of the contracted annual rent at year-end. In Finland, public-sector tenants accounted for 100 per cent. The largest tenants in

this category are the Swedish Police, the Swedish Courts and the Swedish Prison and Probation Service.

Demand

Demand for new premises is stable and the construction of several new properties has been planned in the coming years, with a focus on regional cities. Courts and police services are moving from older properties to new and more appropriate premises. This is mainly due to new requirements for space-efficient premises, the nationwide reorganisation of the police force as well as security, resulting from higher levels of threat to the judicial system.

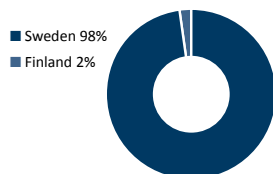
Demand in Hemsö's markets is stable, and contributed to an occupancy rate of

96 per cent. The decreased occupancy rate since 2013 is due to the acquisition of Tegen 6 in Solna, which had one vacancy on the transfer date.

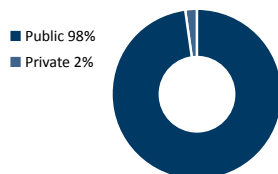
Hemsö's expertise

Legal sector operations require premises with a high proportion of customised areas. The tenants have high demands on security, accessibility, emergency exits and logistics. Additional specific requirements include communication centres, shooting ranges, detention facilities and exercise areas. Hemsö has a deep understanding of its tenants' requirements on premises for the legal sector, and in-depth knowledge of the laws and regulations that apply to these buildings. ■

Market value per country, %



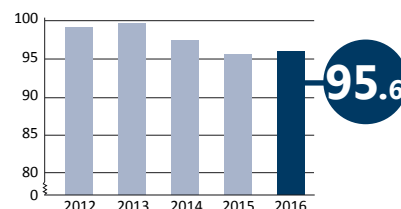
Contracted annual rent per customer category



Percentage of property value

9%

Economic occupancy rate, %





Asset management

Hemsö manages 356 properties in Sweden, Germany and Finland. Hemsö's size and geographic concentration create ideal conditions for efficient and customer-oriented management.

Stable tenants

Government, municipal and county council operators account for 60 per cent of Hemsö's tenants. The remaining percentage mainly comprises private-sector, taxpayer-funded tenants. The three largest single tenants are the Swedish Police, Attendo and Academedia. Other major tenants are the Stockholm County Council, the Västra Götaland Region and the City of Västerås. Of the contracted annual rent, 55 per cent will expire in or

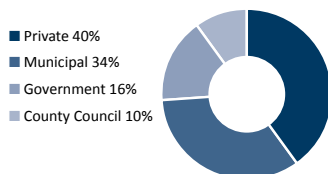
after 2022. The average remaining lease term is 8.1 years and the economic occupancy rate is 97 per cent. The long lease agreements, combined with financially sound tenants and a high occupancy rate, contribute to stable rental income and minimum creditlosses.

Efficient management

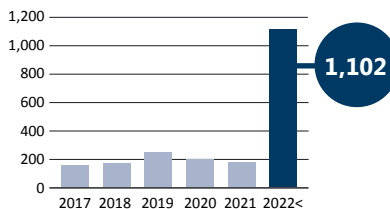
Efforts that began in 2015 to create a unified approach to management in Sweden, continued during the year. Previously,

property management and maintenance was performed differently in different regions. This work has focused on combining processes, services and performance into a uniform offering. Hemsö takes care of the technical management, while external providers are contracted for maintenance services. This year, there was a major focus on reducing the number of maintenance providers to achieve more efficient management and a uniform high level of quality and service. Previously,

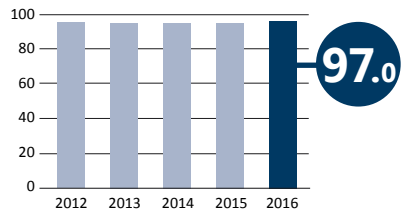
Contracted annual rent per customer category, %



Maturity structure of lease agreements, SEK million/year



Occupancy rate, %





property maintenance was contracted locally, which led to variations in performance and quality. The procurement process began at the beginning of the year and will be finalised in early 2017. Three maintenance service providers will be contracted for all of Sweden. The aim is that Hemsö's management will maintain the same high quality no matter where properties are located.

Tenant satisfaction

Uniform and centrally controlled maintenance provision also enables Hemsö's property and technical managers to spend more time focusing on tenants and value-creation initiatives. In Sweden, Hemsö has tenant managers with specific responsibility for large-sized tenants such as municipalities and county councils,

and private-sector tenants such as Attendo, Academedia and the International English School. Property managers maintain regular contact with tenants to hear about their needs and views. That creates a sense of security and builds long-term relationships.

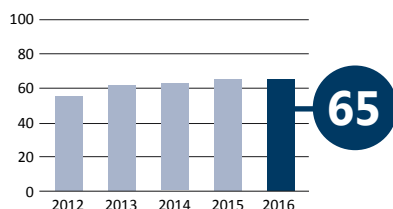
A customer survey is conducted every year to measure customer satisfaction and identify opportunities for improvement. The results of the survey are summarised in a Customer Satisfaction Index (CSI). Hemsö's latest CSI measurement in Sweden was conducted in December 2016 and the score was 65, which is in line with the preceding measurement. Customer service, property quality and maintenance had the greatest overall impact on customer satisfaction and are

the areas that customers consider most important. Hemsö attaches great importance to customer feedback, and works consistently to improve its operations and offering.

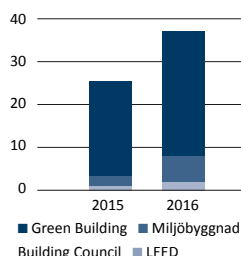
Certification

In the existing portfolio, Hemsö has worked systematically with energy certification according to the Green Building rating and certification system. Certification guarantees that energy savings of at least 25 per cent have been achieved, and is a confirmation that efforts to reduce both energy consumption and climate impact have been successful. In 2016, Hemsö certified seven properties, bringing the total number of properties with Green Building certification to 29. Hemsö also acquired two properties with

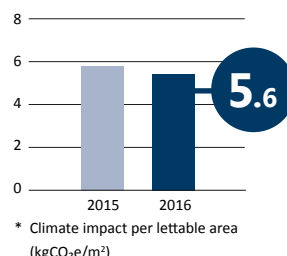
Customer Satisfaction Index



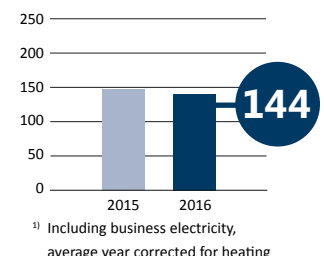
No. of certified buildings



Climate impact/lettable area*



Energy consumption, Kwh/m² 1) 2)



1) Including business electricity, average year corrected for heating
2) Relates to heated area (A-temp)

LEED Gold-rated certification. Hemsö is planning to evaluate the possibility of certifying the existing portfolio according to a system comprising more parameters than just energy.

Energy efficiency

Important work for achieving a sustainably developed property portfolio is to continuously improve the properties' energy performance. Energy audits have been performed on all properties in Sweden, and is the reason why energy projects have been prioritised. These projects are also able to identify potential energy-efficiency improvements in the tenant's operations. During the year, the projects led to more strategic work with renewable geothermal energy.

A large percentage of the used energy, 60 per cent, is used to heat properties. The aim is to reduce energy consumption per sqm by 30 per cent by 2020, compared with 2012. These efforts are progressing according to plan, and energy consumption has decreased 12 per cent since 2012. Hemsö has been working to phase out non-renewable energy sources for some time and only purchases hydroelectricity with guarantees of origin. District heating is the most common form of heating, but the number of properties with geothermal heating is growing, which has reduced Hemsö's impact on the environment. In Hemsö's operations, district heating and natural gas heating represent the largest source of greenhouse gas emissions. In

2017, Hemsö will prepare a strategy to further reduce the company's environmental impact.

Supplier requirements

Hemsö's primary suppliers are contractors for project development and property maintenance, and electricity and heating suppliers. Purchasing is characterised by high ethical standards, respect for human rights, professionalism, objectivity and fair treatment. Hemsö's suppliers are expected to comply with agreed sustainability, quality, reliability and level of service requirements.

Sustainable management

In a pilot project, Hemsö established the "sustainable manager" service to intensify the focus on sustainability in tenant dialogues. The sustainable manager led several projects during the year, including workshops with tenants to promote cooperation around sustainability-related issues.

Hemsö has been working for some time to offer tenants a system for sorting their waste into fractions, and to reduce the quantity of waste generated by new properties under construction. In addition to environmental gains, optimised waste management also reduces collection costs.

Hemsö has a zero accident vision for its properties. Safety inspections and surveys are conducted on all properties to check, for example, fire safety and fire

protection equipment. In 2016, no accidents resulting in premises liability claims on Hemsö's properties occurred.

Focus 2017

The new function-based maintenance contract will be implemented to raise levels of customer satisfaction, reduce energy consumption and ensure continuous improvement.

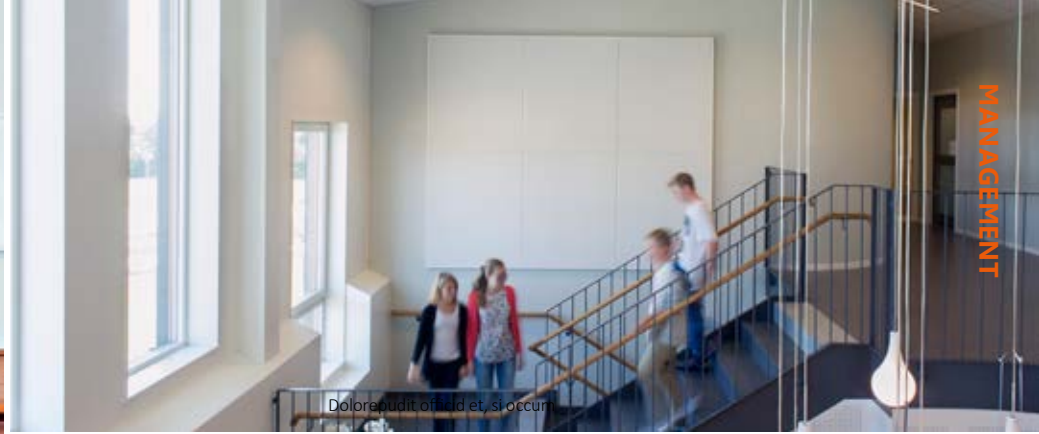
The energy-project investment rate will be high in order to achieve the adopted targets. Energy consumption per sqm is continuously decreasing and there is a well-formulated strategy to ensure that this trend continues to move in the right direction.

In Finland, Hemsö has looked into the conditions for working with environmental certification and, in 2017, will decide what certification system will be used. Continued development of relationships and partnerships with existing and potential tenants is also a priority.

In Germany, a technical manager has been appointed with responsibility for providing tenants with maintenance and development support. In collaboration with tenants, an audit will be conducted to identify opportunities for sustainable development of both the operations and the property. ■

Hemsö's 20 largest tenants

Tenant	Tenant category	Contracted annual rent, SEK million	Percentage of contracted annual rent, %	No. of lease agreements
Swedish Police	Government	131	5.6	25
Attendo	Private	116	5.0	64
Academedia	Private	113	4.8	25
Stockholm County Council	County council	111	4.8	73
Västra Götaland Region	County council	78	3.3	88
City of Västerås	Municipal	68	2.9	15
Municipality of Norrköping	Municipal	60	2.6	25
Mälardalen University	Government	52	2.3	2
AWO (Germany)	Private	50	2.2	6
HEWAG (Germany)	Private	50	2.1	9
Region Gotland	Municipal	43	1.8	9
Municipality of Upplands Väsby	Municipal	39	1.7	4
Municipality of Gävle	Municipal	38	1.7	16
Municipality of Uppsala	Municipal	36	1.6	22
Municipality of Nacka	Municipal	36	1.5	14
Swedish Courts	Government	35	1.5	10
Royal Institute of Technology	Government	35	1.5	1
Kunskapsskolan	Private	34	1.5	6
Municipality of Linköping	Municipal	33	1.4	18
Municipality of Täby	Municipal	33	1.4	8
Total		1,191	51.2	440



»Many municipalities accepted our offer and by working together, we were able to provide good accommodation for many of the children.«

Frida Ahnstedt, Tenant Manager, Hemsö

In 2015 in particular, but also in 2016, there was a large inflow of refugees and especially unaccompanied refugee children to Sweden. At the time, Hemsö had a small number of health care properties with vacant premises in the West region. Hemsö therefore offered municipalities the use of these premises as Residential Care Homes for unaccompanied children. Hemsö acted responsibly in a critical situation. Frida Ahnstedt, Tenant Manager for the West region, worked together with her colleagues to solve the situation in an exemplary manner.

“Municipalities had a lot of trouble finding accommodation for so many unaccompanied children. So we made a decision to try and help them by converting the vacant health care properties into Residential Care Homes.

We searched high and low for the regulations that applied for converting properties into Residential Care Homes, but no authority could give us a definitive answer. We decided that we would have to be the body with a comprehensive view of the applicable requirements. No sooner said than done. Then we packaged our offering for several municipalities to help them provide emergency housing for these children. Many municipalities accepted our offer and by working together, we were able to provide good accommodation for many of the children.”

The initiative gave the children somewhere to live, solved the municipality's housing shortage, and found a tenant for Hemsö's vacant premises. ■



NOVUM





Project development

Hemsö has unique knowledge and experience in developing and managing a well-functioning school or nursing home.

High demand

Two-thirds of Swedish municipalities have an acute shortage of school premises. Classes are growing larger and students are being taught in temporary modules or premises not designed to be classrooms. In June 2016, a survey by Dagens Samhälle showed that over 80 per cent of Swedish municipalities will need more schools within three years. The same survey showed that Sweden's 20 largest municipalities are planning to build at least 45 new schools during the same period.

Many public-sector operators also have a major need to refurbish or extend their existing property portfolios. Schools, nursing homes and health care properties from the 1960-70s require extensive refurbishment to meet new regulations and working methods. This high pace of construction will require major financial and human resources. Many municipalities are choosing to increase the amount of space leased for public services, or completely outsource property ownership, management and business operations to private-sector players.

Broad experience and expertise

Many municipalities and county councils construct new properties every few years. Hemsö, however, develops several properties for public use across the country every year. At year-end, Hemsö had nine ongoing projects in the education category, eight in nursing homes and five in health care. This gives Hemsö broad knowledge and experience in the development of properties that are sustainable over time, fully customised and offer good property management

Ongoing major projects
Education

9

Ongoing major projects
Health care

5

Ongoing major projects
Nursing homes

8

economics. Projects are developed both in-house, and in partnerships.

Because Hemsö develops and manages public properties, the company has unique knowledge and insight into the requirements for running a well-functioning school or nursing home. Property development is conducted in partnership with project developers, property managers, technical managers, business operators and tenants. All parties are involved at an early stage to achieve consensus on the design of the property. This ensures a modern, appropriate and functional property from both operational and management perspectives.

Project portfolio

At year-end, Hemsö's estimated remaining investment volume was SEK 2,910 million. During the year, Hemsö completed several major projects including a Technology and Health property (Medicinaren 23) in Huddinge of 17,000 sqm, and Grenverket in Lund of 13,000 sqm. In addition, Hemsö established a modern elementary school of 7,700 sqm, with a full-scale sports centre, in Hjärup outside Lund. Six large-scale projects were completed during the year, with a total area of 43,000 sqm and a rental value of SEK 89 million. All completed projects have a Silver rating under the Swedish certification system Miljöbyggnad. Hemsö has many new projects in progress. The largest ongoing project is the Patienten 1 property in Solna, comprising 21,000 sqm. Hemsö is also conducting several smaller projects, including a compulsory school of 5,700 sqm with an indoor sports centre in Landskrona. The school is planned for completion by summer 2017 and has a Silver rating under the SGBC system. Following a major business transaction in Nacka during the year, Hemsö will own,

manage and develop a large share of the municipality's schools. This contract from the Municipality of Nacka is proof of Hemsö's knowledge, expertise and experience in the development of high-quality school environments.

Sustainable process

A key component of Hemsö's project development process is regular analysis of each municipality's conditions and changing need for premises over time. The analysis examines such factors as demographics, public finance, job and property markets. Hemsö has developed extensive knowledge and insight into how the specific needs and requirements of each operation can be met in a cost-efficient manner.

Hemsö's goal is that all new construction will be environmentally certified, preferably in line with the SGBC system, which focuses on energy performance, indoor environment and choice of materials. In 2016, the entire project development process was analysed to identify and manage sustainability aspects not covered by the SGBC system, but still of material significance.

In addition to the environmental impact of raw material and energy use, building materials affect both the environment and human health because of the chemicals they contain. All products should, therefore, have a long service life, be easy to recycle and not contain hazardous substances. Hemsö chooses materials based on SundaHus Material Data assessments. All materials and products used by Hemsö must have A or B classification under the SundaHus system. In 2016, 89 per cent of the assessed products in completed projects were classified as either A or B. In some cases, non-compliant products were excepted following

an evaluation, such as no other options being available. The goal is to also apply the SundaHus system to refurbishment and regular property maintenance.

Vitartes

Vitartes is a subsidiary focused on project development in the life sciences niche. The aim is to create a leading operator for the development and construction of life science properties. Upon completion of a property, Hemsö becomes the long-term owner. 2016 was an eventful year for Vitartes. The first stage, the Technology and Health property (Medicinaren 23) in Huddinge, was completed for its tenants – the Royal Swedish Institute of Technology and Red Cross University College. Upon completion of the second stage (Medicinaren 25), the project will comprise 45,000 sqm. During the year, Vitartes was also assigned to construct the Patienten 1 property in Hagastaden, Solna, which will house the new St Erik Eye Hospital.

Focus and trends in 2017

New construction, extension and refurbishment is now being included in property acquisitions. Many tenants need to modernise their portfolios, and are mainly interested in retaining and refurbishing acquired properties. Hemsö has extensive experience in assessing whether an object should be refurbished or demolished. This is key to minimising resource use and ensuring a long-term sustainable investment.

Hemsö continues to develop new properties and gather valuable experience. To achieve cost and time-efficiency, the aim is to standardise the offering – primarily in schools and nursing homes. However, a flexible approach to each tenant's requirements will remain key to the offering. ■

Ten largest ongoing projects, 2016

Municipality	Property	Property category	Project area, sqm	Estimated investment, SEK million	Remaining investment, SEK million	Project type	Rental value increase after project, SEK million	Occupancy rate, %	Estimated year of completion
Solna	Patienten 1 ¹	Health care	21,000	1,627	1,255	New construction	82	74	2019
Huddinge	Medicinaren 25 ¹	Education	19,000	829	396	New construction	61	81	2018
Stockholm	Princeton 1 ^{1,2}	Health care	–	320	266	New construction	77	0	2020
Solna	Älgörten 1	Education	5,900	200	102	New construction	12	100	2017
Landskrona	Borstahuset 1:9	Education	5,700	180	100	New construction	14	100	2017
Norrköping	Sandbyhov 30	Nursing homes	6,100	170	105	New construction	11	100	2018
Tyresö	Krusmyntan 1	Nursing homes	5,500	168	121	New construction	10	100	2018
Södertälje	Hantverkaren 2	Nursing homes	3,800	155	27	New construction	8	100	2018
Gothenburg	Lindholmen 36:1	Health care	4,100	133	18	New construction	9	70	2017
Växjö	Korpen 9	Nursing homes	3,600	128	125	New construction	8	100	2018
Total			74,700	3,910	2,515		292		

1. Projects conducted in companies owned jointly with SveaNor. 2. Estimated investment refers only to confirmed projects. Construction decision not yet made.

Some of Hemsö's projects

Widénska upper secondary school, Västerås

Property category: Education

Project type: New construction

Project area: 5,800 sqm

Occupancy at construction start: 100%

Project description: The City of Västerås has selected Hemsö to build the upper secondary school, Widénska gymnasiet. The compact form of the new building will bring all of the school's activities closer together. The building will have an indoor street that serves as a meeting place, plus a café and seating on bridges and balconies for socialising and studying. The school will accommodate about 480 students and the City of Västerås has signed a 15-year lease agreement. The project is scheduled for completion in the third quarter of 2018.



Älgörten 1, Solna

Property category: Education

Project type: New construction

Project area: 5,900 sqm

Occupancy at construction start: 100%

Project description: The overall idea of the "village school" concept is to involve the surrounding community, and to help the community develop in a direction that will benefit children, young people, adults and the community at large. The buildings will have a SILVER rating under the Sweden Green Building Council's certification system and the tenant, the Raoul Wallenberg School, has signed a 30-year lease agreement. The project is scheduled for completion in the second quarter of 2017.



Munken, Motala

Property category: Nursing home

Project type: New construction

Project area: 3,800 sqm

Occupancy at construction start: 100%

Project description: This senior housing facility will comprise small 1-2 room apartments, designed for older people with a need for accessibility and security. An assisted living facility with six apartments, plus a building for the administration of services including home care, will be constructed next to the sheltered housing facility. The building will have a SILVER rating under the Sweden Green Building Council's certification system and the tenant, the Municipality of Motala, has signed a 25-year lease agreement. The project is scheduled for completion in the first quarter of 2017.





Stakeholder dialogue

Hemsö's stakeholders create the conditions for our operations in various ways. Close dialogue with our stakeholders provides knowledge about their needs and requests.

Hemsö's most important stakeholders are groups influenced by the company's operations and groups whose actions can influence Hemsö's operations. The stakeholders have a significant influence on which aspects of sustainability Hemsö focuses on. Through a partnership and open dialogue with stakeholders, Hemsö can develop and improve its sustainability performance. In 2015, a review was conducted of which groups are key stakeholders for Hemsö from a sustainability perspective, whereby the local

community and associations were highlighted as additional stakeholder groups. In conjunction with this review, a survey was also carried out of stakeholders linked to Hemsö's sustainability efforts with a focus on tenants, employees and suppliers.

Enhanced dialogue

In 2016, Hemsö prepared a framework for sustainable bonds. In conjunction with this work, an in-depth dialogue around sustainability issues was con-

ducted with various lenders. Dialogue with tenants has several different forms. Property managers maintain close contact with tenants to identify their needs and comments. In addition to the ongoing contact, regular meetings are held with tenants to discuss the condition of the property and any need for maintenance work. Dialogue also take place in the form of regular customer surveys and in other forums, such as seminars. ■

Stakeholder	Main dialogue opportunities	Stakeholder expectations on Hemsö
Tenants	<ul style="list-style-type: none"> • Regular tenant meetings. • Annual customer survey, CSI. • Regular dialogue in conjunction with management. • Website and information material. • Seminars on specific issues. 	<ul style="list-style-type: none"> • Long-term management that offers appropriate properties for public use. • Reliable and knowledgeable landlord with a focus on customer needs.
Investors	<ul style="list-style-type: none"> • Private meetings. • Financial reports. • Capital market presentations. 	<ul style="list-style-type: none"> • Good financial administration and high standard of financial statements in accordance with the company's policies, requirements and laws.
Owners	<ul style="list-style-type: none"> • Board meetings. • Annual General Meeting. • Ownership policy. • Dialogue meetings about sustainability. 	<ul style="list-style-type: none"> • Long-term stable returns with respect for the environment and society.
Employees	<ul style="list-style-type: none"> • In daily activities. • Annual performance reviews and follow-ups, plus employee surveys. • Intranet, conferences. • Trade union forums. 	<ul style="list-style-type: none"> • Stable and long-term employer with good terms of employment, work environment and development opportunities. • Opportunity to be involved in the development of society.
Society	<ul style="list-style-type: none"> • Involvement in research projects. • Involvement in associations and professional organisations and collaboration with other property companies to contribute to development. 	<ul style="list-style-type: none"> • Driving sustainable development within the segment for public properties. • Systematic work to minimise negative impact on the environment.
Suppliers	<ul style="list-style-type: none"> • In tendering, purchasing and supplier meetings. 	<ul style="list-style-type: none"> • Clear requirements in conjunction with contract signing and monitoring of compliance with requirements. • Long-term partner.
Policy-makers within the municipality and county council	<ul style="list-style-type: none"> • Private meetings. • Through regular communication via financial reports, PR, industry days and trade fairs. 	<ul style="list-style-type: none"> • Long-term actions as an owner, in relationships and in property management, with a sound understanding of the activities and needs of the customer.



Sustainable business

Hemsö's sustainability efforts are based on the most important sustainability issues for operations and for stakeholders. The aim is to create attractive, safe and healthy environments for our tenants.

Sustainable governance

Hemsö's sustainability efforts are based on its Sustainability Policy, which contains overall standpoints on how Hemsö should develop its operations in relation to environmental, social and economic sustainability. Hemsö's sustainability efforts are also governed by several other guidelines, procedures and instructions that concern, for example, the work environment, choice of materials and waste. Hemsö's aim is that sustainability efforts should be fully integrated into the business management. Sustainability efforts are coordinated by Hemsö's Head of Asset Management, who is also responsible for sustainability at Group Management level. Regional managers in Finland and Germany are responsible for property-related sustainability issues in these countries.

Values

Hemsö's operations are based on the value words: accessible, progressive and reliable. These values are to permeate how Hemsö's employees act both internally and in external contacts. Hemsö renounces corruption and unethical conduct. Corresponding values and principles are also expected from suppliers and partners. To counteract the risk of corruption, Hemsö has purchasing procedures and authorisation rules. No incidents of corruption were reported in connection with Hemsö's operations in 2016. Work began to draw up an internal Code of Conduct to clarify our most important positions on business ethics. In 2017, all employees will be trained in the new Code of Conduct.

During 2016, Hemsö introduced a whistleblowing function to facilitate the anonymous reporting by internal

and external stakeholders of suspected unethical actions and irregularities in Hemsö's operations.

Materiality analysis

Hemsö's sustainability efforts are based on the material sustainability aspects for the business and for stakeholders. In 2015, a materiality analysis was conducted aimed at identifying the most important sustainability issues for operations. The analysis was conducted in the form of an internal workshop with key people for Hemsö's sustainability efforts, and a questionnaire for Hemsö's key stakeholders. The sustainability aspects that are valued highest by both Hemsö and the external stakeholders form Hemsö's material sustainability aspects. Hemsö will focus on these issues in its work and in its communication. The focus of sustainability efforts will be reviewed every year as part of Hemsö's work with



business intelligence and strategy. Hemsö's material sustainability aspects are summarised below:

- safe and healthy environments in our properties
- attractive employer for existing and potential employees
- contribute to progress by making conscious and well-reasoned decisions
- resource efficiency
- liability for any negative impact on health and/or the environment
- sustainability expertise through training and communication
- long-term and sustainable financial growth in line with yield requirements.

GRESB Green Star

Starting in 2014, Hemsö has reported its sustainability performance in accordance with the Global Real Estate Sustainability Benchmark (GRESB) and between 2014 and 2015 its result improved by 8 per cent. The target for 2017 was to achieve GRESB Green Star, which is the highest GRESB level, which Hemsö achieved



already in 2016. The target is now to continue to develop sustainability efforts and further improve results.

Community engagement

As a long-term owner, property manager and developer of public properties, Hemsö has a strong commitment to issues related to sustainable development. Hemsö therefore participates in a number of different partnerships and research projects. These include the City of Stockholm's sustainable properties forum, where the 16 largest property owners cooperate together with the City of Stockholm to raise awareness of sustainable development in the industry. The forum is part of a research project with researchers from Mälardalen University, aimed at collaboration between tenants and property owners to develop sustainable management.

Hemsö is also engaged in the importance of outdoor environments for learning and well-being and opportunities offered by "multi-properties", where several different activities are housed in the same building. Gathering together different types of activities creates meeting places between generations and groups and the buildings are used for more hours each day. This increases safety and conserves resources by sharing spaces, such as a canteen, assembly hall and reception.

Each year, Hemsö also aims to provide valuable work experience for at least ten people who are detached from the labour market. This could involve periods of training and vocational training. In 2016, a partnership was started with the Just Arrived organisation. Just Arrived matches newly arrived immigrants with Swedish companies that need extra resources. During the year, the partnership resulted in three people working for Hemsö in finance, transactions and IT. Hemsö's employees were also offered an opportunity to spend working hours helping non-profit organisations, such as aid to refugees. Furthermore, Hemsö collaborated with BRIS (Children's Rights in Society) in 2016.

Sponsorship

With respect to sponsorship, Hemsö's priority is that its efforts should focus on particularly vulnerable groups. Funds should be given to activities and initiatives that create societal benefits and are in line with Hemsö's values. The Hemsögåvan (Hemsö gift) is also awarded every year. This gift is given to activities taking place in Hemsö's properties and in 2016, was awarded to unaccompanied refugee children living in Hemsö's asylum accommodation. ■



Employees

Hemsö's culture is characterised by personal responsibility, teamwork and a passion for the value that Hemsö's properties generate for society.

Attractive workplace

Hemsö places great emphasis on creating an attractive workplace in order to attract new, and retain existing, employees. Sustainable business, which entails working towards a socially, economically and environmentally sustainable society, is now a key factor for attracting new employees. Values and a sustainability focus are increasingly important when choosing an employer.

Hemsö offers continuous training and education, in part by giving employees broader and more advanced duties and also through training courses and seminars. As a foundation for this professional development, all employees have an individual development plan established at the annual performance review. The development plans are also used to ensure that the company has the necessary expertise in both the short and long term.

During the year, several employees were recruited internally to new roles, which reflects favourably on opportunities to develop within the company.

To attract young talent, Hemsö participates every year in the labour market days at the Royal Institute of Technology (KTH) and Lund University. Hemsö also offers summer jobs, internships and degree projects to several young

Gender balance managers, %

■ Men 55%
■ Women 45%



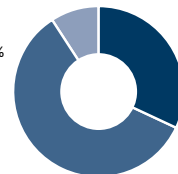
Gender balance total, %

■ Men 56%
■ Women 44%



Age balance, %

■ 50 years-old < 32%
■ 30-49 years-old 59%
■ <29 years-old 9%





students in the areas of urban planning and property management. In 2016, Hemsö employed its second trainee and several young talents. It is important for Hemsö to employ people with different perspectives and experiences. This contributes to diversity and a more dynamic work climate.

Leadership development

Hemsö has a leadership development programme that aims to develop leadership based on Hemsö's leadership profile, and to create opportunities for networking and collaboration between different departments. During the year, a manager day was held for all employees with staff responsibility. The purpose was to jointly discuss together Hemsö's leadership philosophy, the challenges facing managers and how Hemsö's management can be developed moving forward. Managers at Hemsö should set an example and act in accordance with Hemsö's values. Responsible leadership and a good ability to collaborate creates an efficient organisation that attracts the best employees.

Long-term and strategic

HR work at Hemsö is long-term and

goal-oriented. The HR manager who is part of Group Management is responsible for overall strategic HR work. HR work is based on Hemsö's strategic focus and business plan, and HR policy documents.

Commitment

Hemsö's culture is characterised by personal responsibility, teamwork and a passion for the value that Hemsö's properties generate for society. This means, for example, that all employees are able to influence their own role, but also the business in general. This provides a foundation for committed and engaged employees. An important element in building shared values is the Hemsö School. At the Hemsö School, all employees are given practical and theoretical exercises to understand and learn Hemsö's values – accessible, reliable and progressive. Every year, Hemsö Day is also held, an internal conference for all employees focusing on key strategic issues and changes in the wider world that impact operations.

The latest employee survey, conducted in 2016, shows that Hemsö's Employee Engagement Index score was 92. Hemsö's target is a minimum score of 90. Hemsö's



Ola Kraft, property manager

What do you think are Hemsö's strengths?

We work well with our three core values: accessible, reliable and progressive, which form a basis for all work. Mainly because we have a local presence and are accessible in our locations. This is also confirmed by our tenants.

What are your focus areas?

My main duty is to be responsible for customer contacts, to see business opportunities and to fill vacancies. This work includes lease negotiations and managing projects concerning tenant adaptations. In larger projects, such as the Hälsans Hus project in Kungshamn, I am responsible for the contact with tenants.

Why did you choose Hemsö?

I saw a job advertisement for a vacancy at Hemsö. I thought Hemsö sounded like an exciting company and the job seemed interesting. Also, I met someone who had positive experiences of the company. I wanted to work with properties as my core focus and continue to develop my property management and business skills. Furthermore, the job was in Uddevalla and I live in Trollhättan, which is convenient.



Jenny Danell, Trainee

What do you think are Hemsö's strengths?

I see Hemsö as a company that is continuously growing and developing. It is great fun to work for a company like this, not least because of the pleasant and committed colleagues.

What are your focus areas?

I began as a trainee at the end of August 2016 and have not decided what I will focus on when my trainee period ends. During my trainee year, I will work with the whole company, but with a focus on property management, project development and strategy and transactions. To date, I have worked in finance, communication, sustainability and property management.

Why did you choose Hemsö?

I studied civil engineering in urban planning at KTH with a focus on property economics and property law, so I already had an interest in the property sector. I had heard about Hemsö and saw the company at the labour market days at the university, so when they advertised a trainee job I applied immediately. The most interesting aspect of this job is that you are given an opportunity to obtain experience from many different areas. It is highly varied, which is both challenging and fun and gives you with a good overview of a property company at the start of your career.

high scores for working environment and engaged employees contributed to the high overall rating for the workplace. After the survey, each department reviews their results and draws up action plans for improvements.

Diversity and equal opportunities

Variation in gender, age, background, etc. is important for Hemsö's development and competitiveness. The company's plan for diversity and equal opportunities is used in all recruitment. Hemsö proceeds from a fundamental view that all people are equal, and should be given the same opportunities for development regardless of gender, ethnic and cultural background or age. In 2016, salaries were reviewed and as in previous years no wage differences were found that derive from gender. Creating a working environment based on diversity requires a long-term and comprehensive effort. This includes creating the conditions to unlock the individual abilities and assets of all employees and also to work to prevent discrimination, bullying and prejudice.

Health and balance

Hemsö aims to be at the forefront in the area of health by taking a proactive approach to work environment issues and health promotion. Hemsö wants to encourage a good life-work balance, an opportunity for exercise and a long-term focus on health. All employees are offered a financial contribution towards health promotion and regular health checks. During the year, a training event was held to encourage all employees to take part in daily physical activity and exercise. Over the long term, exercise is believed to have positive effects on physical and mental symptoms, such as stress. In 2016, Hemsö's employee attendance was 98.1 per cent (97.5). Hemsö did not have any work-related accidents or fatalities in 2016. ■





Directors' Report

The Board of Directors and Chief Executive Officer of Hemsö Fastighets AB (publ), Corp. Reg. No. 556779-8169 hereby present the annual accounts for 2016 for the Group and the Parent Company.

About the operations

Hemsö is one of Sweden's largest private owners of properties for public use and owns, manages and develops properties for nursing homes, education, health care and the legal sector. The operations are characterised by long-term and sustainable management, development and ownership. Due to its size and geographic presence, Hemsö is well-positioned to meet the changing needs of its tenants over time. Hemsö has a credit rating of A- from Standard & Poor's.

On 31 December 2016, Hemsö owned 356 properties with a market value of SEK 33.6 billion. The properties are located in Sweden, Finland and Germany. Tenants are mostly government, municipal and county council operators. Hemsö also has a large proportion of private-sector tenants with taxpayer-funded operations. The Third Swedish National Pension Fund is the majority owner and holds, directly and indirectly, 85 per cent of the shares in Hemsö.

Income

In 2016, rental income amounted to SEK 2,189 million (1,988), up 10.1 per cent. The increase was a result of completed acquisitions and investments in the existing portfolio. Rental income in a comparable portfolio rose SEK 8 million (10), representing 0.4 per cent (0.7). The economic occupancy rate increased to 97.0 per cent (96.2). The rental value of vacancies was SEK 60 million (59). At period-end, contracted annual rent amounted to SEK 2,326 million (2,039). Hemsö's lease agreements typically include a Consumer

Price Index (CPI) clause, enabling inflation-related adjustments. The remaining term of lease agreements was 8.1 years (7.6). The high credit scores of tenants reduce the risk of loan losses.

Costs

Hemsö's property costs largely comprise operating costs, including maintenance, heating, electricity and water, and the cost of ongoing and planned maintenance. Property costs amounted to SEK 552 million (524), up SEK 28 million, representing 5.3 per cent. The increase was mainly attributable to a larger property portfolio.

Costs in a comparable portfolio increased SEK 8 million, representing 1.8 per cent, due to the increased cost of planned maintenance.

Net operating income

Net operating income rose SEK 176 million to SEK 1,652 million (1,476), up 11.9 per cent. The increase was primarily attributable to acquisitions and completed projects.

The surplus ratio improved to 75.0 per cent (73.8). The change was mainly attributable to property acquisitions in which the tenant is largely responsible for operation and maintenance, and to completed projects in Sweden.

In 2016, net operating income in a comparable portfolio was SEK 1,359 million, which is in line with 2015. The surplus ratio in a comparable portfolio declined from 74.7 per cent to 74.3 per cent.

Net financial items

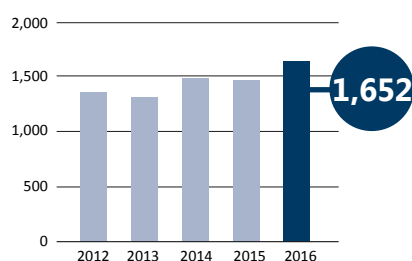
In 2016, net financial items amounted to an expense of SEK -359 million (expense: -416). The decrease was a result of no ownership interest being charged to net financial items in 2016, due to the repayment of shareholder loans in 2015, and a decline in the average interest rate to 1.5 per cent (1.9). The lower average interest rate was due to falling market rates, which reduced borrowing costs for loans with variable rates, while maturing fixed-rate periods could be replaced by new fixed-rate periods with a lower rate.

Net financial items comprised financial income of SEK 28 million (2), including remuneration of SEK 26 million (-) for guarantee commitments on behalf of jointly owned companies, interest expense of SEK -103 million (expense: -97) for loans, interest expense of SEK -239 million (expense: -226) for derivatives, interest expense of SEK 0 million (expense: -53) for shareholder loans, commitment fees of SEK -21 million (expense: -21), a negative exchange-rate difference of SEK -6 million (-), amortised origination fees and other financial expenses of SEK -18 million (expense: -21). At year-end, the interest-coverage ratio was 4.1 times (3.6).

Profit from property management

Profit from property management totalled SEK 1,111 million (959), up 15.8 per cent. The increase was attributable to a larger property portfolio and lower financial expenses.

Net operating income, SEK million



Changes in value of the property portfolio

	SEK million	No.
Carrying amount, opening balance	26,502	317
Acquisitions	3,362	49
Additional property through re-allotment	-	1
Investments in new construction, extension and refurbishment	1,551	-
Divestments	-61	-11
Disposals	-1	-
Exchange-rate fluctuations	203	-
Change in value, unrealised	2,073	-
Carrying amount, closing balance	33,629	356

Hemsö's property categories

	Nursing homes	Education	Health care	Legal sector	Total
No.	158	109	79	10	356
Lettable area, tsqm	662	527	339	110	1,638
Remaining lease term, years	8.9	9.4	4.4	7.8	8.1
Property value, SEK million	13,524	10,947	6,244	2,914	33,629
Rental income, SEK million	909	656	431	194	2,189
Net operating income, SEK million	700	503	288	160	1,652
Economic occupancy rate, %	99.0	96.2	95.0	95.3	97.0
Yield, %	5.4	5.7	6.3	5.8	5.7
Surplus ratio, %	77	77	67	81	75

Change in value of properties

At 31 December 2016, all of Hemsö's Swedish properties had been valued internally. To confirm the internal valuations, an external valuation is performed on most of the property portfolio in Sweden every year. The value of Hemsö's property portfolios in Germany and Finland is determined by external valuation. At the end of 2016, the market value of investment properties was SEK 33,629 million (26,502). The change in value of investment properties during the period was SEK 2,072 million (581), of which realised change in value accounted for SEK -1 million (-45) and unrealised change in value for SEK 2,073 million (626). The value change was mainly due to lower yield requirements, and projects gains from completed projects. The total return was 12.8 per cent (8.1).

Tax

Recognised tax for the period amounted to SEK -632 million (-277), of which current tax comprised SEK -49 million (-46) and deferred tax SEK -583 million (-231). Tax expense is calculated using the

current tax rate, which is 22 per cent in Sweden, 20 per cent in Finland and 16 per cent in Germany.

Profit/loss for the year

Profit for the year before tax amounted to SEK 2,975 million (1,627), and profit for the year after tax to SEK 2,343 million (1,350), representing a year-on-year increase of 74 per cent. The strong result was mainly attributable to higher profit from property management, and a positive change in the value of properties.

Return on equity was 30.4 per cent (22.4), of which return on profit from property management amounted to 13.0 per cent (13.9).

Investments

Investments refer to investments in existing properties, new properties under construction and acquisitions. During the year, Hemsö's investments in the property portfolio totalled SEK 4,913 million (2,202), of which acquisitions accounted for SEK 3,362 million (1,154) and new construction, extension and refurbishment for SEK 1,551 million (1,048). SEK 1,148 mil-

lion (590) was invested in new properties under construction, and SEK 403 million (458) in extensions and refurbishment. A total of 252 projects (202) are ongoing, representing an estimated remaining investment of SEK 2,910 million (1,906).

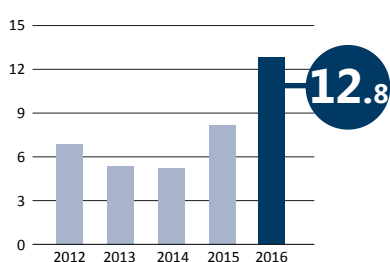
Cash flow

Consolidated cash flow from operating activities was SEK 1,238 million (794). Investing activities had a negative impact of SEK -4,878 million (neg: -1,544) on cash flow, while increased borrowing had an impact of SEK -4,435 million (pos: 794) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK 795 million (44).

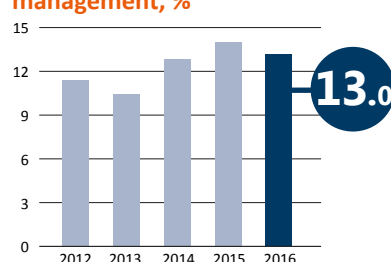
Parent Company

Sales amounted to SEK 95 million (71) and consisted of fees for services performed on behalf of subsidiaries. Administrative expenses increased to SEK -182 million (-198). Operating loss totalled SEK -87 million (loss: -127) and profit after financial items totalled SEK 288 million (loss: -327).

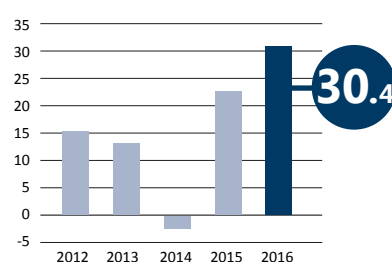
Total return, %



Return on profit from property management, %



Return on equity, %



Employees

At period-end, Hemsö had 109 (112) employees, of whom 46 (42) were women. Of all employees, 103 (109) are employed in Sweden, 4 (2) in Germany and 2 (1) in Finland.

Sustainability performance

Hemsö's sustainability efforts are governed by a Group-wide policy and reported in accordance with the Global Reporting Initiative's (GRI) G4 Guidelines. Sustainability efforts are focused on the following areas:

- safe and healthy environments in our properties
- attractive employer for existing and potential employees
- resource efficiency
- responsibility for any negative impact on health and/or the environment
- sustainability expertise through training and communication
- long-term and sustainable financial growth in line with yield requirements.

Future trends

In early 2017, the property market remained strong with favourable interest rates. Due to current market conditions and Hemsö's specialisation in properties for public use, the conditions for stable earnings in 2017 are favourable.

Events after the end of the financial year

The City of Västerås awarded Hemsö the contract to build Widénska gymnasiet (an upper secondary school.) The school will have a lettable area of 5,800 sqm and the investment amount is SEK 150 million. The tenant, the City of Västerås, has signed a 15-year lease agreement.

Hemsö acquired five properties and received one land-use approval in Luleå. The investment amount is SEK 370 million, and includes the building that Hemsö has agreed to construct. The Municipality of Luleå is the main tenant of the premises and will sign a 20-year lease agreement for both the existing and new properties. The transaction is subject to a decision by the Luleå Municipal Council.

Hemsö acquired one nursing home in Bremen, Germany, for SEK 210 million. The property has 78 nursing-home beds and 46 senior apartments. The tenant is Curanum, a care provider and subsidiary of the Korian Group, which is the largest nursing home operator in Europe. The lease agreement will continue for another 8 years. Transfer will take place within the next few months.

Statement by the Board of Directors regarding the proposed dividend

Due to the Board's proposed dividend, the Board and CEO hereby issue the following statement, based on the Swedish Companies Act, Chapter 18, Section 4.

The proposed dividend is based on the annual accounts for 2016, which were presented to the Annual General Meeting for approval on 26 April 2017, and with consideration for the company's investment and liquidity requirements. After the dividend, the equity/assets ratio would be considered satisfactory in light of the continued profitability of the operations conducted by the Parent Company and the Group. Access to liquidity for both the Parent Company and the Group is expected to remain favourable. The Board's view is that the proposed dividend will not prevent the company, or any other Group companies, from meeting their short-term or long-term obligations, or from completing any necessary investments. The proposed dividend can thereby be justified by reference to the provisions of the Swedish Companies Act, Chapter 17, Section 3, Items 2-3 (the prudence concept). ■

Proposed appropriation of profits

Unappropriated earnings available for distribution by the Annual General Meeting, SEK:

Retained earnings	10,260,212
Share premium reserve	3,000,000,000
Profit for the year	681,622,553
Total	3,691,882,765

The Board proposes that the profits be appropriated as follows, SEK:

To shareholders	555,500,000
To be carried forward	3,136,382,765
Total	3,691,882,765

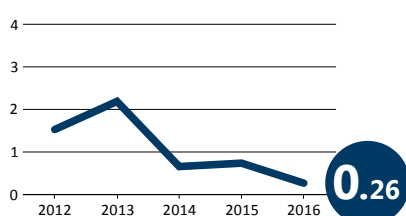
Financing

Hemsö has a stable capital structure with diversified sources of funding and an effective liquidity plan, which secures the company's long-term financing needs.

Financing activities

The overall objective of Hemsö's financing activities is to secure a long-term stable capital structure, and an optimal net financial position, within the given risk limits. Hemsö's financial transactions and risks are managed by the company's Treasury Department. The Treasury Department is responsible for debt management, raising new loans for acquisitions and investments, liquidity management and identifying and limiting financial risk. These processes are guided by the company's financial policy which is established annually by the Board. The policy regulates the distribution of responsibilities and risk mandates, and establishes principles for reporting, monitoring and internal control.

5-year swap rate in SEK, %



Historical low interest rates

In 2016, the fixed-income market was characterised by historically low interest rates due to continued central bank stimulus. Short-term market rates in EUR and SEK are still below zero. Inflation expectations remain low in Europe and Sweden. The Swedish inflation rate is

still lower than the Riksbank's target and low interest rates are prevailing in both Europe and Sweden.

After the turbulent end to 2016 with rising credit margins, the credit market rebounded in early 2017. Hemsö's access to low-cost capital remains favourable. Hemsö's borrowings with a maturity of less than one year had negative interest rates.

European market issue

In 2016, Hemsö entered the European capital market. Hemsö issued a new EMTN bond of EUR 500 million with a 10-year maturity. The interest rate on the loan was 1.0 per cent. The ceiling was EUR 3,000 million. The new programme expands Hemsö's financing options and creates opportunities for longer loan maturities. The programme also simplifies the company's currency risk management.

Nordic region's first sustainable bond

During the year, Hemsö developed a sustainable bond framework and issued the first sustainable bond in the Nordic region. The framework describes the properties and projects can be financed with sustainable investments. Green bonds are already available on the Swedish market, but Hemsö wanted to take a broader approach and include social sustainability in the bonds, in addition to

environmental and energy aspects. The first issue of SEK 1,000 million was made in May, with a five-year maturity.

Capital structure

Hemsö finances its business operations with equity, interest-bearing liabilities and other non-interest-bearing capital. Hemsö's total assets amounted to SEK 34,953 million (27,102), of which equity accounted for SEK 8,672 million (6,764) and interest-bearing liabilities for SEK 22,483 million (17,454). Interest-bearing liabilities comprised secured loans of SEK 2,602 million (4,103) from credit institutions, outstanding unsecured bond loans of SEK 14,802 million (8,330), commercial papers of SEK 5,038 million (5,000), and loans from minority interests in joint ventures of SEK 41 million (21). Non-interest-bearing liabilities totalling SEK 3,798 million (2,884) mainly comprised deferred tax liabilities, derivatives and accrued costs and deferred income.

Credit facilities and loans

At year-end, Hemsö had interest-bearing liabilities of SEK 22,483 million (17,454), representing a loan-to-value ratio of 64.0 per cent (65.2). The loan-to-value ratio was lower year-on-year, mainly due to increases in property value. Hemsö's average interest rate declined to 1.5 per cent (1.9), due to lower market rates. During the year, Hemsö extended its loan maturity and fixed-rate period to

Capital structure, SEK million

- Interest-bearing liabilities 22,483
- Equity 8,672
- Deferred tax liabilities 2,104
- Non-interest-bearing liabilities 1,692



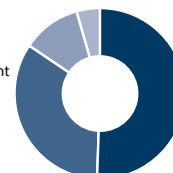
Interest-bearing liabilities

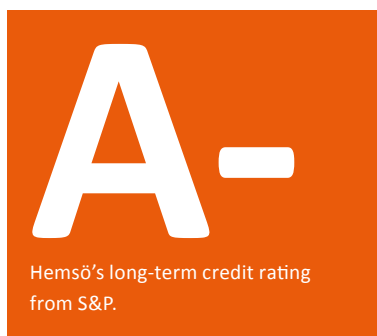
- Bonds 14,802
- Commercial papers 5,038
- Secured bank loans 2,602



Unutilised credit commitments, SEK million

- Revolving credit facilities 6,000
- Underwriting commitment 4,000
- Construction credit 1,342
- Committed credit facility 500





ensure low and stable interest costs over the coming years. The fixed-rate period was 4.6 years (3.6), and the average loan maturity was 4.1 years (2.8).

Of Hemsö's interest-bearing liabilities, SEK 14,378 million has variable interest rates, and SEK 8,105 million fixed rates. Hemsö uses interest-rate swaps to adjust interest-rate risk. At year-end, the deficit value of Hemsö's derivatives portfolio was SEK 723 million (679). The notional amount of outstanding derivatives was SEK 8,039 million (11,499).

In 2016, Hemsö continued to increase its proportion of capital market financing, thereby reducing the company's secured debt to 7.7 per cent of property value. In 2016, Hemsö issued bonds totalling SEK 8,450 million, comprising a sustainable bond of SEK 1,000 million and a bond of SEK 4,800 million, on the European capital market. At 31 December 2016, the total outstanding volume on the capital market therefore amounted to SEK 19,840 million.

Loan maturity and fixed-rate period

Loan maturity				Fixed-rate period	
Maturity	Credit agreements, SEK million	Utilised, SEK million	Percentage, %	SEK million	Percentage, %
2017	2,500	2,278	13.1	7,461	33.2
2018	15,868	4,248	24.4	200	0.9
2019	2,169	2,169	12.5	940	4.2
2020	1,897	1,897	10.9	1,347	6.0
2021	1,300	1,300	7.5	2,100	9.4
2022	200	200	1.1	1,778	7.9
2023		0	0.0	1,500	6.7
2024		0	0.0	1,500	6.7
2025		0	0.0	861	3.8
>2025	5,312	5,312	30.5	4,755	21.2
Total	29,246	17,404	100.0	22,442	100.0
Outstanding commercial papers		5,038			
Total				22,442*	

* Excluding loans of SEK 41 million from minority interests.

Value changes

The market value of Hemsö's financial instruments is affected by market-rate fluctuations and the remaining term of derivatives. In 2016, unrealised changes in value had a negative impact of SEK -44 million (pos: 147) on earnings, and realised changes a negative impact of SEK -164 million (neg: 7). The unrealised change in value had no impact on cash flow. At maturity, the value of derivatives is always zero. All changes in the value of interest-rate derivatives were recognised in profit or loss.

In 2016, the negative change in value was mainly attributable to lower market rates at year-end compared with 2015. At year-end, the Swedish five-year swap rate was 0.26 per cent (0.73).

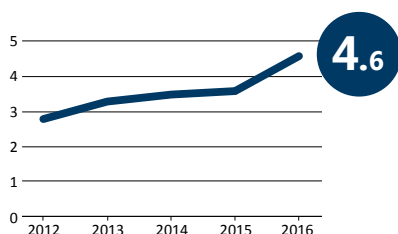
Secured debt

At 31 December 2016, Hemsö had secured bank loans of SEK 2,602 million (4,103), representing 7.7 per cent of the property value, with three Nordic banks. The loans are subject to financial covenants, including a sustained interest-coverage ratio of at least 1.5 times, and a maximum loan-to-value ratio at individual property level of 60-75 per cent. At year-end, Hemsö had met all financial covenants.

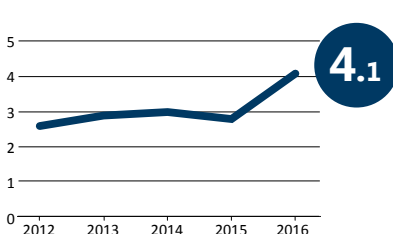
Bonds

Hemsö has an EMTN programme with a ceiling of EUR 3,000 million, and an MTN programme with a ceiling of SEK 12,000 million. At 31 December 2016, Hemsö had outstanding bonds of SEK 14,802 million (8,330), of which a sustainable

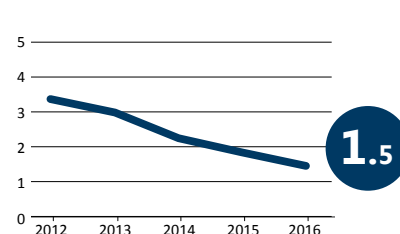
Fixed-rate period, years



Loan maturity, years



Average interest rate, %



bond accounted for SEK 1,000 million. The MTN bonds are traded on Nasdaq Stockholm, and the EMTN bond on the Irish stock exchange. The sustainable bond is included on Nasdaq Stockholm's Sustainable Bond List.

Commercial papers

Hemsö has a commercial paper programme with a ceiling of SEK 8,000 million. On 31 December 2016, Hemsö had outstanding commercial papers of SEK 5,038 million (5,000).

Credit commitments and liquidity

Hemsö has committed credit facilities to reduce the company's liquidity and refinancing risk. The facilities are used, when necessary, to refinance bank loans, commercial papers and bonds. They can also

be used to finance the business operations. On 31 December 2016, Hemsö had total credit commitments of SEK 13,140 million, comprising credit facilities of SEK 6,500 million from banks, construction credit of SEK 2,640 million and an underwriting commitment of SEK 4,000 million from the Third Swedish National Pension Fund. At year-end, SEK 11,842 million of Hemsö's total credit commitments were unutilised. At year-end, cash and cash equivalents amounted to SEK 932 million (157) and total available liquidity was SEK 12,774 million (10,715). Hemsö's cash plus unutilised credit commitments amounted to 156 per cent of the company's short-term borrowing.

Currency

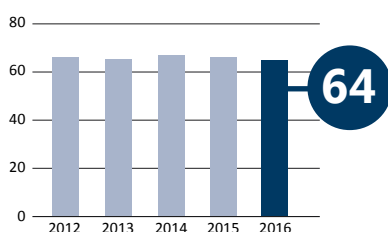
On 31 December 2016, Hemsö had investment properties in Finland and Germany

with a total market value of EUR 588 million, corresponding to SEK 5,622 million. The Group's cash and cash equivalents in EUR amounted to EUR 53 million, corresponding to SEK 507 million. The Group's interest-bearing liabilities in EUR amounted to EUR 633 million, corresponding to SEK 6,056 million. At 31 December 2016, net exposure, property assets and cash less interest-bearing liabilities amounted to EUR 7 million, corresponding to SEK 68 million. The amount represents 1 per cent of consolidated equity. ■

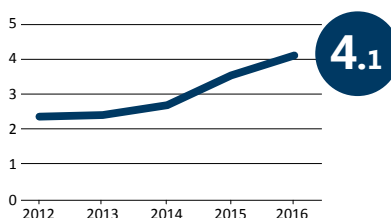
Financing policy

Financing risk		Outcome, 31 December 2016
Loan-to-value ratio	Max. 70 per cent over the long term.	64.0%
Loan maturity	At least 2 years.	4.1 years
Secured loans	Max. 20 per cent of property value over the long term.	7.7%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 times (rolling 12-month period).	4.1 times
Fixed-rate period	At least 60 per cent of the loan portfolio is to have fixed rates between one and ten years, with varying maturities.	67%
Counterparty risk		
Financial instruments	Bank with at least A- (S&P).	Fulfilled
Currency risk		
Currency exposure	Max. corresponding value in SEK of 20 per cent of the Group's risk-bearing capital without currency hedging.	Fulfilled

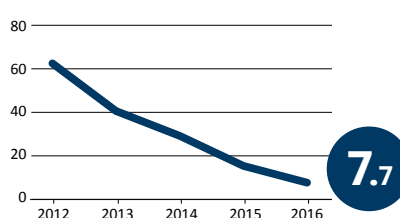
Loan-to-value ratio, %



Interest-coverage ratio, times



Secured debt in relation to property value, %



Risk management

The operations are characterised by a long-term approach and stability. Risks are identified and managed in operating activities. The Board is ultimately responsible for the company's risk management.

Operational risk

	Risk	Management
Property value	Hemsö recognises properties at fair value, which is equal to the market value of the properties. The value is impacted by several factors, both property-specific – including vacancy rates, rent levels, operation and maintenance costs – and macroeconomic factors – including economic trends, interest rates and inflation rates. In turn, these factors impact the net operating income of the properties. Changes in the expected net operating income or the market's yield requirement could lead to changes in value that may have a material impact on Hemsö's financial position and results.	Hemsö's properties should have the potential to generate stable returns with limited risk over time. Hemsö's portfolio of properties for public use with stable cash flows are mainly concentrated to geographic markets with population growth, economic growth and a highly liquid market for transaction settlements. Long-term lease agreements, low vacancy rates and stable tenants limit the risk.
Property valuation	Valuation of the property holding is based on a number of external factors, plus assumptions. The valuation process entails a risk that Hemsö makes incorrect assumptions, leading to incorrect valuations.	The Swedish properties are valued internally, four times per year. The internal valuation is quality-assured every year by an external independent valuer. The properties in Germany and Finland are valued externally, at least once per year. In 2016, 93 per cent of Hemsö's portfolio was valued externally.
Acquisitions	Hemsö work continuously with property acquisitions. Risks associated with acquisitions primarily comprise misjudgements of the market's yield requirements, rent levels, vacancies, the ability of tenants to pay, environmental conditions and technical debt.	Acquisition risk is reduced by quality-assured and standardised internal processes. Hemsö always performs a prior due diligence and analysis of the property, with the assistance of internal and external specialists.
Project development	Hemsö also aims to grow through the construction of new properties, and the development of existing properties. New construction, extensions and refurbishment entail a risk that customer needs and expectations are not met, or that the cost of a project increases due to delays or project failure.	Project development risk is reduced by, for example, quality-assured and standardised internal processes. Risk is limited, since construction does not start until lease agreements are largely secured, and much of the production workflow takes place through a turnkey contract. This minimises the project risk. All decisions on investments of SEK 20 million or more are made by the Board. Decisions on investments of less than SEK 20 million are made in accordance with the applicable approvals list.
Rental income	When lease agreements expire, there is a risk that the tenants will not renew their leases and that new tenants cannot be found, or that the new tenants will not pay the same amount of rent. Another risk is that tenants are unable to meet their payment obligations.	Most of Hemsö's rental value derives from government, county council or municipal tenants. Most other rental income is generated by private-sector tenants performing taxpayer-funded operations on behalf of the government, a county council or a municipality. Hemsö's properties are mainly located in areas with high, long-term demand for premises. The solvency of large-sized tenants is continuously monitored, and if payments are delayed, Hemsö takes action to reduce credit or vacancy loss. Hemsö also has a balanced expiry structure over time and plans in advance for upcoming lease expiries. Hemsö can therefore adapt the premises to other operations should demand change, which limits the risk of vacancy loss.

Operational risk

	Risk	Management
Occupancy rate	Changes in occupancy rates impact Hemsö's rental income. The occupancy rate is mainly impacted by demand for public properties which, in turn, is impacted by population growth, demographic trends and economic growth.	Hemsö's properties are mainly concentrated to growth regions with long-term stable demand for premises for public services. The rental market for public properties is characterised by long-term lease agreements, stable tenants, low rental volatility and limited relocation. Hemsö has a diversified tenant structure, and more than 1,900 lease agreements with a remaining term of 8.1 years. This minimises Hemsö's exposure to terminated leases.
Property costs	Hemsö's operating costs are mainly derived from heating, electricity and maintenance. Heating and electricity costs have the greatest impact on net operating income. If they cannot be offset by increased rental income, increased or unexpected costs could have a negative impact on Hemsö's earnings.	Hemsö hedges most of the electricity consumed. In some cases, electricity and heating costs are also charged to tenants. Hemsö works to reduce energy consumption and uses tender processes to limit cost increases. Unforeseen damage and repairs could have a negative impact on earnings and are prevented through proactive and structured maintenance.
Government decisions	Most of Hemsö's tenants conduct taxpayer-funded operations on behalf of the government, a municipality or a county council. These activities are largely dependent on government decisions and regulatory requirements in areas related to property ownership, letting, rent levels and premise requirements. New or amended laws and regulations could have a material adverse effect on Hemsö's operations. Changes in corporate tax, value added tax and property tax could have either a positive or negative effect on Hemsö's earnings. Changes in tax legislation or practice could have a negative impact on Hemsö's tax situation.	Hemsö continually monitors proposed legal and regulatory changes in order to respond early and adapt the operations.
Environment	Properties impact the environment during construction and operation, and through the activities they are used for. The business operator is primarily liable for any environmental impact. If the business operator is unable to perform or pay for cleanup of a contaminated property, the liability for soil remediation or restoration related to the presence or possible presence of contamination is transferred to the property owner.	Hemsö works with sustainable materials, and safe chemical and waste management in its properties. Environmental assessments are always carried out prior to property acquisitions to determine the environmental status of the properties. This minimises the risk that Hemsö acquires properties with any form of unknown environmental liability. Hemsö complies with applicable regulations regarding property owner liability for the environmental impacts of property maintenance.

Sensitivity analysis

	Change	Earnings effect before tax, SEK million
Rental income	+/- 1%	+/- 22
Economic occupancy rate	+/- 1 percentage point	+/- 23
Property costs	+/- 1%	-/+ 6
Interest rates, market	+/- 1 percentage point	- 45
Interest rates, market	+/- 1 percentage point	+ 6
Required yield, change in value of properties	+/- 0.1 percentage point	-661/+650
EUR/SEK (effect on profit from property management)	+/- 10%	+/- 27

Financial risks

	Risk	Management
Financing	<p>Financing risk is the risk of not being able to access the capital required by Hemsö's operations, or that financing can only be obtained at a significantly higher cost. A large proportion of Hemsö's financing is secured through external borrowing. As these loans mature, they must be repaid or refinanced. The conditions for Hemsö to refinance its borrowings depends on the market's credit risk margins on those dates.</p>	<p>Hemsö has diversified sources of financing with a balanced maturity spread. At 31 December, Hemsö had unutilised credit commitments of SEK 11,842 million with several banks and credit institutions. Hemsö works consistently to broaden its long-term supply of capital.</p>
Interest	<p>Interest-rate risk is the risk that market-rate fluctuations and credit margins will have a negative impact on Hemsö's cash flow, or on the fair value of financial assets and liabilities. Interest expense is Hemsö's single largest cost item. Interest expense is mainly affected by current market rates, lenders' margins and the strategy that Hemsö chooses for fixed-rate periods.</p>	<p>The management of Hemsö's interest-rate risk includes derivatives with various maturities in order to extend the loan portfolio's fixed-rate period and thereby achieve a balanced distribution of loan maturities. This results in stable, more predictable net financial items.</p>
Counterparty	<p>Derivatives, long and short-term credit agreements and investments of temporary surplus liquidity entail the risk that a financial counterparty cannot fulfil all or some of their obligations.</p>	<p>Hemsö only enters into financial transactions with counterparties with high credit ratings.</p>
Currency	<p>In addition to Hemsö's property portfolio in Sweden, Hemsö owns properties in Germany and Finland. Hemsö therefore has income, expenses, assets and liabilities dominated in EUR. Hemsö is therefore exposed to the risk of exchange-rate fluctuations affecting Hemsö's earnings and balance sheet.</p>	<p>Hemsö's currency risk is limited to EUR. The foreign properties are financed with external financing in EUR, which minimises risk. Currency exposures must not exceed 20 per cent of the Group's equity without currency hedging. At 31 December 2016, Hemsö's currency exposure amounted to EUR 7 million, representing 1 per cent of its equity.</p>
Liquidity	<p>Liquidity risk is the risk of not having access to cash and cash equivalents. Hemsö's payment commitments mainly comprise the ongoing costs of operation and maintenance, investments, interest expense and debt repayments. Large payment obligations may arise when refinancing loans.</p>	<p>Hemsö has a liquidity buffer and performs regular liquidity forecasts to increase predictability and ensure sufficient time to meet loan maturities and other major payment obligations. Hemsö aims for at least 110-per cent available liquidity in order to meet all short-term loans. At year-end, Hemsö's cash plus unutilised credit commitments represented 156 per cent of the company's short-term borrowings.</p>





A strategy that is bearing fruit

2016 was a strong year for Hemsö – the best ever. That means that Hemsö is well-positioned for the coming year, even if there was a downturn in the property sector. The property portfolio is robust and differentiated, both geographically and in terms of management versus project properties.

The overall strategy that is now bearing fruit was adopted by the Board several years ago. Hemsö realised at an early stage that the Swedish portfolio would also need properties for public use in other countries. Consequently, Hemsö is now a major player in both Finland and Germany. We are confident that this approach will prove successful in the years to come.

Hemsö aims to be the preferred partner for all major education and health care

providers. Such partnerships will be even more necessary as we move forward. At the same time, there is a need to construct large numbers of new schools and nursing homes in Sweden. Many municipalities are struggling to meet these demographic challenges. In this context, Hemsö aims to be the preferred partner for municipalities, county councils and other education and health care providers.

Hemsö's principal owner is the Third Swedish National Pension Fund (AP3), which manages more than SEK 320 billion on behalf of Swedish taxpayers. The holding in Hemsö is strategic and well-suited to AP3's mission. The aim is fund capital management that delivers the greatest possible value for the income pension system by creating high return with low risk. AP3 thus meets its two key

roles in the pension system: to serve as a financial buffer when system inflows and outflows are under stress, and to contribute to system stability.

Nobody knows what's around the corner. But it is highly likely that the prolonged period of falling interest rates is over. Inflation is slowly rising. This will affect the property sector, which is heavily dependent on the capital market. Hemsö, with its dedication to properties for public use and exceptionally strong ownership, is well-positioned to weather a cooling market in the property industry. ■

Corporate governance

Corporate governance refers to the rules and structure established to efficiently and systematically control and direct the operations of a limited company. Corporate governance in Hemsö is based on the Swedish Companies Act, the Articles of Association, Nasdaq Stockholm's Rule Book for Issuers of Interest-bearing Instruments and internal regulations and guidelines.

The Swedish Corporate Governance Code ("the Code") is applied by all companies whose shares or depositary receipts are traded on a regulated market. With only bonds listed on Nasdaq Stockholm, Hemsö is not required to apply the Code.

Shares and ownership

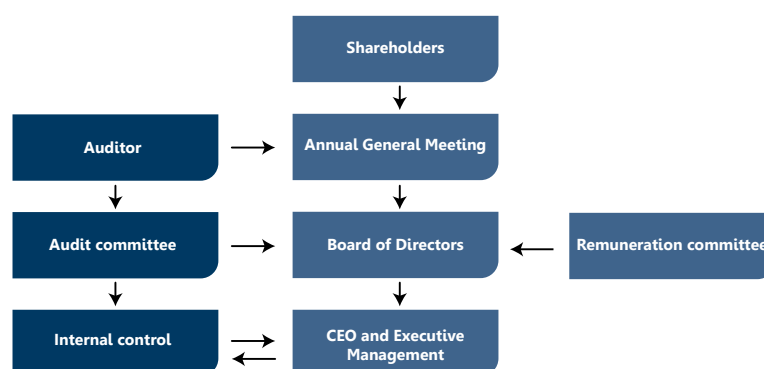
At year-end, Hemsö's share capital amounted to SEK 1,000,010 divided between a total of 100,001,000 shares. The company's shares carry one vote per share and entitle the holder to a corresponding proportion of the company's assets and dividends. The Annual General Meeting resolves on dividends.

Hemsö's owners are the Third Swedish National Pension Fund (70 per cent of the share capital and votes) and Hemsö Intressenter AB (30 per cent of the share capital and votes). Hemsö Intressenter AB is 50% owned by both the Third Swedish National Pension Fund and AB Sagax.

Annual General Meeting

The Annual General Meeting is the company's highest decision-making body. All shareholders registered in the share register by the record date and who have notified their participation in time are entitled to participate in the Meeting. Decisions at the AGM are normally made by simple majority. Under the Swedish Companies Act, some decisions, such as changes to the Articles of Association, require a qualified majority.

The Annual General Meeting is to be held within six months of the end of the financial year. Issues addressed at the AGM include dividends, adoption of the income statement and balance sheet, discharge from liability for Board members and the CEO, the election of Board members,



Board Chairman and auditors, and fees to Board members and auditors.

The Articles of Association contain no restrictions on the number of votes any one shareholder may cast at the AGM.

2016 Annual General Meeting

The 2016 AGM was held on 27 April 2016 in Stockholm. All shares were represented. The 2015 financial statements were adopted and the Board members and CEO were granted discharge from liability. Decisions were also made on the election of Board members, Board Chairman and auditors, on fees to Board members, Committee members and auditors, and on guidelines for the remuneration of senior executives.

The AGM did not grant the Board authorisation to issue new shares or repurchase own shares.

Extraordinary General Meetings

An Extraordinary General Meeting (EGM) was held on 19 August 2016. The EGM resolved to adopt new Articles of Association.

Board of Directors

The duties of the Board of Directors include determination of the company's overall objective and strategies, business plan and budget, to submit interim reports and financial statements and to adopt policies. The Board is also to monitor the financial performance, assure the quality of the financial reporting and internal control and evaluate the company's operations based on the objectives and policies adopted by the Board. Finally, the Board also makes decisions on major investments, and on organisational and operational changes in the company.

The Board's work is regulated by the Swedish Companies Act, the Articles of Association and the Board's rules of procedure. The Board's overall responsibilities cannot be delegated, but the Board may appoint a committee to prepare and evaluate matters for decision by the Board.

Every year, the Board adopts rules of procedure for its work to ensure that the company's operational processes and the company's financial circumstances are controlled in a satisfactory manner. The Board's rules of procedure and instruc-

tions for the division of duties between the Board and the CEO are reviewed and adopted at least once per year.

Board work

Board work mainly follows an annual cycle of regular meetings on specific dates, adapted to the Board's assignment of assuring the financial reporting.

At regular meetings, the CEO also provides general information about the business operations, such as important events in the operations, business plan follow-ups, the Group's economic and financial position, major ongoing projects and transactions and, if necessary, the Group's financing. In addition, the Chairman of each Committee usually reports on the Committee's work. In addition to regular Board meetings, meetings are also held when needed, such as when a business decision requires the Board's approval. In 2016, 11 regular Board meetings were held, including statutory Board meetings and five extra Board meetings. In 2016, extra focus was devoted to financing through the EMTN programme, as well as acquisitions and investments.

Chairman of the Board

The Chairman of the Board is to work closely with the CEO to monitor the company's earnings, and to chair Board meetings. The Chairman is responsible

for ensuring that other members receive sufficient information to carry out their duties efficiently. The Chairman is also responsible for evaluating the performance of both the Board and the CEO.

The Board's evaluation

The performance of the Board, and the CEO, is evaluated annually in a systematic and structured process. This is conducted with the assistance of an external consultant and the results are presented to the Board.

Committees

The Board has established two preparatory committees from within its own ranks, the Remuneration Committee and the Audit Committee. The committees have no independent decision-making authority.

Audit Committee

The Audit Committee has been assigned by the Board to continuously monitor and evaluate the auditors' work. The Audit Committee is also to make recommendations to the Board on the election of auditors and fees, the company's accounts and internal control, risk management, external audit and financial information.

The Audit Committee held three meetings during the year. The Committee

members are David Mindus (Chairman), Bengt Hellström, Johan Thorell and Eva Eriksson.

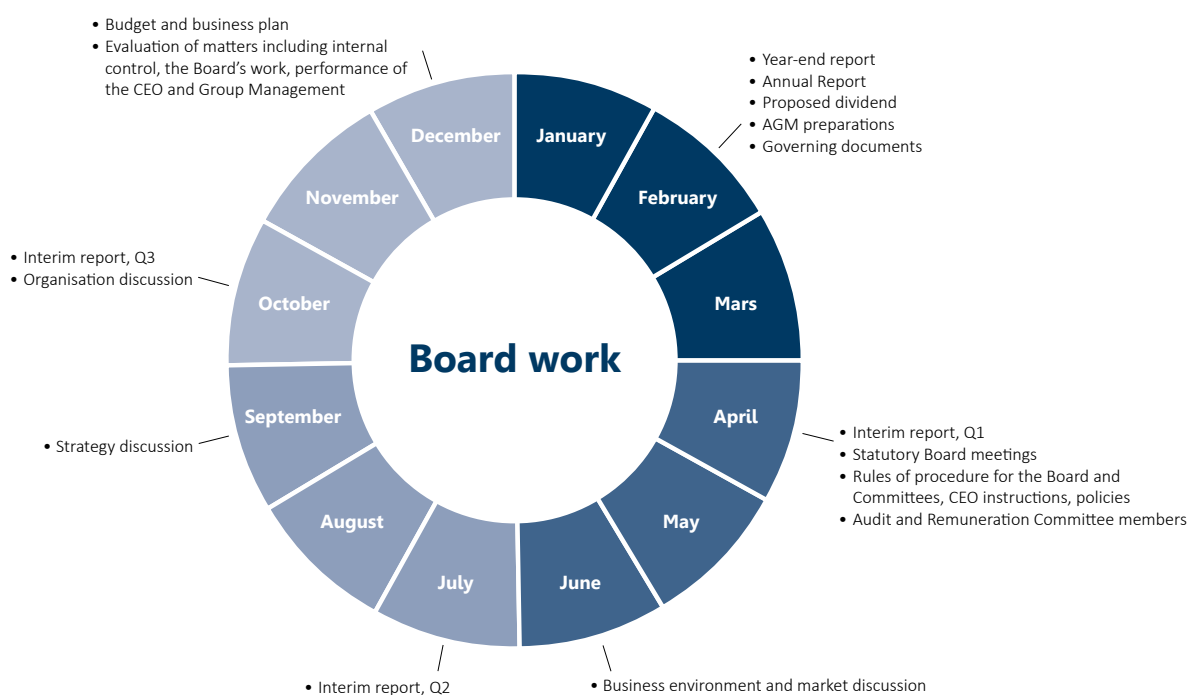
Remuneration Committee

The Remuneration Committee's main tasks are to make recommendations to the Board on matters related to remuneration principles, remuneration and other terms of employment for the CEO and senior executives, succession planning, to monitor and evaluate ongoing and completed variable remuneration programmes, and to monitor and evaluate implementation of the guidelines for remuneration of senior executives.

The Remuneration Committee held two meetings during the year. The Committee members are Pär Nuder (Chairman), Eva Eriksson and Kerstin Hessius.

Composition of the Board

According to the Articles of Association, Hemsö's Board is to consist of at least three and at most eight AGM-elected members for a term extending until the end of the next AGM. At the 2016 AGM, six regular Board members were elected. There is no representative of Group Management on the Board and no employee representatives or deputies have been appointed to the Board. The Board is presented on page 55.



Composition of the Board

Name	Year of election	Independent of the company	Independent of major shareholders	Meeting attendance in 2016		
				Board of Directors	Audit Committee	Remuneration Committee
Pär Nuder	2013	Yes	No	16/16	–	2/2
Johan Thorell	2013	Yes	Yes	16/16	4/4	–
Eva Eriksson	2013	Yes	Yes	16/16	4/4	2/2
David Mindus	2009	Yes	No	14/16	4/4	–
Bengt Hellström	2009	Yes	No	16/16	4/4	–
Kerstin Hessius	2009	Yes	No	14/16	–	2/2

Remuneration of the Board

The AGM resolves on remuneration of the Board. No Board or Committee fees are paid to members who are employed by any of the company's owners. Kerstin Hessius and Bengt Hellström are employed by the Third Swedish National Pension Fund, and David Mindus by AB Sagax. The 2016 AGM resolved that fees of SEK 385,000 (375,000) would be paid to the Board's Chairman, and SEK 170,000 (160,000) to each of the other Board members. In addition, the AGM resolved that remuneration of SEK 35,000 (unchanged) for committee work would be paid to the Chairman of the Remuneration Committee and SEK 22,500 (unchanged) to each of the Committee's other members, and SEK 60,000 (unchanged) to the Chairman of the Audit Committee and SEK 35,000 (unchanged) to each of the Committee's other members.

Guidelines for remuneration of senior executives

Under the Swedish Companies Act, the Board is to present a proposal to the AGM on guidelines for the remuneration of senior executives. Such AGM-approved guidelines only apply to new employment contracts between Hemsö and the respective senior executive, which is why some employment contracts may not fully comply with the current guidelines. According to an AGM resolution on 27 April 2016, the following guidelines apply for the remuneration of Group Management. The guidelines are consistent with the proposed guidelines for 2017 to be approved by the AGM.

Executives covered by the guidelines are the CEO and other senior executives (both in and outside of Sweden). Levels of remuneration should be reasonable and well-balanced, and competitive in the executive's own market but not market-leading. Levels of remuneration should also be appropriate and promote high standards of business behaviour and organisational culture. Total remunera-

tion is comprised of fixed salary, other benefits and pension. Variable salary is not paid to the CEO or other senior executives at Hemsö. The performance of management is regularly evaluated and the results are used as a basis for the annual salary review. The combined value of other benefits should be limited in relation to total remuneration.

Pension benefits should be contribution-based, unless they follow the applicable collective defined-benefit pension plan. In this case, Hemsö's commitment is to pay the agreed agreement premium to an insurance company offering the pension insurance. Contributions are only paid for the duration of the employee's employment at Hemsö. The CEO has a special premium-based pension provision, corresponding to 30 per cent of pensionable salary. The premium also includes health insurance. Alecta applies for other senior executives, see Note 7.

For termination of employment, collective agreement rules apply to all senior executives, except the CEO, but with a mutual notice period of six months. Termination of employment terms for the CEO are regulated in the employment contract, and include a mutual notice period of six months. The CEO is also entitled to 12 month's severance pay, which is deductible. The Board is entitled to deviate from the AGM-approved guidelines, should there be special reasons for doing so in individual cases. For more information about remuneration of the Board, CEO and other senior executives, refer to Note 7 on page 70.

CEO and Group Management

The CEO is responsible for the company's ongoing management and daily operations. The division of work between the Board and the CEO is set out in the rules of procedure for the Board and in the CEO's instructions. The CEO is also responsible for preparing reports and compiling information from management

prior to Board meetings, and for presenting the material at Board meetings.

According to the financial reporting instructions, the CEO is responsible for Hemsö's financial reporting and must therefore ensure that the Board regularly receives enough information to make an assessment of the Group's financial situation.

The CEO should also ensure that the Board remains continuously informed about the development of Hemsö's operations, sales trend, Hemsö's earnings and financial position. The CEO is also to ensure that the Board receives information about important operational matters, including acquisitions and divestments, approved investments, marketing activities and other strategic initiatives. The CEO and other senior executives are presented on pages 56-57.

Auditors

The auditor's task is to review the company's annual report and accounts, and the management of the Board and the CEO. The auditor participates in the Board meetings that address the annual accounts and consolidated financial statements. At the Board meeting, the auditor presents the financial information and discusses the audit with Board members without the attendance of the CEO and other senior executives. The company's auditor performs an annual review of the internal control relevant to the company's presentation of its financial statements. In addition, an in-depth review of significant areas is conducted. Ernst & Young AB has been appointed auditor, with Mikael Ikonen as Auditor in Charge.

Internal control

Under the Swedish Companies Act, the Board is responsible for the company's internal control. The objective of internal control is to achieve operational effectiveness and efficiency, and to ensure the reliability of financial reporting and

information about the operations, and compliance with applicable laws, regulations, policy and guidelines. Hemsö's organisation consists of 109 employees across three countries. All personnel are employed by the Parent Company, except for seven people in Hemsö Development AB, five people in the jointly owned Vitartes companies, four people in Germany and two people in Finland. All property operations are conducted in six segments (East, West, North and South in Sweden, and Germany and Finland) and through the property-owning subsidiaries. Financing activities are conducted by the Parent Company. This means that the finance function serves as controller function for the management of Sweden, Finland and Germany, and for the Finance Department. The CFO and Director of Finance also report, without the presence of management, directly to the Audit Committee in matters related to observations and measures related to regulatory compliance. Against this background, the Board does not consider there is any need to establish a separate internal audit function.

Control environment

The Board has appointed an Audit Committee to present recommendations in regard to internal control over financial reporting. The internal control system

is based on documented policies, guidelines, process descriptions, delegation of responsibilities and duties including the Board's rules of procedure, the CEO's instructions with related delegation lists and authorisation instructions, financial policy and financial reporting instructions. Compliance is continuously monitored and evaluated. The risk of errors in financial reporting is continuously identified, analysed and eliminated through new or revised guidelines for internal control.

Risk management

Risk assessment and management is an integral part of the company's processes. Various methods are used to evaluate risks and to ensure that the relevant risks for Hemsö are managed in accordance with established policies and guidelines.

Control activities

The Board monitors and evaluates the effectiveness of internal control over financial reporting through the CEO's instructions, and by addressing the Audit Committee's reports, recommendations and proposals for decisions and actions. The Audit Committee receives regular status reports of the Group's internal control over financial reporting in the financial reporting and accounting policies prior to Board meetings.

Information and communication

Hemsö's information policy sets out the framework for how Hemsö's communication activities should be conducted, and the overall delegation of responsibilities in regard to the company's internal and external information. The information policy is designed to comply with Swedish legislation and Nasdaq Stockholm's Rule Book for Issuers of Interest-bearing Instruments.

Management and monitoring

Continuous monitoring of activities and results takes place at several levels of the company, both property and Group level. The results are analysed by the people responsible within management and staff functions. These results are reported to the CEO, management and Board.

In connection with interim reports, the Board monitors the financial trend in relation to the business plan, budget and forecast, and whether approved investments are progressing as planned. ■



EVA ERIKSSON

BENGT HELLSTRÖM

KERSTIN HESSIUS

DAVID MINDUS

JOHAN THORELL

PÄR NUDER

Eva Eriksson born 1959

Board member since 2013.

Member of the Remuneration Committee and Audit Committee.

Education and professional experience:

MSc, Royal Institute of Technology. CEO of Norgani Hotels ASA, business unit manager of property development at JM AB and senior positions in several property management companies.

Other current assignments: Chairman of the Board of Hansan Aktiefbolag, Lovely Lodge Restaurangfastigheter AB and Ski Lodge Skalspasset AB. Board member of Backastad AB and Fabege AB.

Bengt Hellström born 1959

Board member since 2009.

Member of the Audit Committee.

Education and professional experience:

MBA, Stockholm University. Partner (Investment Manager), EQT Partners AB, Vice President Corporate Finance, Investor AB.

Other current assignments: Head of Alternative Investments at the Third Swedish National Pension Fund. Chairman of the Board of Trophi Fastighets AB. Board member of Hemsö Intressenter AB and Trenum AB.

Kerstin Hessius born 1958

Board member since 2009.

Member of the Remuneration Committee.

Education and professional experience: MBA. President and Chief Executive Officer of the Stockholm Stock Exchange, Deputy Governor of the Swedish Riksbank.

Other current assignments: CEO of the Third Swedish National Pension Fund. Board member of Svenska Handelsbanken AB, Vasakronan AB, Trenum AB, Öresundskonsortiet, Svensk-Danska Broförbindelsen SVEDAB AB.

David Mindus born 1972

Board member since 2009.

Chairman of the Audit Committee.

Education and professional experience:

MBA. Analyst and business developer.

Other current assignments: CEO and Board member of AB Sagax. Board member of Söderport Holding AB, Fastighetsbolaget Apicius AB and Mindustri AB. Chairman of the Board of Hemsö Intressenter AB.

Holding: David Mindus with companies owns 19.6 per cent of the share capital and 26.0 per cent of the votes in AB Sagax. AB Sagax owns 50 per cent of the shares in Hemsö Intressenter AB, which owns 30 per cent of the shares in Hemsö.

Johan Thorell born 1970

Board member since 2013.

Member of the Audit Committee.

Education and professional experience:

MBA. Active in property companies since 1997 and positions with HQ Fondkommission and E Öhman J:or Fondkommission.

Other current assignments: CEO and Board member of Gryningskust Holding AB. Chairman of the Board of Fastighetsaktiefbolaget Apicius, Kallebäck Property Invest AB, Hållsta Fastighetsutveckling AB and Gamefederation Svenska AB. Board member of AB Sagax, Oscar Properties Holding AB, Tagehus Holding AB, Delarka Holding AB, K2A Knaust & Andersson Fastigheter AB, Nicoccino Holding AB.

Pär Nuder born 1963

Chairman of the Board since 2013.

Chairman of the Remuneration Committee.

Education and professional experience:

Master of Laws Has served as Minister for Finance, Minister for Policy Coordination, Member of Parliament and State Secretary to the Prime Minister.

Other current assignments: Chairman of the Board of the Third Swedish National Pension Fund, AMF Pensionsförsäkring AB and Öbergs färghus. Board member of Beijerinvest AB, Cleanergy AB, Fabege AB, Skistar AB, Swedegas AB, IP-Only Holding AB, Business Challenge AB, Dabok AB, Dabok Advisory AB, Dabo Idé AB and STEN HECKSCHER AB. Senior Counselor at Albright Stonebridge Group.



RUTGER KÄLLÉN

GUSTAV BJÖRKMAN

ULRIKA FRISK

JENS NAGEL

Rutger Källén

CFO of Hemsö since 2009.

Born 1972.

Education: Studies in Economics, Uppsala University.

Most recent position: Head of Finance, Kungsleden.

Gustav Björkman

Head of Strategy and Transactions since 2010, Deputy CEO since 2014.

Born 1971.

Education: Master's Degree in Economics, Gothenburg University.

Most recent position: Investment Manager for Carnegie/Profis property funds.

Ulrika Frisk

Head of HR since 2015.

Born 1970.

Education: Degree in Human Resource Management and Working Life, Uppsala University.

Most recent position: HR Director at Anticimex Sweden.

Jens Nagel

Head of Region, Germany, since 2011.

Born 1971.

Education: Property Accountant, Chamber of Commerce and Industry of Berlin.

Most recent position: Own consulting business in the property industry.



JARKKO LEINONEN

RIKARD NYHRÉN

FREDRIK ALVARSSON

NILS STYF

Jarkko Leinonen

Head of Region, Finland, since 2014.
Born 1971.

Education: Construction engineer, Helsinki University of Technology.

Most recent position: Property Manager, Aalto University.

Rikard Nyhrén

Head of Asset Management at Hemsö since 2014.
Born 1981.

Education: Studies in Civil Engineering Construction, Mälardalen University.

Most recent position: Business Area Manager, Stockholm, Dalkia Sweden.

Fredrik Alvarsson

Project Development Manager at Hemsö since 2011.
Born 1969.

Education: Engineer, Lund University, IFL Executive Education, Stockholm School of Economics.

Most recent position: Director of Business Development, NCC Construction Sweden.

Nils Styf

President and CEO since 2016.
Born 1976.

Education: MBA, Stockholm School of Economics.

Most recent position: Chief Investment Officer, Citycon Oyj.



FIVE-YEAR SUMMARY

Amounts in SEK million	2016	2015	2014	2013	2012
Income statement					
Property income	2,204	2,000	2,063	1,887	1,899
Property costs	-552	-524	-577	-547	-535
Net operating income	1,652	1,476	1,486	1,340	1,364
Central administrative expenses	-182	-154	-173	-173	-169
Financial items	-359	-416	-690	-703	-731
Profit before changes in value	1,111	906	623	464	464
Profit from property management	1,111	959	833	674	674
Change in value, properties	2,072	581	-261	-125	84
Change in value, financial instruments	-208	140	-760	297	-128
Current tax	-49	-46	-89	-9	-17
Deferred tax	-583	-231	127	-99	178
Profit for the year	2,343	1,350	-360	528	581
Other comprehensive income	81	-50	42	16	-13
Comprehensive income for the year	2,424	1,300	-318	544	568
Balance sheet					
Investment properties	33,629	26,502	24,668	22,637	22,951
Other assets	392	443	209	156	201
Cash and bank balances	932	157	107	13	70
Total assets	34,953	27,102	24,984	22,806	23,222
Equity	8,672	6,764	2,682	3,061	2,633
Deferred tax liabilities	2,103	1,518	1,289	1,416	1,325
Derivatives	723	679	826	66	363
Shareholder loans	-	-	3,000	3,000	3,000
Interest-bearing liabilities	22,483	17,454	16,507	14,699	15,085
Non-interest-bearing liabilities	972	687	680	564	816
Total equity and liabilities	34,953	27,102	24,984	22,806	23,222
Key ratios					
Financial key ratios					
Loan-to-value ratio, %	64.0	65.2	66.5	64.9	65.7
Interest-coverage ratio, times	4.1	3.6	2.7	2.4	2.3
Secured debt, %	7.7	15.4	29.2	40.6	62.5
Average interest rate, %	1.5	1.9	2.3	3.0	3.4
Return on profit from property management, %	13.0	13.9	12.8	10.4	11.2
Return on equity, %*	30.4	22.4	-2.6	12.6	14.6
Total return, %	12.8	8.1	5.2	5.3	6.6
Property-related key ratios					
Market value of investment properties, SEK million	33,629	26,502	24,668	22,637	22,951
Dividend yield, %	5.7	6.0	6.0	6.1	6.2
Surplus ratio, %	75.0	73.8	72.0	71.0	72.2
Economic occupancy rate, %	97.0	96.2	96.5	96.4	96.4
Property value, SEK/sqm	20,528	17,686	16,186	13,956	13,445
No. of properties	356	317	313	348	357
Lettable area, tsqm	1,638	1,499	1,524	1,622	1,707

* In the calculation for 2012-2015, shareholder loans are including in equity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Note	2016	2015
Property income			
Rental income		2,189	1,988
Other income		15	12
Total property income	3-4	2,204	2,000
Property costs			
Operating costs	5	-378	-364
Maintenance costs		-141	-121
Other property costs		-33	-39
Total property costs		-552	-524
Net operating income	3	1,652	1,476
Central administrative expenses	6-8	-182	-154
Financial items			
Interest income and similar profit items	10	28	2
Interest expense and similar loss items	10	-387	-418
Total financial items		-359	-416
Changes in value			
Properties, realised		-1	-45
Properties, unrealised	11	2,073	626
Financial instruments, realised		-164	-7
Financial instruments, unrealised	11	-44	147
Total changes in value		1,864	721
Profit before tax		2,975	1,627
Current tax	12	-49	-46
Deferred tax	12	-583	-231
PROFIT FOR THE YEAR		2,343	1,350
Other comprehensive income, items that may be reclassified to profit or loss			
Translation difference for the year		81	-50
COMPREHENSIVE INCOME FOR THE YEAR		2,424	1,300
Profit for the year attributable to			
Parent Company shareholders		2,295	1,344
Non-controlling interests		48	6
Comprehensive income for the year attributable to			
Parent Company shareholders		2,376	1,294
Non-controlling interests		48	6
Data per share (no dilutive effect, since there are no potentially dilutive shares)			
Average no. of shares, 000s		100,001	100,001
Profit for the year after tax, SEK		23.4	13.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Tangible assets			
Investment properties	13	33,629	26,502
Equipment	14	4	6
Total tangible assets		33,633	26,508
Financial non-current assets			
Other long-term securities		23	–
Other non-current receivables	17	42	43
Total financial non-current assets		65	43
Total non-current assets		33,698	26,551
Current assets			
Current receivables			
Rent and accounts receivable	16	27	24
Tax assets		6	–
Other current receivables		207	226
Prepaid expenses and accrued income		83	144
Total current receivables	17, 21	323	394
Cash and cash equivalents		932	157
Total current assets	23	1,255	551
TOTAL ASSETS		34,953	27,102
EQUITY AND LIABILITIES			
Equity			
Share capital		1	1
Other capital contributions		6,856	6,835
Reserves		73	–8
Retained earnings including profit/loss for the year		1,525	–164
Equity attributable to Parent Company owners		8,455	6,664
Non-controlling interests		217	100
Total equity		8,672	6,764
LIABILITIES			
Non-current liabilities			
Loans from minority shareholders	20, 21, 25	41	21
Deferred tax liabilities	12	2,103	1,518
Derivatives	27	723	671
Interest-bearing liabilities	20, 21	15,126	10,061
Total non-current liabilities		17,993	12,271
Current liabilities			
Interest-bearing liabilities	21	7,316	7,372
Accounts payable		150	120
Derivatives	27	–	8
Current tax liabilities		32	39
Other current liabilities		60	101
Accrued expenses and deferred income	26	730	427
Total current liabilities	21	8,288	8,067
Total liabilities		26,281	20,338
TOTAL EQUITY AND LIABILITIES		34,953	27,102

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Proportion from non-controlling interests	Total equity
Opening equity, 1 Jan 2015	1	3,835	42	-1,236	40	2,682
Transfer of capital contributions from non-controlling interests, 2014	–	–	–	-29	29	–
Rights issue	–	3,000	–	–	–	3,000
Shareholder contributions	–	–	–	21	–	21
Capital contributions from non-controlling interests	–	–	–	–	25	25
Dividends	–	–	–	-264	–	-264
Comprehensive income	–	–	-50	1,344	6	1,300
Closing equity, 31 Dec 2015	1	6,835	-8	-164	100	6,764
Opening equity, 1 Jan 2016	1	6,835	-8	-164	100	6,764
Reclassification of capital contribution, 2015	–	21	–	-21	–	–
Dividends	–	–	–	-585	–	-585
Acquisition of minority share	–	–	–	–	-5	-5
Contribution from minority interests	–	–	–	–	74	74
Comprehensive income	–	–	81	2,295	48	2,424
Closing equity, 31 Dec 2016	1	6,856	73	1,525	217	8,672

The total number of shares was 100,001,000 with a par value of SEK 0.01.

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK million	Note	2016	2015
Operating activities			
Profit before tax		2,975	1,627
Change in value, unrealised		-2,028	-773
Adjustment for non-cash items	24	-63	30
Income tax paid		-64	-14
Cash flow before changes in working capital		820	870
Changes in working capital			
Increase-)/decrease(+) in operating receivables		110	-409
Increase(+)/decrease(-) in operating liabilities		308	333
Cash flow from operating activities		1,238	794
Investing activities			
Acquisition of properties	24	-3,362	-1,223
Investments in new construction, extension and refurbishment		-1,551	-1,059
Property divestments	24	60	778
Other non-current assets, net		-25	-40
Cash flow from investing activities		-4,878	-1,544
Financing activities			
Shareholder contributions received		74	21
Interest-bearing liabilities		11,468	7,204
Amortisation of interest-bearing liabilities		-6,522	-6,192
Contribution from minority interests		–	25
Dividends paid		-585	-264
Cash flow from financing activities		4,435	794
Cash flow for the year		795	44
Opening cash and cash equivalents		157	107
Exchange-rate differences in cash and cash equivalents		-20	6
Closing cash and cash equivalents		932	157

PARENT COMPANY INCOME STATEMENT

Amounts in SEK million	Note	2016	2015
Net sales		95	71
Central administrative expenses	6-8	-182	-166
Other operating income		6	-
Other operating expenses		-	-32
Operating loss		-81	-127
Income from financial items			
Profit from participations in Group companies	9	726	91
Interest income and similar profit items	10	130	123
Interest expense and similar loss items	10	-323	-407
Financial instruments, realised		-164	-7
Profit/loss after financial items		288	-327
Appropriations			
Group contributions received		380	310
Reversal of provision to tax allocation reserve		20	11
Profit/loss before tax		688	-6
Current tax	12	-4	-
Deferred tax	12	-2	-1
PROFIT/LOSS FOR THE YEAR		682	-7

PARENT COMPANY STATEMENT OF OMPREHENSIVE INCOME

Amounts in SEK million	2016	2015
Profit/loss for the year	682	-7
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	682	-7

PARENT COMPANY BALANCE SHEET

Amounts in SEK million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Tangible assets			
Equipment	14	4	5
Total tangible assets		4	5
Financial non-current assets			
Participations in Group companies	15	6,206	6,176
Other non-current receivables from Group companies	21	4,332	3,997
Total financial non-current assets		10,538	10,173
Total non-current assets		10,542	10,178
Current assets			
Current receivables			
Receivables from Group companies		12,485	7,340
Other receivables		25	24
Prepaid expenses and accrued income		43	13
Total current receivables	21	12,553	7,377
Cash and cash equivalents		643	1
Total current assets		13,196	7,378
TOTAL ASSETS		23,738	17,556
EQUITY AND LIABILITIES			
	18		
Equity			
Share capital (100,001,000 at SEK 0.01)		1	1
Share premium reserve		3,000	3,000
Retained earnings		10	602
Profit/loss for the year		682	-7
Total equity		3,693	3,596
Untaxed reserves			
Tax allocation reserves	19	13	33
Provisions			
Deferred tax liabilities	12	29	27
Total provisions		29	27
Non-current liabilities			
Interest-bearing liabilities	20	14,802	6,800
Total non-current liabilities	21	14,802	6,800
Current liabilities			
Interest-bearing liabilities	20	5,038	6,960
Accounts payable		7	7
Tax liabilities		2	1
Other current liabilities		56	42
Accrued expenses and deferred income	26	98	90
Total current liabilities	21	5,201	7,100
TOTAL EQUITY AND LIABILITIES		23,738	17,556

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Restricted equity		Unrestricted equity	
	Share capital	Share premium reserve	Retained earnings including profit/loss for the year	Total equity
Opening equity, 1 January 2014	1	–	483	484
Dividends	–	–	-124	-124
Profit for the year	–	–	508	508
Closing equity, 31 Dec 2014	1	–	866	867
Opening equity, 1 Jan 2015	1	–	866	867
Rights issue to share premium reserve	–	3,000	–	3,000
Dividends	–	–	-264	-264
Profit for the year	–	–	-7	-7
Closing equity, 31 Dec 2015	1	3,000	595	3,596
Opening equity, 1 Jan 2016	1	3,000	595	3,596
Dividends	–	–	-585	-585
Profit for the year	–	–	682	682
Closing equity, 31 Dec 2016	1	3,000	692	3,693

PARENT COMPANY STATEMENT OF CASH FLOWS

Amounts in SEK million	Note	2016	2015
Operating activities			
Profit before tax		688	-6
Adjustment for non-cash items	24	470	27
Income tax paid		-3	1
Cash flow from operations before change in working capital		1,155	22
Changes in working capital			
Increase-)/decrease(+) in operating receivables		-25	33
Increase(+)/decrease(-) in operating liabilities		29	-808
Cash flow from operating activities		1,159	-753
Investing activities			
Acquisition of shares and participations in subsidiaries		-478	-417
Sales of shares and participations in subsidiaries		21	2
Acquisition of equipment		–	-1
Cash flow from investing activities		-457	-416
Financing activities			
External borrowings		8,841	6,657
Repayment of external borrowings		-2,730	-3,148
Intra-Group loans		-5,586	-2,123
Dividends paid		-585	-264
Cash flow from financing activities		-60	1,122
Cash flow for the year		642	-47
Opening cash and cash equivalents		1	48
Closing cash and cash equivalents		643	1

Note 1 Accounting policies

GROUP

Applied standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU. In addition, the consolidated financial statements have been prepared in accordance with Swedish law, applying the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. When preparing the consolidated financial statements, the same accounting policies have been applied as those described in the 2015 Annual Report. Only minor amendments to IFRS became effective in 2016. None of these had any impact on Hemsö's financial statements.

New and revised IFRS effective on or after 1 January 2017

A number of new and revised IFRS will become effective during the coming financial year, but have not been applied early in the preparation of Hemsö's financial statements.

Amendments to IAS 7: Disclosure initiative

The amendments in IAS 7 require that changes in liabilities that under IAS 7 arise from financing activities be specified in the cash flow statement. Disclosure must be provided for both cash and non-cash items. The change is effective for accounting periods beginning on or after 1 January 2017.

IFRS 9 Financial instruments

This standard will replace IAS 39 Financial Instruments: Recognition and Measurement. It contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The standard will be effective for accounting periods beginning on or after 2018, but has not yet been endorsed for use in the EU. The recommendation requires the company to make an assessment of expected credit loss. Since Hemsö's customers are predominantly from the public sector, and are solvent with low credit risk, Hemsö does not expect the standard to have any material effect on the financial statements.

IFRS 15 Revenue from contracts with customers

This standard specifies how and when revenue from contracts, and the sale of certain non-monetary assets, is to be recognised. It will replace the current IAS 11 Construction Contracts and IAS 18 Revenue and Related Interpretations. The standard will be effective for accounting periods beginning on or after 2018. Since Hemsö's income is mainly derived from rents and services, and the standard does not describe the recognition of leases, the company does not expect the standard to have any material effect on Hemsö's financial statements.

IFRS 16 Leases

This standard requires that the lessee recognise the assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The presentation of the lessor will essentially remain unchanged. The standard replaces IAS 17 Leases and Related Interpretations. The standard will be effective for accounting periods beginning on or after 2019, but has not yet been endorsed for use in the EU. As a lessee, Hemsö has entered into a number of site leasehold agreements and smaller leases for cars and office equipment. The total amount is not expected to be significant. Hemsö does not therefore expect the standard to have any material effect on the financial statements.

Basis of preparation of financial statements

The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Group. Unless otherwise stated, all amounts are presented in millions of SEK and cover the period 1 January-31 December 2016 (2015) for income-statement items, and 31 December 2016 (2015) for balance-sheet items. Due to rounding, some totals may not correspond with the sum of notes and tables.

Assets and liabilities are recognised at historical cost, except for investment properties and some financial instruments that are measured at fair value. Changes in fair value are recognised in profit or loss. Preparation of the financial statements in compliance with IFRS requires that management make estimates and assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and other various factors deemed reasonable under the current circumstances. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates.

Estimates and assumptions

Judgments made by management in the application of IFRS that have a material effect on the financial statements and estimates are described in Note 2.

Consolidated financial statements

The consolidated financial statements include the Parent Company and subsidiaries. Subsidiaries are entities over which the Parent Company has a controlling interest. The consolidated financial statements were prepared in accordance with the acquisition method.

The income and expenses of acquired companies are included in the consolidated financial statements from the transfer date. The income statements of divested companies are included until the date of transfer. Intra-Group receivables and liabilities, income and expenses and unrealised gains or losses arising from transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

The portion of equity from non-controlling interests is recognised as a separate component of equity, separately from Parent Company owners' portion of equity. The share of net profit allocated to non-controlling interests is presented separately.

Hemsö owns 50 per cent of the participations in Hemsö Norden KB. Since Hemsö has unlimited liability for the company's obligations and by agreement, is individually entitled to manage the company's affairs, Hemsö Norden KB is included with subsidiaries in the consolidated financial statements. Hemsö also owns 50 per cent of the shares in TKV 2 Fastighet AB and Vitartes AB and their subsidiaries. Due to agreements on future acquisitions of additional participations, these companies are also included in the consolidated financial statements.

Related-party transactions

The delivery of services between Group companies and other related companies and individuals is based on commercial terms and market prices.

Acquisitions and divestments

Purchases and sales are recognised on their date of transfer.

Asset acquisitions

In recent years, indirect property transactions have often taken place with companies holding properties, and not through direct property transactions.

When an asset is acquired through a company transaction, the acquisition is treated as a direct property transaction. This type of acquired company normally has no employees, organization or activities other than those directly attributable to the property holding. Deferred tax is not recognised as a liability on initial temporary differences attributable to the acquisition. Any deductions for deferred tax (discounts) obtained in addition to the recognised tax in acquired companies reduces the property's cost instead. In the subsequent valuation, the value changes are thus affected by the tax discounts. In 2016, all acquisitions were classified as asset acquisitions.

Business combinations

In acquisitions where Hemsö obtains control over one or more, basically autonomous, businesses, the acquisition method is applied in accordance with IFRS 3 Business Combinations. The acquired entity's identifiable assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date, and the profit attributable to the acquired business is included from the transfer date. Deferred tax on any surplus value, except goodwill, attributable to the acquisition is recognised as a liability based on the nominal tax rate.

The difference between deferred taxes at the nominal tax rate, and the temporary value difference in the acquisition analysis is recognised as goodwill. Deferred tax is not recognised as goodwill. In 2016, no acquisitions were classified as business combinations.

Income

Lease agreements are classified as operating leases on the basis that the property remains in Hemsö's ownership even when the agreement runs for up to 25 years. All rental income is notified in advance and amortised in profit or loss on a straight-line basis based on the terms of the lease agreements. Rental income includes additions such as water consumption, invoiced property tax and heating costs. Advance rent is recognised as deferred rental income.

Financial income and expenses

Interest income is recognised in the accounting period to which it relates. Derivatives are used to achieve the desired fixed-rate period. Income and expenses relating to derivatives are recognised on a continuous basis. Income and expenses deriving from redemption and renegotiation of derivatives, as well as redemption fees, are recognised when they occur. Interest income and expenses on financial instruments are recognised using the effective interest method. The effective interest rate is the rate

that exactly discounts estimated future cash inflows and outflows over the expected life of the financial instrument at the recognised net value of the asset or liability.

Income taxes

The income statement includes current and deferred income tax for Swedish and foreign Group units, unless the underlying transaction is recognised in other comprehensive income or directly in equity, whereby the associated tax effect is recognised in other comprehensive income or in equity. The Group's companies are taxable under the applicable laws of each country. In 2016, the tax rate in Sweden was 22 per cent, and is calculated on nominal recognised income adding non-deductible items and deducting non-taxable income. The tax rate in Finland was 20 per cent and 16 per cent in Germany.

Income tax is recognised using the balance-sheet method, implying that deferred tax is calculated on the closing date's identified temporary differences between assets and liabilities for tax purposes and their carrying amounts. Temporary differences are primarily related to property, financial instruments and tax allocation reserves.

Deferred tax is recognised for loss carryforwards and for temporary differences. Temporary differences are measured at the nominal tax rate and the change from the previous balance-sheet date is recognised as deferred tax through profit or loss. Deferred tax assets for deductible temporary differences and loss carryforwards are only recognised to the extent it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely they will be utilised.

Employee benefits

Employee benefits, such as salaries and social security costs, holidays and paid sick leave, etc. are recognised as the employees render services. Commitments to employees are secured through defined-contribution plans or ITP. Defined-contribution plans are plans in which the company's obligation is limited to the contributions the company has undertaken to pay. In such cases, the size of the employee's pension depends on the contributions the company pays into the plan or to an insurance company, and the investment earnings on the contributions. Consequently, it is the employee who bears the actuarial risk (that benefits will be lower than expected) and investment risk (that the invested assets will be insufficient to provide the expected benefits). The company's obligations for contributions to defined-contribution plans are recognised as expenses in the income statement as they are earned by the employees' services to the company during a period. The Group's ITP pension plan is secured through insurance with Alecta, which according to a statement from the Swedish Financial Reporting Board, UFR 10, is considered a defined-benefit plan covered by many employers. However, the plan has been treated as a defined-contribution plan, since Alecta has not been able to produce the values required to recognise the plan as a defined-benefit plan.

An expense for remuneration in connection with the termination of employees is only recognised if the company is demonstrably committed, without realistic possibility of withdrawal, by a formally detailed plan to terminate employment before the normal time. When remuneration is paid as an offer to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted, and if the number of employees who will accept the offer can be reliably estimated.

Leasing

Hemsö is a major lessor, since its leasing arrangements are classified as operating leases, see Income above. As a lessee, Hemsö has entered into a number of site leasehold agreements and smaller leases for office premises and office equipment. The total amount of these is of no material significance. The expenditure is expensed as incurred.

Investment properties

Properties are initially recognised at cost. Within the Group, properties are measured at fair value in accordance with the method stated below. Expenditures for new construction, extension or refurbishment are recognised as construction in progress until the project is completed and the final inspection performed. Work related to maintenance, maintenance activities associated with refurbishment and tenant adaptations is activated when deemed value-added. Value-added means that the measure will generate a future economic benefit, compared with earlier measures, and thus affect the market value.

IAS 40 is applied and the holding is measured at fair value. During the financial year, revaluations are recognised quarterly, based on internal valuations. For a description of valuation methods, refer to Note 13. For considerations etc., regarding property valuations, refer also to Note 2. Any deductions for deferred tax on the purchase of property through a company (asset acquisition) obtained in addition to the tax recognised in the acquired company is recognised net against the fair value of the purchased property on both the acquisition date and in subsequent financial statements.

Buildings under construction for future use as investment properties are recognised at fair value in accordance with IAS 40 with consideration for project risk and deductions for remaining investments. Interest expense relating to the specific financing of major new property construction,

extension or refurbishment is capitalised until the project is completed and final inspection performed. The basis of valuation is estimates of future cash flows, and the price level expected to be achieved in a transaction between knowledgeable, willing parties on market terms. However, non-completed properties are slightly more difficult to value than existing properties, because the final cost and process until the property is functional/let can only be estimated.

Machinery and equipment

Machinery and equipment are recognised at cost less accumulated depreciation according to plan and any impairment losses. Machinery and equipment are depreciated on a straight-line basis over five years.

FINANCIAL INSTRUMENTS

Recognition in the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the instrument's contractual terms. A receivable is recognised when the company has performed and there is contractual obligation for the counterparty to pay, even if no invoice has been sent. Accounts receivable are recognised in the statement of financial position when the invoice has been sent. Non-current receivables, which consist exclusively of promissory notes, are recognised at nominal amounts adjusted for the present value of the potential difference against market rates. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not been received. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the statement of financial position when the contractual rights are realised, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is fulfilled or otherwise not up to date. The same applies to part of a financial liability.

To determine the fair value of interest-rate derivatives, market rates are used for each term listed on the closing date and generally accepted calculation methods, which means that their fair value measurement is a level 2 input according to IFRS 13. The carrying amount is based on measurements from bank counterparties and verified against an internal measurement based on observable market data.

Trade receivables are recognised at the amount expected to be received after deductions for doubtful receivables assessed individually. Because accounts receivable are expected to have a short maturity period, their values are recognised at a nominal amount without discounting. Impairment loss on accounts receivable is recognised in operating expenses. Recognition at amortised cost relating to other receivables means that the financial instrument is measured at cost less any impairment. The carrying amounts of the Group's assets are tested on each closing date to determine whether there is any indication of impairment.

Categories of financial instruments

Loans and accounts receivable – These receivables are financial assets that are not derivatives, with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. The amortised cost is determined using the effective interest rate calculated at the acquisition date.

Loans and accounts receivable are recognised at the amounts expected to be received, meaning after deductions for doubtful receivables.

Other financial liabilities – Other financial liabilities, such as loans, accounts payable and purchased, but not paid properties are included in this category. Liabilities are measured at amortised cost. Transaction costs are amortised over the expected term of the loan.

Financial assets and liabilities measured at fair value through profit or loss – Hemsö uses interest-rate derivatives to hedge a low, long-term interest rate. Changes in the fair value of a derivative are recognised as unrealised value changes through profit or loss. Currency forwards can be entered into for hedging purposes to reduce the effect of currency fluctuations on the net assets in euro attributable to the foreign operation.

Provisions

A provision differs from other liabilities because there is an uncertainty about the timing or the amount required to settle the obligation.

A provision is recognised in the statement of financial position when there is a present legal or constructive obligation due to a past event, 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.

Provisions are made for the amount which is the best estimate of the expenditure required to settle the present obligation at the closing date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities

A contingent liability is recognised when the existence of a possible obligation is confirmed only by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

Transactions in foreign currency

Transactions in foreign currency are translated using the exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate, and exchange differences are recognised in profit or loss.

Exchange-rate differences relating to operating receivables and liabilities are recognised in operating income, while differences attributable to financial assets and liabilities are recognised in net financial items. Non-monetary assets and liabilities recognised at historical cost are translated using the exchange rate at the transaction date.

Assets and liabilities of foreign operations are translated to SEK using the current exchange rate at the closing date. Income and expenses of foreign operations are translated to SEK using an average rate that approximates the exchange rates prevailing at the transaction date. Translation differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve under equity.

Hedge accounting

Hemsö is exposed to currency risk through the company's investments in Finland and Germany. This currency risk is managed by financing assets in EUR with external loans in EUR. To reflect this in accounting, Hemsö has chosen to apply hedge accounting for net investments in foreign operations in the consolidated financial statements. The effective portion of the hedging relationship is recognised in other comprehensive income. The ineffective portion is recognised in net financial items in the income statement. The amount recognised in other comprehensive income attributable to the hedging relationship is reclassified to profit or loss when Hemsö has completely or partially divested the hedged entity so that Hemsö is no longer required to consolidate the subsidiary comprising the hedged entity under IFRS.

Statement of cash flows

The statement of cash flows has been prepared using the indirect method. Cash flows from realised changes in value in connection with sales of properties are recognised together with other sales proceeds under investing activities. Purchase or sale of properties via companies that are asset acquisitions are recognised on a separate line as acquisition of properties or divestment of properties. Selling expenses are recognised under investing activities as a deduction from the sales proceeds of the year in which the cash flow occurs. Acquisition costs are recognised in the same way under investing activities.

PARENT COMPANY**Applied standards and legislation**

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board have also been applied.

The accounting policies applied are presented in the relevant parts of the Group's accounting policies, with the following additions for the Parent Company.

Group contributions and shareholder contributions

Shareholder contributions are recognised directly in equity of the recipient, and capitalised in shares and participations of the contributor, to the extent that impairment is not required. Hemsö recognises Group contributions both paid and received as appropriations.

Shares in subsidiaries

Shares in subsidiaries are recognised in the Parent Company using the cost method, less any impairment losses.

Financial instruments

All financial assets and liabilities are recognised at amortised cost.

Financial guarantees

The Parent Company's financial guarantees consist of guarantees on behalf of Group companies. When recognising financial guarantee contracts, the Parent Company applies one of the Swedish Financial Reporting Board's permitted relief rules, compared with the requirements of IAS 39. When the company has a commitment for the probable payment, the Parent Company recognises the financial guarantee contract as a provision in the balance sheet, otherwise the obligation is recognised as a contingent liability.

Group information

Hemsö Fastighets AB (publ) has its registered office in Stockholm and the address of the Head Office is Linnégatan 2. Hemsö is 85-per cent owned, directly and indirectly, by the Third AP Fund, Corporate Registration Number 802014-4120, with its registered office in Stockholm, Sweden, and 15-per cent owned, indirectly, by Sagax AB, Corporate Registration Number 556520-0028, with its registered office in Stockholm, Sweden.

Note 2 Special considerations and judgements

The presentation of financial statements in accordance with IFRS and generally accepted accounting principles requires making judgements and assumptions that affect the assets, liabilities, income, expenses and other information recognised in the annual accounts. These judgements and assumptions are based on historical experience and other factors considered reasonable under the circumstances. Actual results may differ from these judgements under different assumptions or conditions.

The financial statements are particularly sensitive to the judgements and assumptions used in the valuation of investment properties. Property values are assessed individually per property throughout the year, based on a number of judgements and estimates of future cash flows and yield requirements in a potential transaction. In most cases, reconciliation is also performed against external valuations. The range of values between the appraised value and selling price in a well-functioning market is normally (+/-) 5-10 per cent. For more information about this and the assumptions and judgements made, refer to Note 13.

An essential use of judgement in the recognition is how deferred tax attributable to temporary differences should be treated in the consolidated financial statements. For the recognition of deferred tax on temporary differences arising between the carrying amount of an asset or a liability and its tax base, Hemsö applies the balance-sheet method. This means that a tax liability or asset exists in the balance sheet that is realised on the date the asset or liability is sold. Temporary differences are primarily related to property, financial instruments and tax allocation reserves. Temporary differences arising on initial recognition of an asset or liability that represents an asset acquisitions are not recognised as deferred tax according to the balance-sheet method. Hemsö has recognised all company acquisitions completed during the year as asset acquisitions, whereby deferred tax that existed at the acquisition date has not been included in the balance sheet.

Note 3 Segment information

The identification of reportable segments is based on internal reporting. The Chief Executive Officer mainly uses net operating income per segment for performance analysis. Administrative expenses, net financial items and income tax are managed at Group level. The Group is managed and reported in the following six operating segments: East, West, North, South, Germany and Finland.

2016	East	West	North	South	Germany	Finland	Unallocated items	Group
Property income	616	337	570	321	215	145	–	2,204
Property costs	-146	-123	-146	-100	-8	-29	–	-552
Net operating income	470	214	424	221	207	116	–	1,652
Central administrative expenses	–	–	–	–	–	–	-182	-182
Net financial items	–	–	–	–	–	–	-359	-359
Profit/loss before changes in value	470	214	424	221	207	116	-541	1,111
Changes in value								
Properties, realised	-1	2	-2	–	–	–	–	-1
Properties, unrealised	642	123	599	384	305	20	–	2,073
Financial instruments, realised	–	–	–	–	–	–	-164	-164
Financial instruments, unrealised	–	–	–	–	–	–	-44	-44
Total changes in value	641	125	597	384	305	20	-208	1,864
Current tax	–	–	–	–	–	–	-49	-49
Deferred tax	–	–	–	–	–	–	-583	-583
Profit/loss for the year	1,111	339	1,021	605	512	136	-1,381	2,343
Investment properties – investments, acquisitions, divestments per segment								
Investments, new construction, extension and refurbishment	728	169	272	255	15	112	–	1,551
Acquisitions	1,738	21	24	125	615	839	–	3,362
Divestments	-22	-7	-32	–	–	–	–	-61
Total	2,444	183	264	380	630	951	–	4,852
Assets per segment at period-end								
Investment properties	11,390	3,875	8,116	4,626	3,274	2,348	–	33,629
Unallocated corporate assets	–	–	–	–	–	–	1,324	1,324
Total assets	11,390	3,875	8,116	4,626	3,274	2,348	1,324	34,953
2015	East	West	North	South	Germany	Finland	Unallocated items	Group
Property income	550	336	546	294	162	112	–	2,000
Property costs	-134	-122	-137	-103	-8	-20	–	-524
Net operating income	416	214	409	191	154	92	–	1,476
Central administrative expenses	–	–	–	–	–	–	-154	-154
Net financial items	–	–	–	–	–	–	-416	-416
Profit/loss before changes in value	416	214	409	191	154	92	-570	906
Changes in value								
Properties, realised	-8	-16	-21	–	–	–	–	-45
Properties, unrealised	279	-32	222	159	2	-4	–	626
Financial instruments, realised	–	–	–	–	–	–	-7	-7
Financial instruments, unrealised	–	–	–	–	–	–	147	147
Total changes in value	271	-48	201	159	2	-4	140	721
Current tax	–	–	–	–	–	–	-46	-46
Deferred tax	–	–	–	–	–	–	-231	-231
Profit/loss for the year	687	166	610	350	156	88	-707	1,350
Investment properties – investments, acquisitions, divestments per segment								
Investments, new construction, extension and refurbishment	458	140	184	260	6	–	–	1,048
Acquisitions	281	113	214	200	265	81	–	1,154
Divestments	-464	-389	–	–	–	–	–	-853
Total	275	-136	398	460	271	81	–	1,349
Assets per segment at period-end								
Investment properties	8,305	3,569	7,252	3,863	2,223	1,290	–	26,502
Unallocated corporate assets	–	–	–	–	–	–	600	600
Total assets	8,305	3,569	7,252	3,863	2,223	1,290	600	27,102

Note 4 Operating leases

Lessor

Future minimum lease payments for non-cancellable leases amounted to:

Group	31 Dec 2016	31 Dec 2015
Contracted income, payment within 1 year	2,178	1,981
Contracted income, payment within 1-5 years	6,623	6,051
Contracted income, payment later than 5 years	9,599	7,449
Total	18,400	15,481

For accounting purposes, lease agreements are considered operating leases when Hemsö is the lessor. The table shows rental income calculated on current lease agreements.

The rent is usually indexed. In most cases, property tax is payable in addition to base rent. Additional amounts are based on the actual costs incurred by the landlord.

Lessee

As an operating lessee, a number of leases have been signed for site leaseholds, company vehicles, office premises and office equipment.

Group	31 Dec 2016	31 Dec 2015
Due within 1 year	10	8
Due within 1-5 years	29	23
Due later than 5 years	64	44
Total	103	75

Note 5 Operating costs

Group	2016	2015
Media usage	214	195
Supervision	152	157
Other operating costs	12	12
Total	378	364

Note 6 Central administrative expenses

Group	2016	2015
Personnel costs	142	125
Premises and office expenses	14	12
Services purchased	66	40
Depreciation and amortisation	2	2
Other operating expenses	9	7
Less re-invoicing	-51	-32
Total	182	154

Note 7 Employees, personnel costs and remuneration of senior executives

Group	2016		2015	
	Total of whom men		Total of whom men	
Average no. of employees	108	65	103	61
No. of Group Management, 31 Dec	8	7	12	8
Board members, 31 Dec	6	4	6	4

At year-end, Hemsö had 109 employees (112) of whom 92 (104) in the Parent Company, 6 (0) in Hemsö Development AB, 5 (5) in the jointly owned Vitartes companies, 4 (2) in Germany and 2 (1) in Finland.

Group	2016		2015	
Salaries and remuneration, SEK 000s	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
Board	853	–	788	–
CEO	5,073	–	4,290	–
Deputy CEO	3,483	–	3,804	–
Other senior executives	5,981	–	7,281	–
Other employees	60,207	2,515	51,467	3,340
Total Sweden	75,597	2,515	67,630	3,340
Other senior executives	3,017	–	2,868	–
Other employees	1,529	12	524	18
Total Foreign	4,546	12	3,392	18
Total Group	80,143	2,527	71,022	3,358

Group	2016		2015	
Payroll overheads, SEK 000s	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	268	–	247	–
CEO	1,905	1,281	1,650	1,245
Deputy CEO	1,263	695	1,397	832
Other senior executives	2,250	1,527	2,733	1,836
Other employees	21,931	9,167	18,811	6,554
Total Sweden	27,617	12,670	24,838	10,467
Other senior executives	196	385	143	274
Other employees	193	156	55	52
Total Foreign	389	541	198	326
Total Group	28,006	13,211	25,036	10,793

Parent Company	2016		2015	
	Total of whom men		Total of whom men	
Average no. of employees	100	58	95	54
No. of Group Management, 31 Dec	5	4	10	6
Board members, 31 Dec	6	4	6	4

Parent Company	2016		2015	
Salaries and remuneration, SEK 000s	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
Board	853	–	788	–
CEO	5,073	–	4,290	–
Deputy CEO	3,483	–	3,804	–
Other senior executives	5,250	–	7,281	–
Other employees	51,352	2,515	49,312	3,340
Total Sweden	66,011	2,515	65,475	3,340
Other senior executives	–	–	–	–
Other employees	–	–	–	–
Total Foreign	–	–	–	–
Total Parent Company	66,011	2,515	65,475	3,340

Parent Company	2016		2015	
Payroll overheads, SEK 000s	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	268	–	247	–
CEO	1,905	1,281	1,650	1,245
Deputy CEO	1,263	695	1,397	832
Other senior executives	1,974	1,338	2,733	1,836
Other employees	18,708	7,351	18,027	6,116
Total Sweden	24,118	10,665	24,054	10,029
Other senior executives	–	–	–	–

Note 7 cont.

Payroll overheads, SEK 000s	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Other employees	–	–	–	–
Total Foreign	–	–	–	–
Total Parent Company	24,118	10,665	24,054	10,029

The Chairman and other members of the Board of Hemsö Fastighets AB are remunerated in accordance with a resolution adopted by the Annual General Meeting (AGM). Remuneration of the Chairman amounts to SEK 385,000, while each of the other Board members are paid an amount of SEK 170,000. The Chairman of the Board's Audit Committee is paid remuneration of SEK 60,000. Board members in the Audit Committee are paid remuneration of SEK 35,000. The Chairman of the Board's Remuneration Committee is paid remuneration of SEK 35,000 and other members are paid an amount of SEK 22,000. No Board or Committees fees are paid to members who are employed by any of the company's owners. Kerstin Hessius and Bengt Hellström are employed by the Third Swedish National Pension Fund and David Mindus is employed by AB Sagax.

Variable remuneration

Hemsö's variable remuneration scheme for 2016 includes all permanent employees except for senior executives. Under the scheme, most employees can receive up to one additional monthly salary in variable remuneration, while a smaller number of employees can receive a maximum of two monthly salaries subject to the achievement of predefined targets.

The targets are 50-per-cent based on the company's financial performance, and 50-per-cent based on individual, team or department performance, depending on the employee's role. The variable remuneration scheme is determined annually by the Board.

Pensions

Under the CEO's contract, Hemsö is required to pay premiums for occupational pension and health insurance amounting to 30 per cent of gross salary. Senior executives and other employees are covered by the ITP Plan. The age of retirement is 65 for the CEO, and 67 for other senior executives.

68 employees (72) employees have defined-benefit ITP-plans with continuous payments to Alecta. The year's contributions for defined-benefit pension plans with Alecta amounted to SEK 4,752,000 (3,391,000). Alecta's surplus can be distributed to the policyholders and/or insured. At December 2016, Alecta's surplus in the form of the collective funding ratio was 149 per cent (December 2015: 153 per cent). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial assumptions, which are not consistent with IAS 19.

Severance pay

An agreement has been reached whereby the CEO will be eligible for severance pay in the event of termination by the company. The severance pay corresponds to 12 months' fixed salary, in addition to the mutual six-month notice period. The severance pay is not pensionable, is fully deductible and not payable upon retirement. Other senior executives have a mutual notice period of six months.

Note 8 Auditor fees and remuneration

	Group		Parent Company	
	2016	2015	2016	2015
Ernst & Young				
Audit engagement	2	2	1	2
Audit activities in addition to the audit engagement	–	–	–	–
Tax consultancy	–	–	–	–
Other assignments	1	2	1	1
Total	3	4	2	3

The audit engagement refers to the statutory audit of the annual accounts and of the administration of the Board and the CEO. Audit activities in addition to the audit engagement refer to reviews of the administration or financial statements pursuant to statute, the Articles of Association, regulation or agreement that is not included in the audit engagement, and is to result in a report, certificate or any other type of documentation that is also intended for audiences other than Hemsö. Tax consultancy refers to consultation on fiscal issues. Other assignments refer to consultation that cannot be linked to any of the other categories.

Note 9 Profit/loss from participations in Group companies

Parent Company	2016	2015
Dividends	1,255	74
Profit from unlimited and limited partnerships	41	85
Impairment	-570	-68
Total	726	91

During the year, Hemsö Fastigheter AB received SEK 1,255 million in dividends from subsidiaries. In some cases, this had a direct impact on the value of the subsidiaries, which largely explains the impairment losses in Group companies for the year. During the year, some of the properties owned by subsidiaries of Hemsö Fastighets AB were impaired, which also had a direct effect on the value of the subsidiaries.

Note 10 Income from financial items

Group	2016	2015
Net financial items		
<i>Interest income, loans and receivables</i>		
Interest income	2	2
Total	2	2
<i>Other financial income</i>		
Remuneration for guarantee commitments	26	–
Total	26	–
<i>Interest expense, other financial liabilities</i>		
Interest expense	-342	-323
Interest expense, Third Swedish National Pension Fund	–	-53
Total	-342	-376
<i>Other financial expenses</i>		
Handling charges for bank loans	-10	-19
Exchange-rate fluctuations	-6	–
Other financial expenses	-29	-23
Total	-45	-42
Total	-359	-416

All interest income and expenses are attributable to financial assets and liabilities.

Parent Company	2016	2015
Interest income and similar profit items		
Interest income, Group companies	100	113
Interest income, other	30	10
Total	130	123

Parent Company	2016	2015
Interest expense and similar loss items		
Interest expense, Group companies	0	-66
Interest expense, other	-325	-314
Other	2	-27
Total	-323	-407

Note 11 Changes in value

Investment properties

The value changes attributable to investment properties amounted to SEK 2,072 million (581). The value changes were a negative SEK 1 million (neg: 45) in realised changes and positive SEK 2,073 million (pos: 626) in unrealised changes.

Unrealised changes in value are mainly related to a reduction in the market's yield requirements. For Nursing Homes, yield requirements have generally been lowered throughout the entire portfolio. Yield requirements have also been lowered for properties in Education, the Legal Sector and Health Care in major cities, regional cities and in several small municipalities throughout the country. The unrealised changes in value are also due to revised estimates of net operating income as a result of new lettings, terminated leases and renegotiations. The dividend yield requirement for the entire property portfolio declined to 5.7 per cent (6.0).

Unrealised changes in value, SEK million	2016	2015
New lettings/Renegotiations	584	239
Terminated leases/Renegotiations	-98	-208
General change in value	1,262	597
Subtotal Sweden	1,748	628
New lettings/Renegotiations	4	–
Terminated leases/Renegotiations	-58	-14
General change in value	380	12
Subtotal Foreign	325	-2
Total unrealised changes in value	2,073	626

Changes in value, derivatives

Hemsö uses interest-rate derivatives to reduce the Group's interest-rate risk. If the agreed interest rate deviates from the market rate, a surplus or deficit value arises on the interest-rate derivatives, whereby the changes in value are recognised in the statement of comprehensive income.

At period-end, the nominal value of the derivatives portfolio was SEK 8,039 million (11,499). The deficit value of the financial derivatives was SEK 723 million (679). Of the negative change in value of SEK 45 million (pos: 147), lower market rates accounted for SEK 447 million, which was offset by the ongoing interest payments of SEK 239 million on derivatives during the period. In addition, SEK 164 million was realised through early trading of derivatives, which reduced the unrealised deficit value in the corresponding amount. At period-end, the average duration of the financial derivatives was 5.8 years. At year-end, the 10-year swap rate was 1.10 per cent (1.63).

Note 12 Tax

	Group		Parent Company	
	2016	2015	2016	2015
Tax expense in the income statement				
Current tax	-49	-46	-4	-
Deferred tax	-583	-231	-2	-1
Total	-632	-277	-6	-1

	Group		Parent Company	
	2016	2015	2016	2015
Actual tax expense	-49	-46	-4	-1
Expected tax expense at current rate	-654	-342	-152	-2
Difference	-605	-296	-148	-1

Expected tax expense at current rate refers to the tax payable if tax was estimated on the recognised result without tax adjustments.

The difference between expected and actual tax expense in the Parent Company is largely a result of non-deductible costs related to an impairment loss of SEK 565 million on participations in financial assets, and non-taxable income of SEK 1,255 million related to dividends.

	2016		2015	
	Current tax	Deferred tax	Current tax	Deferred tax
The Group's tax in the income statement				
Profit before tax	2,975		1,627	
Tax-deductible depreciation and amortisation	-746	746	-717	717
Non-taxable changes in value, properties	-2,073	2,073	-626	626
Non-taxable changes in value, derivatives	44	-44	-147	147
Effect of company and property sales	1	-1	45	-
Non-deductible expenses	5	-	55	-
Total income from operations	206	2,773	236	1,490
Utilisation of accumulated deficit	-33	18	-77	48
New deficits	38	-38	3	-3
Adjustment for effects of properties sold	-	-	-	-445
Translation difference	32	-13	-	-
Adjustment for change in tax allocation reserve	-13	13	77	-77
Total taxable income	230	2,753	239	1,013
Estimated tax	-47	-583	-48	-218
Adjustment of tax expense in previous year	-2	-	2	-13
Total tax	-49	-583	-46	-231

Tax expense accounts for 17 per cent (-) of the Group's profit before tax. Tax expense is calculated using the current tax rate, which is 22 per cent in Sweden, 20 per cent in Finland and 16 per cent in Germany.

	2016		2015	
	Tax base	Deferred tax	Tax base	Deferred tax
The Group's tax in the balance sheet				
Deferred tax assets				
Deficit, opening balance	53	10	83	20
Change in loss carry-forwards	24	5	-30	-10
Deferred tax deficit, closing balance	77	15	53	10
Derivatives, opening balance	682	149	827	181
Change in derivatives	44	10	-145	-32
Deferred tax on derivatives, closing balance	726	159	682	149
Deferred tax assets, closing balance	803	174	735	159
Deferred tax liabilities				
Investment properties, opening balance	-7,751	-1,655	-6,585	-1,450
Change in investment properties	-2,818	-597	-1,166	-204
Deferred tax on investment properties, closing balance	-10,569	-2,252	-7,751	-1,655
Tax allocation reserves, opening balance	-100	-22	-177	-39
Change in tax allocation reserves	-13	-3	77	17
Deferred tax on tax allocation reserve, closing balance	-113	-25	-100	-22
Deferred tax liabilities, closing balance	-10,682	-2,277	-8,380	-1,678

	2016		2015	
	Tax base	Deferred tax	Tax base	Deferred tax
Parent Company's tax in the balance sheet				
Deferred tax assets				
Deficit, opening balance	-	-	36	8
Change in loss carry-forwards	-	-	-36	-8
Deferred tax deficit, closing balance	-	-	-	-
Deferred tax assets, closing balance	-	-	-	-
Deferred tax liabilities				
Investment properties, opening balance	-123	-27	-155	-34
Change in investment properties	-9	-2	32	7
Deferred tax on investment properties, closing balance	-132	-29	-123	-27
Deferred tax liabilities, closing balance	-132	-29	-123	-27

Deferred tax assets related to deficits utilised after more than 12 months amounted to SEK 15 million (10) in the Group, and SEK - (-) in the Parent Company. Deferred tax liabilities utilised after more than 12 months amounted to SEK 2,277 million (1,677) in the Group, and SEK 29 million (27) in the Parent Company. Non-recognised receivables on deficits amounted to SEK 7 million (7), of which all deficits have an unlimited life. Of recognised closing deficits, an amount of SEK 15 million (10) has an unlimited life.

Note 13 Investment properties

Group	31 Dec 2016	31 Dec 2015
Carrying amount, opening balance	26,502	24,668
Acquisitions	3,362	1,154
Investments in new construction, extension and refurbishment	1,551	1,048
Divestments	-61	-853
Disposals	-1	-
Exchange-rate fluctuations	203	-141
Change in value, unrealised	2,073	626
Carrying amount, closing balance	33,629	26,502
of which recognised in Statement of Comprehensive Income	2,072	581

At 31 December 2016, the estimated market value, corresponding to the carrying amount, totalled SEK 33,629 million (26,502). Total change in value amounted to SEK 7,127 million (1,834), corresponding to 26.9 per cent (7.4). The change in value compared with a comparable portfolio represents an increase of 7.1 per cent (2.3). The table below shows the estimated market value per property category and segment.

Significant obligations

Hemsö has the following significant obligations in relation to the acquisition and divestment of investment properties: The company acquired four properties in Germany for SEK 385 million to be transferred in the first quarter of 2017 and one property in Finland for SEK 540 million to be transferred in May 2017. Hemsö divested one property in Sweden for SEK 58 million, which was transferred in the first quarter of 2017, and a portfolio of 35 properties in Sweden for SEK 1.5 billion to be transferred in the second quarter of 2017. Hemsö also has an obligation to complete commenced projects, in which the remaining investment is SEK 2,910 million (1,906).

Valuation method

Hemsö determines the property value through internal valuations that are conducted quarterly. The market value of each property is assessed individually. The valuation method uses a 20-year cash flow analysis, based on the property's net operating income. Opening value-impacting factors, such as yield requirement, are assessed using the location-based pricing method. The location's market rent level and long-term vacancy rate are also assessed. Each property is assessed using property-specific value-impacting events, such as newly signed and renegotiated lease agreements, terminated leases and investments. The valuations have accounted for the highest and best use of the properties.

Changes to the unobservable inputs used in the valuations during the period are analysed by management at each closing date against internally available information, information from completed and planned transactions and information from external valuers.

The valuation method therefore complies with Level 3 of the fair value hierarchy in IFRS 13. No properties have been transferred to other fair value hierarchies. The same valuation method is applied for all of Hemsö's properties. Hemsö recognises its investment properties in Sweden at an internally assessed fair value in accordance with IAS 40 and, at 31 December 2016, had conducted internal valuations of all Swedish properties.

External valuations are used to determine the value of Hemsö's property portfolios in Germany and Finland.

Buildings under construction for future use as investment properties are recognised at fair value in accordance with IAS 40 with consideration for project risk and deductions for remaining investments.

Market value refers to the price that would probably be received if the property was put up for sale in a free and open market, without party relations and undue pressure. The dividend yield requirement and future earnings capacity of the property have been determined in a coherent manner and applied consistently in the valuations.

Property value per property category and segment at 31 December 2016, SEK million

	Property value, SEK million	No. of properties	Rental value, SEK million	Occupancy rate, %	Lettable area, tsqm	Long-term yield requirement, %	Long-term, average yield requirement, %
Nursing homes	2,564	20	161	99.8	99	4.25-5.75	4.83
Education	4,215	43	235	99.5	131	4.25-7.15	5.34
Health care	3,487	20	193	93.5	104	4.35-7.25	5.70
Legal sector	1,124	1	79	89.0	35	5.25-5.25	5.25
East	11,390	84	668	98.1	369	4.25-7.25	5.28
Nursing homes	513	6	38	95.4	31	4.25-7.25	5.04
Education	1,407	21	122	91.0	109	5.25-7.00	5.89
Health care	1,955	47	199	86.6	187	4.75-8.50	6.54
Legal sector	-	-	-	-	-	-	-
West	3,875	74	359	88.3	327	4.25-8.50	6.23
Nursing homes	4,206	47	288	99.2	228	4.40-6.75	5.30
Education	2,166	25	162	95.0	113	5.35-10.00	5.91
Health care	303	6	24	96.8	19	5.00-5.85	5.45
Legal sector	1,441	5	103	98.8	60	5.00-5.85	5.50
North	8,116	83	577	97.8	420	4.40-10.00	5.49
Nursing homes	1,675	28	130	98.5	91	4.50-6.15	5.17
Education	2,518	17	173	87.8	142	5.20-7.75	5.96
Health care	172	3	19	97.5	17	6.25-6.25	6.25
Legal sector	261	3	21	100.0	10	5.00-6.30	5.70
South	4,626	51	343	95.1	260	4.50-7.75	5.50
Nursing homes	3,274	33	224	99.8	170	4.91-6.94	5.92
Germany	3,274	33	224	99.8	170	4.91-6.94	5.92
Nursing homes	1,327	24	84	100.0	43	5.50-8.00	6.57
Education	641	3	58	96.5	32	6.25-6.25	6.25
Health care	326	3	25	100.0	12	6.25-6.50	6.42
Legal sector	54	1	10	100.0	5	-	-
Finland	2,348	31	177	99.7	92	5.50-8.00	6.54
Nursing homes	13,559	158	925	99.2	662	4.25-8.00	5.50
Education	10,947	109	750	95.2	527	4.25-10.00	5.71
Health care	6,243	79	460	89.8	339	4.35-8.50	6.23
Legal sector	2,880	10	213	98.3	110	5.00-6.30	5.54
Total	33,629	356	2,348	95.9	1,638	4.25-10.00	5.70

Note 13, cont.

Dividend yield requirement assumptions

The yield requirement is individually assessed for each property and based on underlying assumptions of real interest rates, inflation and risk premiums. The yield requirement is individual for each property and based on the location of the property, the characteristics of the location and the intended use of the property. Additional parameters that are taken into account include the appropriateness and design of the premises, the standard and condition of the property, the lease term and type of tenant. The yield requirements applied have been determined on the basis of Hemsö's knowledge of completed transactions in the markets in which Hemsö operates, and in bidding processes in which Hemsö has participated. The yield requirement is adjusted to a nominal discount rate, which is used to discount the estimated 20-year future cash flow. The average dividend yield of Hemsö's internal valuations, excluding project properties, is 5.7 per cent (6.0).

Cash flow assumptions

When assessing the future earnings capacity of each property, the existing lease portfolio has been analysed. The current lease agreement is used to calculate future rental income for each property. Rental income for future lease periods, and for vacant premises, is calculated on the basis of individual assessments of market rent and the long-term vacancy rate for each property.

The operating costs of the properties are assessed on the basis of historical costs. Costs for site leaseholds and property tax are assessed using actual costs, while maintenance costs are assessed on the basis of a building's age, maintenance status and intended use.

Average cash flow assumptions on 31 December 2016, year 1

Rental value, SEK/sqm	1,433
Operating and maintenance costs, SEK/sqm	-326
Vacancy rate, %	-2.5

Uncertainty range and sensitivity analysis

Property valuation is the result of an estimate of the value of a particular property value at a given date. The market value of investment properties is calculated using assumptions of expected rental income, property costs, economic vacancy and yield requirement. These factors vary depending on the economy, demand for properties and interest rates. Internal valuations assume an uncertainty range of +/- 5 per cent, corresponding to a value range of between SEK 31,947 million and SEK 35,310 million (25,177-27,827). In the sensitivity analysis, the input parameters of net operating income have been adjusted +/- 5-10 per cent one at a time to show how cash flow changes affect the overall value. Similarly, the yield requirement has been adjusted +/- 0.5-1.0 percentage points to show how the overall value is affected.

However, the sensitivity analysis is not realistic since one isolated parameter rarely changes. The various assumptions regarding cash flow and yield requirement are interconnected.

Sensitivity analysis of change in value

	Change	Earnings effect, SEK million
Rental income	+/- 5-10%	2,216-4,450
Operating costs	+/- 5-10%	535-1,089
Vacancy rate	+/- 5-10%	2,270-4,559
Net operating income	+/- 5-10%	1,662-3,343
Yield requirement	+/- 0.5-1 percentage points	3,611-8,120

External valuation

To quality-assure the internal valuation, 318 properties, comprising 33 properties in Germany and 21 in Finland, and corresponding to 93 per cent of the portfolio's value, were valued by external, independent valuers. Savills performed the valuation of the Swedish portfolio, CBRE the German portfolio, and JLL the Finnish portfolio. A full valuation was performed on 87 of the 318 properties, including a physical inspection. A desktop valuation was performed on the remaining properties. During the year, 29 properties were acquired in Sweden, seven in Germany and 13 in Finland. An external valuation was not performed on 26 of the acquisitions in Sweden, and ten of the acquisitions in Finland.

According to the external valuations, the estimated market value totalled SEK 32,055 million. Hemsö's valuation of the same properties amounted to SEK 31,395 million. Hemsö's valuation of ongoing project properties was more conservative and thereby accounted for the greatest valuation difference. This represents a negative deviation of SEK 660 million, net, corresponding to a negative deviation of 2.1 per cent. The deviation lies within the approved uncertainty range of +/- 5 per cent.

Note 14 Equipment

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Accumulated cost, opening balance	14	13	12	12
Acquisitions	-	1	-	-
Divestments	-	-	-	-
Total	14	14	12	12
Accumulated depreciation, opening balance	-8	-6	-7	-5
Depreciation for the year	-2	-2	-1	-2
Total	-10	-8	-8	-7
Carrying amount, closing balance	4	6	4	5

Note 15 Participations in Group companies

Carrying amount at period-end. Specification of the company's holding of shares and participations in Group companies.

Parent Company	Participation, %						
	Subsidiary	Corp. Reg. No.	Reg. office	Country	Direct	Indirect	Carrying amount 31 Dec 2016
	Hemsö Vårdfastigheter AB	556657-9958	Stockholm	Sweden	100.0		675
	Fastighets AB Fordonsskolan	556691-2654	Stockholm	Sweden	100.0		177
	Russeliana AB	556686-3733	Stockholm	Sweden	100.0		63
	Tipton Erik AB	556617-6128	Stockholm	Sweden	100.0		13
	Hemsö Bänken AB	556718-3396	Stockholm	Sweden	100.0		115
	Hemsö Tavlan 08 AB	556746-9852	Stockholm	Sweden	100.0		22
	Fastighets AB Beckomberga 1:12	556753-3780	Stockholm	Sweden	100.0		29
	Hemsö Vreten AB	556417-3952	Stockholm	Sweden	100.0		459
	Ärlingheden Fastighets AB	556761-3756	Stockholm	Sweden	100.0		1
	Hemsö Skara Fastigheter AB	556773-7159	Stockholm	Sweden	100.0		7
	Hemsö Draget Fastigheter AB	556340-0869	Stockholm	Sweden	100.0		44
	Nya Vilunda Fastighets AB	556781-6789	Stockholm	Sweden	100.0		-
	Hemsö Köping Fastigheter AB	556845-8912	Stockholm	Sweden	100.0		11
	Hemsö Dona Fastigheter AB	556795-8987	Stockholm	Sweden	100.0		28
	Hemsö Botkyrka Fastigheter AB	556786-3427	Stockholm	Sweden	100.0		13
	Hemsö Krokslätt Fastighets AB	556259-2815	Stockholm	Sweden	100.0		37
	Hemsö Gransångaren Fastighet AB	556591-2994	Stockholm	Sweden	100.0		40
	Hemsö Rosengård AB	556709-9205	Stockholm	Sweden	100.0		42
	Hemsö Patienthotell AB	556709-9206	Stockholm	Sweden	100.0		35
	Hemsö Upplands Väsby Fastigheter AB	556911-7855	Stockholm	Sweden	100.0		-
	Hemsö Öst B AB	556610-9103	Stockholm	Sweden	100.0		57
	Hemsö Cullberg Holding AB	556932-8080	Stockholm	Sweden		100	-
	Hemsö Båthöjden AB	559079-7642	Stockholm	Sweden		100	-
	Hemsö Nackavillan AB	559079-7600	Stockholm	Sweden		100	-
	Hemsö Lövhagen 29 AB	559083-7083	Stockholm	Sweden		100	-
	Hemsö Skolfastigheter AB	556537-6901	Stockholm	Sweden	100.0		482
	Bokbacken Fastigheter AB	556340-5538	Stockholm	Sweden	100.0		1,234
	Hemsö Öresund KB	969647-9295	Stockholm	Sweden	96.96	1.0	3
	Förvaltningsbolaget Krokslätt KB	969601-3839	Stockholm	Sweden	10.0	90.0	17
	Förvaltningsbolaget Hanen 4 KB	969601-3862	Stockholm	Sweden	10.0	90.0	18
	Bokbacken Fastigheter Fiskebäck KB	916850-4570	Stockholm	Sweden	10.0	90.0	32
	Bokbacken Fastigheter Solskiftet KB	916434-5549	Stockholm	Sweden	10.0	90.0	28
	KB S:t Jörgen Äldreboende	969673-1430	Stockholm	Sweden	10.0	90.0	15
	FB Fair Fyrtiotre KB	916630-7455	Stockholm	Sweden	1.0	99.0	23
	Bjölåhemmet KB	916849-3212	Stockholm	Sweden	1.0	99.0	12
	Hemsö Britsen AB	556718-3388	Stockholm	Sweden	100.0		9
	Krusleden Fastighets AB	556712-4986	Stockholm	Sweden	100.0		9
	Ystad Liv 1 Fastighets AB	556640-8737	Stockholm	Sweden	100.0		32
	Hemsö Hissen 08 AB	556746-9837	Stockholm	Sweden	100.0		470
	Hemsö Klockarkärleken AB	556750-0862	Stockholm	Sweden	100.0		78
	Hemsö Valsätra AB	556761-3749	Stockholm	Sweden	100.0		5
	Hemsö Söderport AB	556752-5554	Stockholm	Sweden	100.0		36
	Hemsö Landsdomaren HB	916615-7579	Stockholm	Sweden	100.0		241
	Hemsö Beckomberga Fastigheter AB	556617-6151	Stockholm	Sweden	100.0		1
	Hemsö Heden Holding AB	556873-8529	Stockholm	Sweden	100.0		-
	Hemsö Holding AB	556920-8050	Stockholm	Sweden	100.0		-
	Hemsö LSS fastigheter Holding	556923-9527	Stockholm	Sweden	100.0		-
	Hemsö Intende AB	556802-4789	Stockholm	Sweden	100.0		4
	Hemsö Norden KB	969769-2961	Stockholm	Sweden		50.0	-
	Hemsö Komplementär AB	556951-8086	Stockholm	Sweden		50.0	-
	Hemsö Häggen KB	969769-2920	Stockholm	Sweden		50.0	-
	Hemsö Nacka 1 KB	969780-4194	Stockholm	Sweden		100.0	-
	Hemsö Luleå 1 KB	969780-9839	Stockholm	Sweden		100.0	-
	Hemsö Baggen AB	556709-6812	Stockholm	Sweden	100.0		27
	Hemsö Tuna Fastigheter AB	556709-6820	Stockholm	Sweden		100.0	-
	Hemsö Jungfruholmen Holding AB	556937-6493	Stockholm	Sweden	100.0		-
	Hemsö Jungfruholmen HB	916585-3921	Stockholm	Sweden		100.0	-
	Hemsö Kvillebäcken AB	556874-5292	Stockholm	Sweden	100.0		29
	Hemsö Medicinaren AB	556822-2359	Stockholm	Sweden	100.0		235
	Hemsö Sandudden Fastigheter AB	556928-1958	Stockholm	Sweden	100.0		4
	Hjärup Fastighets AB	556973-2752	Stockholm	Sweden	100.0		-
	Hemsö Häradsövdingen AB	556761-9035	Stockholm	Sweden	100.0		-
	Hemsö Tegen AB	556761-8938	Stockholm	Sweden	100.0		288
	Hemsö Vingen AB	556723-2342	Stockholm	Sweden	100.0		36
	Hemsö Samsset FAB	556931-8644	Stockholm	Sweden	100.0		-
	Hemsö Borlänge Fastigheter AB	556955-6516	Stockholm	Sweden	100.0		-
	Fastigheten Hälsan AB	556658-9510	Stockholm	Sweden	100.0		92
	Hemsö Centrumhuset i Göteborg AB	556991-6249	Stockholm	Sweden	100.0		1
	Alexander Holding 1 AB	556989-1491	Stockholm	Sweden	100.0		-
	Blå Kruset 1 AB	556989-0014	Stockholm	Sweden	100.0		-
	Blå Kruset 17 AB	556992-5679	Stockholm	Sweden	100.0		-
	Blå Kruset 9 AB	556989-0089	Stockholm	Sweden	100.0		-
	Blå Kruset 13 AB	556989-0162	Stockholm	Sweden	100.0		-
	TKV Fastighets AB	556900-1323	Stockholm	Sweden	100.0		188
	TKV 2 Fastighets AB	556967-4624	Stockholm	Sweden	50.0		-
	Hemsö Gotland Holding Fastigheter AB	556930-2713	Stockholm	Sweden	100.0		-
	Hemsö Gotland Fastigheter AB	556923-9592	Stockholm	Sweden	89.0	11.0	-
	Hemsö Life Holding AB	559017-8314	Stockholm	Sweden	100.0		-
	Vitartes AB	559015-3549	Stockholm	Sweden		50.0	-
	Vitartes Development AB	559017-8405	Stockholm	Sweden		50.0	-
	Vitartes Holding AB	559017-8371	Stockholm	Sweden		50.0	-
	Göteborg Life Science AB	559015-3564	Stockholm	Sweden		50.0	-
	Haninge SSJH AB	556993-0968	Stockholm	Sweden		50.0	-
	Scandinavian Life Science AB	556761-5082	Stockholm	Sweden		50.0	-
	Scandinavian Life Science Två AB	559015-3531	Stockholm	Sweden		50.0	-
	Hemsö Huginerva AB	559002-6570	Stockholm	Sweden	100.0		96
	Hemsö Arttäv Fastigheter AB	556745-4979	Stockholm	Sweden	100.0		19
	Hemsö Skarpnäck AB	556757-1186	Stockholm	Sweden	100.0		21
	Hemsö Eskulapen AB	556767-6423	Stockholm	Sweden	100.0		21

Parent Company	Participation, %						Carrying amount 31 Dec 2016
	Subsidiary	Corp. Reg. No.	Reg. office	Country	Direct	Indirect	
	Hemsö Ystad Tonsättaren AB	559005-5348	Stockholm	Sweden	100.0		41
	Hemsö skolfastigheter i Järvastaden AB	559017-4354	Stockholm	Sweden	100.0		–
	Hemsö Borstahuset Fastigheter AB	559017-4586	Stockholm	Sweden	100.0		1
	Hemsö Växjö Dörren AB	556906-7431	Stockholm	Sweden	100.0		28
	Hemsö Motala Munken AB	559001-0434	Stockholm	Sweden	100.0		1
	Hemsö Kungshamn Fastigheter AB	556805-3085	Stockholm	Sweden	100.0		25
	Fastighetsutveckling Lindholmen AB	559011-5233	Stockholm	Sweden	100.0		68
	KV Mode Fastighetsutveckling AB	559029-6736	Stockholm	Sweden	100.0		31
	Hemsö Sandarna 26:2 AB	556750-6547	Stockholm	Sweden	100.0		20
	Hemsö Stafvre AB	559021-5660	Stockholm	Sweden	100.0		31
	Hemsö Träkolet AB	556652-7049	Stockholm	Sweden	100.0		167
	Hemsö Växjö Korpen AB	559051-6604	Stockholm	Sweden	100.0		18
	Hemsö Krusmyntan AB	556963-0246	Stockholm	Sweden	100.0		17
	Hemsö Kopparormen AB	556762-2195	Stockholm	Sweden	100.0		15
	Hemsö Hantverkaren AB	556929-7889	Stockholm	Sweden	100.0		54
	Hemsö Gävle Norrtull AB	559085-6943	Stockholm	Sweden	100.0		–
	Hemsö Finland AB	556948-0139	Stockholm	Sweden	100.0		5
	Hemsö Åbo AB	556948-0147	Stockholm	Sweden		100.0	–
	Hemsö Åbo Fastigheter Oy	2584434-9	Helsinki	Finland		100.0	–
	Kiinteistö Oy Turun Lemminkäisenkatu 30	1879924-4	Helsinki	Finland		100.0	–
	Hemsö Samhällsfastigheter Finland AB	556959-2859	Stockholm	Sweden		100.0	–
	Hemsö Samhällsfastigheter Finland Oy	2601763-6	Helsinki	Finland		100.0	–
	Koy Hemsö Care I Holding 9	2552093-4	Helsinki	Finland		100.0	–
	Koy Louhelan Hoivakodit	2552379-9	Helsinki	Finland		100.0	–
	Koy Kuparitie 2	2552080-3	Helsinki	Finland		100.0	–
	Koy Espoon Kiltakallionrinne 1	2552077-4	Helsinki	Finland		100.0	–
	Koy Kuopion Koivavedenkatu 10	2552078-2	Helsinki	Finland		100.0	–
	Koy Espoon Kattilatanhua 6	2552076-6	Helsinki	Finland		100.0	–
	Koy Vaasan Huvilatie 2	2552091-8	Helsinki	Finland		100.0	–
	Koy Pitkäniemen R15	2552085-4	Helsinki	Finland		100.0	–
	Koy Arppentie 6B	2552075-8	Helsinki	Finland		100.0	–
	Koy Kontinkankaan Kuntoutussairaala	2552100-5	Helsinki	Finland		100.0	–
	Koy Hovakoti Villa Olavi	2552096-9	Helsinki	Finland		100.0	–
	Koy Kununkaanlaakson Hoivakoti	2552099-3	Helsinki	Finland		100.0	–
	Koy Palvelutalo Untuva	2552094-2	Helsinki	Finland		100.0	–
	Koy Hyvinkään Haavantie 4	2552097-7	Helsinki	Finland		100.0	–
	Koy Jämsän Hotellitie 1	2552098-5	Helsinki	Finland		100.0	–
	Hemsö Keskiyöntie AB	556986-5495	Stockholm	Sweden		100.0	–
	Hemsö Keskiyöntie Oy	2650175-1	Helsinki	Finland		100.0	–
	Koy Helsingin Keskiyöntie 6	2536809-8	Helsinki	Finland		100.0	–
	Hemsö Björneborg AB	559016-8950	Stockholm	Sweden		100.0	–
	Hemsö Björneborg Oy	2699026-8	Helsinki	Finland		100.0	–
	Fastighets Ab Academill	1508596-7	Helsinki	Finland		100.0	–
	Hemsö Kangasala AB	559010-1688	Stockholm	Sweden		100.0	–
	Hemsö Kangasala Oy	2713978-2	Helsinki	Finland		100.0	–
	Koy Kangasalan Herttuatar	2713658-1	Helsinki	Finland		100.0	–
	Kiinteistö Oy Tampereen Tilkonmäenkatu 2	2734576-2	Helsinki	Finland		100.0	–
	Kiinteistö Oy Klaukkalan Palvelukoti	2730171-9	Helsinki	Finland		100.0	–
	Asunto Oy Klaukkalan Puusepänmäki	2199622-2	Helsinki	Finland		100.0	–
	Kiinteistö Oy Lohjan Maksjoen Palvelukoti	2430602-0	Helsinki	Finland		100.0	–
	Kiinteistö Oy Pälkäneen Lastenlinnanatie	2751230-5	Helsinki	Finland		100.0	–
	Kiinteistö Oy Tampereen Niemenrannan Johannes	2400537-5	Helsinki	Finland		100.0	–
	Hemsö EKO Finland AB	559026-2068	Stockholm	Sweden		100.0	–
	Hemsö EKO Finland Oy	2725168-6	Helsinki	Finland		100.0	–
	Kiinteistö Oy Espoon Jänismäki	1992386-8	Helsinki	Finland		100.0	–
	Kiinteistö Oy Keravan Terveyslähde	1933749-8	Helsinki	Finland		100.0	–
	Kiinteistö Oy Oulun Mielikintie 8	2262427-9	Helsinki	Finland		100.0	–
	Hemsö Storåker Finland AB	556989-0139	Stockholm	Sweden		100.0	–
	Hemsö Storåker Finland Oy	2734709-8	Helsinki	Finland		100.0	–
	Kiinteistö Oy Espoon Suurpellon Puistokatu	2755679-7	Helsinki	Finland		100.0	–
	Asunto Oy Espoon Suurpellon Puistokatu A	2773672-1	Helsinki	Finland		100.0	–
	Asunto Oy Espoon Suurpellon Puistokatu B	2273680-1	Helsinki	Finland		100.0	–
	Koy Espoon Suotie 4	2758356-8	Helsinki	Finland		100.0	–
	Hemsö Rättsväsendefast i Finland AB	559088-4267	Stockholm	Sweden		100.0	–
	Hemsö Rättsväsendefast Finland Oy	2730030-2	Helsinki	Finland		100.0	–
	Karistonkulma Oy	0507064-9	Helsinki	Finland		100.0	–
	Hemsö Tyskland AB	556843-9771	Stockholm	Sweden	100.0		10
	Hemsö Steglitz GmbH	HRB 201253	Berlin	Germany		100.0	–
	Hemsö Offenbach GmbH	HRB 205413	Berlin	Germany		100.0	–
	Hemsö Dresden GmbH	HRB 156831 B	Berlin	Germany		100.0	–
	Hemsö GmbH	HRB 169543	Berlin	Germany		100.0	–
	Hemsö Asset Mgmt GmbH	HRB 165326	Berlin	Germany		100.0	–
	Hemsö Vita GmbH	HRB 169542	Berlin	Germany		94.9	–
	Hemsö Beteiligungs GmbH	HRB 170669	Berlin	Germany		100.0	–
	Aveca GmbH & Co KG	HRA 39598 B	Berlin	Germany		94.9	–
	Hemsö Wetter und Rositz GmbH	HRB 170964	Berlin	Germany		94.9	–
	Hemsö Barsel GmbH	HRB 171219	Berlin	Germany		94.9	–
	Hemsö Bocholt GmbH	HRB 172025	Berlin	Germany		100.0	–
	Hemsö Lauterbach GmbH	HRB 183667	Berlin	Germany		100.0	–
	Aveca Vermögensverwaltung	HRA 40144 B	Berlin	Germany		100.0	–
	Hemsö Germany Invest 10 GmbH	HRB 217922	Berlin	Germany		100.0	–
	Hemsö Germany Invest 11 GmbH	HRB 224222	Berlin	Germany		100.0	–
	Hemsö Germany Invest 12 GmbH	HRB 222515	Berlin	Germany		100.0	–
Total							6,206

Note 15, cont.

Parent Company	31 Dec 2016	31 Dec 2015
Accumulated cost, opening balance	6,688	6,184
Acquisitions	477	368
Profit from participations in limited partnerships after dividend	41	85
Shareholder contributions	96	63
Divestments	-14	-12
Total	7,288	6,688
Accumulated impairment losses, opening balance	-512	-444
Impairment losses for the year	-570	-68
Total	-1,082	-512
Total	6,206	6,176

The holding in TKV 2 Fastighets AB, Corp. Reg. No. 556967-4624, was 50 per cent. The remaining 50 per cent of the shares were owned by SveaNor Holding AB, Corp. Reg. No. 556932-6308. The companies are conducting a project related to the construction of a medical training and research

Note 16 Accounts receivable

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Rent receivable	11	11	-	-
Accounts receivable	20	18	-	-
Reserve for doubtful receivables	-4	-5	-	-
Total	27	24	-	-

Maturity analysis

	Not due		Due 1-30 days		Due 31-60 days		Due 61-90 days		Due >90 days		Total	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Group												
Accounts receivable	16	17	-	3	-	-	-	-	1	1	20	18
Rent receivable	-	-	-	-	1	1	-	-	10	10	11	11
Total	16	17	-	3	1	1	-	-	11	11	31	29
Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-

Note 17 Maturity structure of receivables

Group	31 Dec 2016	31 Dec 2015
Current assets		
Payment due within 1 year	323	384
Non-current assets		
Payment due 1-5 years	42	-
Total	365	384

Note 18 Guidelines for management of capital

Summary of financial policy

Financing risk	Outcome at 31 December 2016
Loan-to-value ratio	Max. 70 per cent over the long term 64.0%
Loan maturity	At least 2 years 4.1 years
Secured loans	Max. 20 per cent of the property value over the long term 7.7%
Interest-rate risk	
Interest-coverage ratio	At least 2.0 times (rolling 12-month period) 4.1 times
Fixed-interest period	At least 60 per cent of the loan portfolio will have fixed-rate periods of between one-ten years, with a favourable diversification of maturities. 67%
Counterparty risk	
Financial instruments	Bank with at least A- (S&P) Fulfilled

centre at Karolinska University Hospital in Huddinge. The premises are due for completion in December 2017. Hemsö aims to have acquired the remaining 50 per cent of the shares in the companies by the time the premises have been completed.

The holding in Vitartes AB, Corp. Reg. No. 559015-3549, and its subsidiaries was 50 per cent. The remaining 50 per cent was owned by SveaNor JV Holding AB, Corp. Reg. No. 559017-8397. The Vitartes companies conduct development projects for the construction of life science properties, with Hemsö as the long-term property owner. The projects include constructions at the New Karolinska Solna University Hospital and Sahlgrenska University Hospital.

The holding in Hemsö KB, Corp. Reg. No. 969769-2961, was 50 per cent. The remaining 50 per cent of the participations were owned by the Third Swedish National Pension Fund, Corp. Reg. No. 802014-4120. However, Hemsö Fastighets AB is a general partner, and therefore has unlimited liability for the company's obligations. In addition, the parties have agreed that Hemsö is individually entitled to manage the company's affairs.

During the year, some of the subsidiaries paid dividends to Hemsö Fastighets AB. In addition, some of the properties owned by subsidiaries of Hemsö Fastighets AB were impaired. In some cases, the payment of dividends and impairment of properties had a direct impact on the value of the subsidiaries, and on the carrying amount of shares and participations in subsidiaries, which explains the impairment losses for the year.

An individual assessment of all accounts and rent receivable is made on a quarterly basis to identify any need for provision.

Provision for doubtful accounts and rent receivable amounted to SEK 4 million (5), corresponding to 13 per cent (18) of the total rent and accounts receivable balance.

Currency risk

Currency exposure Maximum corresponding value in SEK of 20 per cent of the Group's Risk-bearing capital without currency hedging. Fulfilled

The Group's capital structure consists of interest-bearing net debt and equity attributable to Parent Company shareholders. Equity comprises share capital, other capital contributions and retained earnings. At 31 December 2016, the share capital was divided between 100,001,000 shares with a quota value of SEK 0.01 per share.

Dividend policy

Hemsö's dividend policy is that dividends should amount to half of the total property management profit. When determining the dividend proposal, the Board accounts for such factors as the company's investment plans, consolidation needs and financial position in general.

Note 19 Tax allocation reserves

Parent Company	31 Dec 2016	31 Dec 2015
Tax allocation reserve, set aside for taxation in 2017	1	-
Tax allocation reserve, set aside for taxation in 2016	-	-
Tax allocation reserve, set aside for taxation in 2015	-	-
Tax allocation reserve, set aside for taxation in 2014	-	-
Tax allocation reserve, set aside for taxation in 2013	-	-
Tax allocation reserve, set aside for taxation in 2012	12	12
Tax allocation reserve, set aside for taxation in 2011	-	21
Total	13	33

Note 20 Interest-bearing liabilities

Group	Carrying amount		Effect on net financial items (12 months), SEK million
	31 Dec 2016	31 Dec 2015	
Statement of financial position			
Interest-bearing liabilities			
Loans from minority interests	41	21	
Bond loans	14,802	8,330	
Commercial papers	5,038	5,000	
Bank loans	2,602	4,103	
Total	22,483	17,454	
Amount, opening balance	17,454	19,507	
Loans from credit institutions	11,429	6,030	
Loans from minority interests	20	21	
Loan repayment	-6,522	-9,160	
Commercial papers	38	1,140	
Exchange-rate differences	64	-84	
Liabilities, closing balance	22,483	17,454	

Hemsö's interest-bearing liabilities amounted to SEK 22,483 million (17,454), including loans of SEK 41 million (21) from minority interests. Borrowing from the capital market and credit institutions amounted to SEK 22,442 million (17,433), comprising secured bank loans of SEK 2,602 million (4,103), outstanding commercial papers of SEK 5,038 million (5,000) and unsecured bond loans of SEK 14,802 million (8,330). Available liquidity amounted to SEK 12,774 million (10,715), comprising bank deposits of SEK 932 million (157) and unutilised credit facilities of SEK 11,842 million (10,558) (of which unutilised construction loans amounted to SEK 1,342 million). At the closing date, Hemsö's average interest rate was 1.5 per cent (1.9).

Liabilities	Group		Parent Company	
	2016	2015	2016	2015
Interest-bearing loans due within one year of the closing date	7,316	7,372	6,838	6,962
Other non-interest-bearing liabilities due within 1 year of the closing date	972	695	163	140
Interest-bearing loans due within 1-5 years of the closing date	9,855	8,650	8,246	6,598
Interest-bearing loans due later than five years after the closing date	5,312	1,432	4,755	200
Total excluding deferred tax liabilities and interest-rate derivatives	23,455	18,149	20,002	13,900

Loan maturity and fixed-interest period

Loan maturity	Credit agreement			Fixed-interest period	
	Maturity year	SEK million	Utilised, SEK million	Share, %	SEK million
2017	2,500	2,278	13.1	7,461	33.2
2018	15,868	4,248	24.4	200	0.9
2019	2,169	2,169	12.5	940	4.2
2020	1,897	1,897	10.9	1,347	6.0
2021	1,300	1,300	7.5	2,100	9.4
2022	200	200	1.1	1,778	7.9
2023		0	0.0	1,500	6.7
2024		0	0.0	1,500	6.7
2025		0	0.0	861	3.8
>2025	5,312	5,312	30.5	4,755	21.2
Total	29,246	17,404	100.0	22,442	100.0
Certificates outstanding		5,038			
Total		22,442*			

* Excluding loans of SEK 41 million from minority interests.

Maturity structure, derivative instruments

Maturity year	Interest, %	SEK million	Interest at maturity	
			Share, %	
2020	3.22	800	10.0	
2021	1.99	1,800	22.4	
2022	1.81	1,578	19.6	
2023	2.93	1,500	18.7	
2024	2.86	1,500	18.7	
2025	1.29	861	10.7	
Total	2.34	8,039	100.0	

Sensitivity analysis, interest-rate fluctuations

The loan portfolio's average interest rate, +/-1 percentage point	-/+224
Short-term market rate (\leq 3 months), +1 percentage point	-45
Short-term market rate (\leq 3 months), -1 percentage point	+6

Financial risks and risk management

Hemsö's financing activities are conducted in accordance with the finance policy established by the Board, which regulates the frameworks and guidelines for Hemsö's financing and treasury management. The Group's financial transactions and risks are managed centrally by the Group's Treasury Unit. The finance policy outlines the overall delegation of responsibilities for financing activities, and the relevant mandates and limits for Hemsö's financial risk management.

Financing risk

Financing risk is the risk of not being able to access the capital required by Hemsö's operations, or that financing can only be obtained at a significantly higher cost.

Much of Hemsö's capital is secured through external borrowing. As these loans mature, they must be repaid or renewed. The conditions for Hemsö to refinance the loan facilities on acceptable terms as they expire depend on the amount of credit available in the market, Hemsö's financial position and the market's credit risk margins on those dates. Hemsö has credit agreements with several banks, a balanced maturity spread and participates actively in the capital market to ensure a diverse supply of capital.

Interest-rate risk

Interest-rate risk is the risk that market-rate fluctuations will have a negative impact on Hemsö's cash flow, or on the fair value of financial assets and liabilities.

Hemsö's interest expense is the Group's largest single cost item. Interest expense is mainly affected by current market rates, lenders' margins and the strategy that Hemsö chooses for fixed-rate periods. The management of Hemsö's interest-rate risk includes interest-rate swaps with a range of maturities to extend the loan portfolio's fixed-interest period and thereby achieve stable and more predictable net financial items.

Counterparty risk

Counterparty risk is the risk that a financial counterparty cannot fulfil all or some of its obligations. This includes interest-rate swap agreements, long and short-term credit agreements and investments of surplus liquidity. Hemsö only enters into transactions with counterparties with high credit ratings.

Currency risk

Currency risk is the risk that exchange-rate fluctuations will affect Hemsö's income statement and balance sheet. Hemsö's currency risk is limited to EUR and pertains to the properties owned by the Group in Germany and Finland. The foreign properties are financed with external financing in EUR, which minimises risk.

Hemsö owns 31 (18) properties in Finland and 33 (26) properties in Germany, entailing EUR exposure. The properties are financed with equity, intra-Group loans and external loans. On 31 December 2016, external interest-bearing liabilities in EUR corresponded to SEK 6,056 million (2,775).

At the same date, the market value of the properties in Finland and Germany was SEK 5,622 million (3,512). Hemsö's bank deposits in EUR amounted to a corresponding value of SEK 507 million. At 31 December, net exposure – comprising property assets and cash less interest-bearing liabilities in EUR – amounted to EUR 7 million, corresponding to SEK 68 million. A 10 per cent change in the exchange rate movement would result in currency exposure of +/- SEK 7 million.

Since Hemsö applies IAS 21, most of the company's exchange-rate effects are recognised directly in equity. Only a small portion of the exchange-rate effects are recognised in profit or loss.

Liquidity risk

Liquidity risk is the risk of not having access to cash and cash equivalents or credit facilities to meet payment commitments. Hemsö's payment commitments mainly comprise the ongoing costs of operation and maintenance, investments, interest expense and debt repayments. Hemsö has a liquidity buffer and performs regular liquidity forecasts to increase predictability and ensure sufficient time to meet loan maturities and other major payment obligations.

Note 21 Financial assets and liabilities

Group

Hemsö assesses that there is no significant difference between the fair value and carrying amount of financial assets and liabilities. Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and are not quoted in an active market. These assets are measured at amortised cost. These assets are due within one year and there are no untaxed negative values.

Other financial liabilities are recognised at amortised cost and have variable interest rates.

Derivatives are recognised at fair value and classified as Level 2 under IFRS 13.

The loans and receivables category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 323 million (394). Other financial liabilities consist of liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 23,455 million (18,141). In addition to the external liabilities, loans from minority interests amounted to SEK 41 million (21).

Financial assets and liabilities measured at fair value through other comprehensive income consisted of derivatives and amounted to SEK 723 million (679).

Parent Company

The loans and receivables category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 16,885 million (11,374). Other financial liabilities consist of liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 20,001 million (13,899).

Note 22 Pledged assets

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Property mortgages	6,411	10,036	–	–
Participations in Group companies	0	163	0	26
Receivables from subsidiaries	–	–	3,000	3,000
Total	6,411	10,198	3,000	3,026

The assets are mainly pledged for bank loans. Loan agreements usually include obligations related to the interest-coverage ratio and loan volume in relation to the fair value of the properties. The amount also includes collateral provided for credit facilities.

Note 23 Contingent liabilities

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Liability as partner in unlimited/limited partnerships	–	–	135	121
Guarantees on behalf of Group companies	–	–	3,722	3,671
Total	–	–	3,857	3,792

Commitments leading to costs for restoring contaminated soil or other environmental obligations for owned properties may arise in the future. Costs may arise, for example, in the form of additional costs in connection with new construction or extensions, or price discounting on the sale of a property. Hemsö's current assessment is that these will not represent any significant amount.

Hemsö is involved in a number of minor disputes with tenants, mainly regarding ongoing management issues, which may result in future obligations. Costs may, for example, take the form of fees for advisory services in connection with negotiations. Hemsö's current assessment is that these disputes will not have any significant impact on earnings.

Note 24 Supplemental disclosures of cash flow information

Group	2016	2015
No funds other than cash and bank balances are included in the cash and cash equivalents item		
Cash flows		
Interest received	2	3
Interest paid	396	459
Acquisition of subsidiaries		
<i>Acquired assets and liabilities</i>		
Investment properties	1,297	706
Operating receivables	22	93
Total assets	1,319	799
Deferred tax liabilities	–	–
Operating liabilities	15	259
Total liabilities	15	259
Proceeds paid, shares	-789	-416
Proceeds paid, repayment of loans	-533	-137
Additional: Cash and cash equivalents in the acquired operations	19	38
Effect on cash and cash equivalents – acquisition of properties via companies	-1,303	-515
Effect on cash and cash equivalents – direct acquisition of properties	-2,059	-708
Acquisition of properties	-3,362	-1,223
Divestment of subsidiaries		
<i>Divested assets and liabilities</i>		
Investment properties	45	-1,101
Operating receivables	2	-295
Total assets	47	-1,396
Deferred tax liabilities	–	-99
Operating liabilities	3	-663
Total liabilities	3	-762
Purchase price received, shares	34	470
Proceeds received, repayment of loan	14	297
Less: Cash and cash equivalents in the divested operation	0	-1
Effect on cash and cash equivalents – divestment of properties via companies	48	766
Effect on cash and cash equivalents – direct divestment of properties	12	12
Divestment of properties	60	778
Group	2016	2015
Adjustment for non-cash items		
Depreciation/amortisation and impairment	2	2
Exchange differences, unrealised	-63	20
Other	-2	8
Total	-63	30
Parent Company	2016	2015
No funds other than cash and bank balances are included in the cash and cash equivalents item		
Cash flows		
Interest received	120	123
Interest paid	346	373
Parent Company	2016	2015
Adjustment for non-cash items		
Depreciation/amortisation and impairment	572	70
Profit/loss from divestment of participations	-6	32
Loss from participations in unlimited/limited partnerships	-40	-85
Other items	-56	10
Total	470	27

Note 25 Related-party transactions

Parent Company

Dividends to the Parent Company totalled SEK 1,255 million (74). See Note 9 regarding Profit/loss from participations in Group companies. The Parent Company leases office space from subsidiaries on market terms. Of the company's total purchasing and sales measured in SEK, 0 per cent (0) pertains to purchases and 100 per cent (100) to the net sales of other Group companies.

Parent Company owners

In 2016, dividends totalling SEK 585 million were paid to the Parent Company's owners – the Third Swedish National Pension Fund and AB Sagax.

Board of Directors

For information about remuneration, see Note 7. No Board member was directly or indirectly involved in any business transaction with Hemsö as counterparty. For a presentation of the Board of Directors, refer to page 55.

Group Management

For information about remuneration, see Note 7. No senior executive was directly or indirectly involved in any business transaction with Hemsö as counterparty. For a presentation of Group Management, refer to pages 56-57.

Loans from minority interests

Vitartes AB, which is 50-per cent owned by Hemsö, has a loan of SEK 41 million from the minority interest SveaNor JV Holding AB. The loan runs until further notice, with a 90-day STIBOR rate + 5 percentage points.

TKV2 AB, which is 50-per cent owned by Hemsö, has a loan of SEK 1 million from the minority interest SveaNor Holding AB. This loan is interest-free and will run until the construction projects in TKV2 AB are completed in December 2017.

Subsidiaries

Holdings are presented in Note 15.

Note 26 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Prepaid rental income	428	217	–	–
Accrued interest expense	94	39	81	74
Accrued personnel costs	15	11	12	11
Other items	193	160	5	7
Total	730	427	98	92

Note 27 Supplementary information on financial assets and liabilities

Derivative instruments in the consolidated and Parent Company balance sheet

Recognised as financial assets	2016	2015
Interest-rate swaps	–	3
Total	–	3

Recognised as financial liabilities	2016	2015
Interest-rate swaps	723	682
Total	723	682
Net derivative instruments	-723	-679

Derivative instruments

Derivative instruments are mainly used to achieve the desired fixed-rate period in the loan portfolio. In addition, foreign exchange derivatives are used to eliminate all currency exposure on foreign currency loans. The value of the derivatives can be derived from the quotation from the counterparty if they are categorised within Level 2 of the fair value hierarchy under IFRS 13. Fair value is based on the discounting of future cash flows for each maturity term at a market rate.

Note 27, cont.

Classification of the Group's financial instruments

Financial assets	Derivatives that do not qualify for hedge accounting		Items subject to fair value hedging		Loans and receivables		Total carrying amount	
	2016	2015	2016	2015	2016	2015	2016	2015
Cash and cash equivalents	–	–	–	–	932	157	932	157
Derivative instruments	–	–	–	–	–	–	–	–
Total	–	–	–	–	932	157	932	157

Financial liabilities	Derivatives that do not qualify for hedge accounting		Items subject to fair value hedging		Financial liabilities		Total carrying amount	
	2016	2015	2016	2015	2016	2015	2016	2015
Bond loans	–	–	–	–	14,802	8,330	14,802	8,330
Bank loans	–	–	–	–	2,602	4,103	2,602	4,103
Certificate-secured loans	–	–	–	–	5,038	5,000	5,038	5,000
Derivative instruments	723	679	–	–	–	–	723	679
Shareholder loans	–	–	–	–	–	–	–	–
Loans from minority interests	–	–	–	–	41	21	41	21
Total	723	679	–	–	22,483	17,454	23,206	18,133

Note 28 Events after the closing date

- The City of Västerås awarded Hemsö the contract to build Widénska gymnasiet (an upper secondary school). The school will have a lettable area of 5,800 sqm and the investment amount is SEK 150 million. The tenant, the City of Västerås, has signed a 15-year lease agreement.
- Hemsö acquired five properties and received one land-use approval in Luleå. The investment amount is SEK 370 million, and includes the building that Hemsö has agreed to construct. The Municipality of Luleå is the main tenant of the premises and will sign a 20-year lease agreement for both the existing and new properties. The transaction is subject to a decision by the Luleå Municipal Council.
- Hemsö acquired one nursing home in Bremen, Germany, for SEK 210 million. The property has 78 nursing-home beds and 46 senior apartments. The tenant is Curanum, a care provider and subsidiary of the Korian Group, which is the largest nursing home operator in Europe. The lease agreement will continue for another 8 years. Transfer will take place within the next few months.
- Hemsö acquired site leaseholds with related project commitments to construct the new Mälardalen University in Eskilstuna. The investment amount is SEK 800 million. The tenant will be Mälardalen University, which has signed a 20-year lease agreement.

Note 29 Proposed appropriation of profits

Due to the Board's proposed dividend, the Board and CEO hereby issue the following statement, based on the Swedish Companies Act, Chapter 18, Section 4.

The proposed dividend is based on the annual accounts for 2016, which were presented to the Annual General Meeting for approval on 26 April 2017, and with consideration for the company's investment and liquidity requirements. After the dividend, the equity/assets ratio would be considered satisfactory in light of the continued profitability of the operations conducted by the Parent Company and the Group. Access to liquidity for both the Parent Company and the Group is expected to remain favourable.

The Board's view is that the proposed dividend will not prevent the company, or any other Group companies, from meeting their short-term or long-term obligations, or from completing any necessary investments. The proposed dividend can thereby be justified by reference to the provisions of the Swedish Companies Act, Chapter 17, Paragraph 3, items 2-3 (the prudence concept).

Unappropriated earnings available for distribution by the AGM, SEK:

Retained earnings	10,260,212
Share premium reserve	3,000,000,000
Profit for the year	681,622,553
Total	3,691,882,765

The Board proposes that the profits be appropriated as follows, SEK:

To shareholders	555,500,000
To be carried forward	3,136,382,765
Total	3,691,882,765

Signing of the annual accounts

The undersigned assure that the annual accounts and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with generally accepted accounting principles, and give a true and fair view of the Group's

and the company's financial position and results, and that the Directors' Report gives a fair review of the development of the Group and the company's operations, position and results and describes the significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 15 March 2017



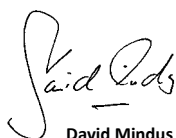
Pär Nuder
Chairman of the Board



Bengt Hellström
Board member



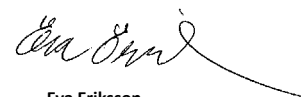
Kerstin Hessius
Board member



David Mindus
Board member



Johan Thorell
Board member



Eva Eriksson
Board member



Nils Styf
Chief Executive Officer

Our audit report was submitted on 15 March 2017.
Ernst & Young AB



Mikael Ikonen
Authorised Public Accountant

Audit report

To the Annual General Meeting of Hemsö Fastighets AB (publ), Corp. Reg. No. 556779-8169

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have conducted an audit of the annual accounts and consolidated financial statements for Hemsö Fastighets AB (publ) for the 2016 financial year, with the exception of the Corporate Governance Report on pages 51-54. The company's annual accounts and consolidated financial statements are presented on pages 40-85 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and, in all material respects, give a true and fair view of the Parent Company's financial position at 31 December 2016 and of its financial performance and cash flows for the year, in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and, in all material respects, give a true and fair view of the Parent Company's financial position at 31 December 2016 and of its financial performance and cash flow for the year, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Swedish Annual Accounts Act. Our opinion does not include the Corporate Governance Report on pages 51-54. The Directors' Report is consistent with other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the AGM adopt the income statements and balance sheets for the Parent Company and the Group.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), and with auditing standards generally accepted 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 the auditing standards generally accepted in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts and consolidated financial statements for the current period. These matters were addressed in the context of our audit of the annual accounts and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

At 31 December 2016, the fair value for the Group's properties amounted to SEK 33,629 million, and value changes to SEK 2,072 million. Unrealised value changes amounted to SEK 2,073 million, and realised value changes to a negative amount of SEK 1 million. Valuation of the property holding and special considerations and judgements in this regard are described in Notes 2 and 13.

The valuations are yield-based, according to the discounted cash flow model, which means that expected future cash flows are forecast. The dividend yield requirement for properties is determined on the basis of each property's unique risk and transactions made in the market. Changes to the unobservable inputs used in the valuations are analysed by management against internally available information, completed and planned transactions and information from the external valuers.

Due to the numerous assumptions and judgements made in connection with the valuation, we consider this a key audit matter.

In our audit, we have evaluated and tested the process used by management for property valuation by evaluating the valuation technique and the inputs used. We have also made comparisons with known market information. With the support of our valuation specialists, we have examined the company's property valuation technique. With the support of our valuation specialists, we have also examined the reasonableness of the assumptions made, such as the dividend yield requirement, vacancy rates, rental income and operating costs. We have assessed whether the information disclosed in the annual accounts is appropriate.

Income taxes

According to the consolidated statement of comprehensive income, tax expense amounted to SEK 49 million, and the Group also recognised deferred tax assets of SEK 174 million and deferred tax liabilities of SEK 2,277 million. A tax calculation and special considerations and judgements in this regard are described in Notes 2 and 12.

Calculations and recognition of current and deferred tax are complex and involve a high level of judgements and assumptions. These include the presence of loss carryforwards, the basis for tax depreciation, directly deductible refurbishment costs, property divestments either individually or as a company, and changes in the value of properties and derivatives. Due to the numerous assumptions and judgements made in connection with tax calculations, we consider this a key audit matter.

In our audit, we have evaluated and examined the process used by management to calculate current and deferred tax and reviewed the calculation basis. With the support of our taxation specialists, we have assessed the application against current tax legislation.

We have assessed whether the information disclosed in the annual accounts is appropriate.

Information other than the annual accounts and consolidated financial statements

This document also contains information other than the annual accounts and consolidated financial statements, which can be found on pages 2-39, 86-99. The Board and the Chief Executive Officer are responsible for the other information.

Our opinion on the annual accounts and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts and consolidated financial statements, it is our responsibility to read the information identified above, and in doing so, consider whether

the information is materially inconsistent with the annual accounts and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we 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 and Chief Executive Officer

The Board and the Chief Executive Officer are responsible for the preparation and fair presentation of the annual accounts and consolidated financial statements in accordance with the Swedish Annual Accounts Act and, of the consolidated financial statements in accordance with IFRS as adopted by the EU. The Board and Chief Executive Officer are also responsible for the internal control they determine necessary to enable the presentation of annual accounts and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated financial statements, the Board and Chief Executive Officer are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board and the Chief Executive Officer intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

The Board's Audit Committee is responsible for overseeing the company's financial reporting process, without prejudice to the Board's responsibilities or any other powers.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated financial statements, 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 opinion. 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 the 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 internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board and Chief Executive Officer.
- conclude on the appropriateness of the going concern basis of accounting used by the Board and the Chief Executive Officer, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 financial statements or, if such disclosures are inadequate, to modify our opinion on the annual accounts and consolidated financial statements. 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 the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated financial statements, including the disclosures, and whether the annual accounts and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board 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, we determine those matters that were of most significance in the audit of the annual accounts and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our 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

Opinion

In addition to our audit of the annual accounts, we have also performed an audit of the Board and the Chief Executive Officer's administration of Hemsö Fastighets AB (publ) for 2016, and the proposed appropriation of the company's profit or loss.

We recommend that the Annual General Meeting appropriate the profit in accordance with the proposal in the Directors' Report and that members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

Basis for opinion

We conducted our audit in accordance with auditing standards generally accepted 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 the auditing standards generally accepted in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board and Chief Executive Officer

The Board is responsible for the proposed appropriation of the company's profit or loss. Dividend proposals include an assessment of whether the dividend is justifiable in light of the requirements that the activities carried out by the company and the Group, scope and risks place on the size of the Parent Company and Group's own capital, consolidation requirements, liquidity and position in general.

The Board is responsible for the company's organisation, and management of the company's affairs. This includes regular assessments of the financial situation of the company and the Group, and ensuring that the company's organisation is designed to control the accounting, asset management and financial affairs of the company in a satisfactory manner. The Chief Executive Officer is responsible for the ongoing management in accordance with the Board's guidelines and instructions, which includes taking all necessary steps to ensure that the company's accounting is performed in the manner prescribed by law and that asset management is handled in a satisfactory manner.

Auditor's responsibilities

Our objectives for the audit of the administration, and therefore our opinion on discharge from liability, is to obtain audit evidence to enable, with a reasonable level of assurance, whether any Board member or the Chief Executive Officer in any material respect:

- has taken any action or been guilty of any omission that could give rise to liability to the company.
- has in any other way contravened the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association.

Our objectives for the audit of the proposed appropriation of the company's profit or loss, and therefore our opinion, is to assess, with a reasonable level of assurance, whether the proposal is consistent with the Swedish 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 may give rise to liability to the company, or that a proposed appropriation of the company's profit or loss is not consistent with the Swedish Companies Act

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and main-

tain professional skepticism throughout the audit. The review of the administration and proposed appropriation of the company's profit or loss is primarily based on the audit of the accounts. Additional audit procedures performed are based on our professional judgment guided by risk and materiality. This means that we focus our review on the actions, areas and relationships that are material for the operations and where deviations and transgressions would have particular significance for the company's situation. We review and examine decisions made, support for decisions, actions taken and other factors relevant to our opinion on discharge from liability. As a basis for our opinion on the Board's proposed appropriation of the company's profit or loss, we have examined the Board's reasoned opinion, and a selection of the evidence in order to assess whether the proposal is consistent with the Swedish Companies Act.

Auditor's report on the Corporate Governance Statement

The Board is responsible for the Corporate Governance Report on pages 51-54 and for preparation of the report in accordance with the Swedish Annual Accounts Act.

Our review was conducted in accordance with FAR's auditing standard RevU 16, Auditor's report on the Corporate Governance Statement. This means that our review of the Corporate Governance Report has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing and the auditing standards generally accepted in Sweden. We believe that this review provides a sufficient basis for our opinion.

A Corporate Governance Report was prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, items 2-6 of the Swedish Annual Accounts Act, and Chapter 7, Section 31, second paragraph of the same law are consistent with other parts of the annual accounts and consolidated financial statements, and the Swedish Annual Accounts Act.

Stockholm, 15 March 2017

Ernst & Young AB



Mikael Ikonen

Authorised Public Accountant

PROPERTY DESIGNATION

EAST

Nursing homes	Address	Municipality	Area, sqm								Total
			Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	
Jakobsberg 2:2719	Vibblabyvägen 97-99	Järfälla	4,341	-	-	-	-	-	-	-	4,341
Jakobsberg 34:6	Snapphanevägen 22	Järfälla	7,055	-	-	-	-	-	-	-	7,055
Mensätra 26:1	Ornövägen 5	Nacka	2,047	-	-	-	-	-	-	-	2,047
Rösunda 36:41	Rösundavägen 2	Nacka	11,145	-	-	-	-	-	-	-	11,145
Sicklaön 12:9	Skurusundsvägen 163	Nacka	4,115	-	-	-	300	-	-	-	4,415
Linet 1	Torpvägen 5A-C	Norrköping	4,314	-	-	-	-	-	-	-	4,314
Logfyrkanten 3	Signalistgatan 3	Solna	3,218	-	-	-	-	-	-	-	3,218
Hallen 4	Lövgatan 39-43	Solna	4,244	355	1,095	-	144	-	-	-	5,838
Sjöstöveln 3	Folkparksvägen 156	Stockholm	8,506	-	325	-	-	-	-	-	8,831
Tempelriddarorden 5	Vita Liljans väg 53	Stockholm	5,000	-	-	-	-	-	-	-	5,000
Flyghöjden 2	Skarpnäcks Torg 1	Stockholm	2,880	-	-	-	-	-	-	-	2,880
Blåvalen 1	Tallhöjdsvägen 1-3	Södertälje	4,734	-	2,444	-	-	-	-	-	7,178
Hantverkaren 2	Hantverkarsvägen 1	Södertälje	-	-	-	-	-	-	-	-	-
Krusmyntan 2	Basilikagränd 1	Tyresö	2,900	-	-	-	-	-	-	-	2,900
Krusmyntan 1	Basilikagränd 1	Tyresö	-	-	-	-	-	-	-	-	-
Marknaden 1	Esplanaden 9	Täby	11,963	-	6,683	-	35	120	-	790	19,591
Åkerby 13	Kemistvägen 8	Täby	564	-	-	-	1,260	83	-	-	1,907
Hammarby 8:60	Hasselgatan 80 A-E	Upplands Väsby	2,850	-	-	-	-	-	-	-	2,850
Vallentuna-Ekeby 2:275	Ekebyvägen 40	Vallentuna	2,936	-	-	-	-	-	-	-	2,936
Vallentuna-Ekeby 1:97	Stendösvägen 1-3	Vallentuna	2,948	-	-	-	-	-	-	-	2,948
Total East Nursing homes			85,760	355	10,547	-	1,739	203	0	790	99,394

Education	Address	Municipality	Area, sqm								Total
			Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	
Markan 1	Kanslivägen 22-24	Botkyrka	-	2,932	-	-	-	-	-	-	2,932
Träkvista 3:282	Sanduddsvägen 12	Ekerö	-	938	-	-	-	-	-	-	938
Medicinaren 23	Hälsovägen 11	Huddinge	-	15,564	-	-	-	-	-	1,096	16,660
Medicinaren 14	Diagnosvägen 8	Huddinge	-	1,003	909	-	168	-	-	-	2,080
Älta 14:97	Almvägen 2	Nacka	-	6,630	-	-	-	-	-	-	6,630
Mensätra 1:157	Boo Kyrkväg 5	Nacka	-	-	-	-	-	-	-	-	-
Mensätra 1:119	Boo Kyrkväg 3	Nacka	-	4,036	-	-	-	-	-	-	4,036
Mensätra 1:168	Boo Kyrkväg 7	Nacka	-	135	-	-	-	-	-	-	135
Älta 14:101	Almvägen 4	Nacka	-	3,395	-	-	-	-	-	-	3,395
Sicklaön 351:1	Skogsstigen 40	Nacka	-	3,509	-	-	-	-	-	-	3,509
Erstavik 27:1	Fisksätravägen 31	Nacka	-	775	-	-	-	-	-	-	775
Älta 35:149	Anemonvägen 13	Nacka	-	736	-	-	-	-	-	-	736
Erstavik 26:607	Krabbvägen 1	Nacka	-	764	-	-	-	-	-	-	764
Sicklaön 207:7	Bävervägen 4	Nacka	-	919	-	-	-	-	-	-	919
Mensätra 1:84	Gustavsviksvägen 10	Nacka	-	613	-	-	-	-	-	-	613
Mensätra 2:92	Sandholmsvägen 2	Nacka	-	775	-	-	-	-	-	-	775
Lännersta 1:1231	Sunnebovägen 2	Nacka	-	563	-	-	-	-	-	-	563
Tattby 2:6	Samskolevägen 2-6	Nacka	-	758	-	-	-	-	-	-	758
Sicklaön 39:4	Helgesons väg 10	Nacka	-	2,575	-	-	-	-	-	-	2,575
Älta 75:16	Ulvsvägen 17	Nacka	-	418	-	-	-	-	-	-	418
Mensätra 2:91	Björkholmsvägen 235	Nacka	-	771	-	-	-	-	-	-	771
Märsta 1:242	Idrottsvägen 19B	Sigtuna	-	882	-	-	-	-	-	-	882
Sigtuna 2:227	Skolbacken 61	Sigtuna	-	1,629	-	-	-	-	-	-	1,629
Träbjälken 16	Sofielundsvägen 12	Sollentuna	-	2,590	-	-	-	-	-	-	2,590
Sjöberg 7:4	Lomvägen 100-102	Sollentuna	-	600	-	-	-	-	-	-	600
Träkolet 16	Turebergsvägen 3	Sollentuna	-	2,925	3,257	-	5,152	526	-	300	12,160
Befästningskullen 8	Anders Lundströms gata 3-5	Solna	-	3,388	-	-	-	-	-	-	3,388
Älgörten 1	Fridenborgsvägen 100	Solna	-	-	-	-	-	-	-	-	-
Lojsta 1	Beckomborgsvägen, Hus 12	Stockholm	-	2,300	-	-	-	-	-	-	2,300
Lummelunda 1	Beckomborgsvägen 299	Stockholm	-	1,484	-	-	-	-	-	-	1,484
Lau 1	Beckomborgsvägen, Hus 11	Stockholm	-	2,410	-	-	-	-	-	-	2,410
Gunnebo 15	Salagatan 42	Stockholm	-	4,206	-	-	-	-	-	-	4,206
Sandbacken Mindre 42	Sandbacksgatan 10	Stockholm	-	8,000	-	-	-	-	-	16	8,016
Piloten 2	Gondoligatan 16	Stockholm	-	3,471	-	-	-	-	-	-	3,471
Sproge 1	Beckomborgsvägen 314	Stockholm	-	1,470	-	-	-	-	-	-	1,470
Ponny 1	Boplatsvägen 1	Sundbyberg	-	2,687	-	-	-	-	-	-	2,687
Karleby 2:2	Gärtunavägen 4	Södertälje	-	2,950	-	-	-	-	-	-	2,950
Fräsen 2	Maskinvägen 4	Täby	-	2,028	-	-	-	-	-	-	2,028
Vilunda 19:2	Industrivägen 20 B	Upplands Väsby	-	14,904	-	-	-	-	-	-	14,904
Odenslunda 1:592	Söderviksvägen 1	Upplands Väsby	-	5,915	-	-	-	-	-	-	5,915
Edsby 1:3	Eds Kyrkväg 6, 8	Upplands Väsby	-	630	-	-	-	-	-	-	630
Vilunda 6:55	Drabantvägen 3-5	Upplands Väsby	-	3,000	-	-	-	-	-	-	3,000
Bällsta 2:1087	Zetterlundsväg 140	Vallentuna	-	3,000	-	-	-	-	-	-	3,000
Total East Education			-	118,278	4,166	0	5,320	526	-	1,412	129,702

PROPERTY DESIGNATION

			Area, sqm								
Health care	Address	Municipality	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Banslätt 1	Römossevågen 25	Botkyrka	–	2,230	4,184	–	1,446	38	–	721	8,619
Sjukhuset 7	Kevinge Strand 1B	Danderyd	–	–	3,183	–	–	–	–	–	3,183
Tappström 1:50	Bryggavågen 8	Ekerö	–	310	2,209	–	84	–	–	–	2,603
Vendelsö 3:1716	Skomakarvägen 20	Haninge	–	–	1,525	–	–	–	–	–	1,525
Ribby 1:451	Klockargatan 13-27	Haninge	319	1,819	2,407	–	562	505	–	1,434	7,046
Medicinaren 25	Hälsovågen 11	Huddinge	–	–	–	–	–	–	–	–	–
Medicinaren 19	Hälsovågen 7-9	Huddinge	–	–	28,784	–	5,583	801	–	3,625	38,793
Illern 9	Stuvsta Torg 4-6, 10-14	Huddinge	–	–	2,716	–	140	–	–	410	3,266
Kallhäll 1:32	Kopparvägen 2B	Järfälla	–	118	1,171	–	–	22	–	831	2,142
Erstavik 26:31	Fidravågen 6	Nacka	–	–	262	–	–	–	–	–	262
Sicklaön 162:5	Storängsvågen 6-8	Nacka	–	–	324	–	–	–	–	–	324
Vaktmästaren 4	Hemvägen 8	Norrtälje	–	–	–	–	–	1,200	–	–	1,200
Patienten 1	Testvägen 1	Solna	–	–	–	–	–	–	–	–	–
Princeton 1	Testvägen 1	Stockholm	–	–	–	–	–	–	–	–	–
Jullovet 1	Annebodavågen 4-6	Stockholm	–	–	1,310	–	–	–	–	23	1,333
Akka 8	Tranebergsplan 1-3	Stockholm	–	–	3,734	–	–	–	–	231	3,965
Träbron 1	Bergtallsvågen 10-12	Stockholm	3,093	2,137	11,882	–	148	–	–	45	17,305
Forellen 2	Bollmoravågen 14-20	Tyresö	–	585	5,009	–	277	45	–	557	6,473
Bylegård 37	Jarlabankes väg 46	Täby	–	–	1,549	–	–	–	–	–	1,549
Ösby 1:76	Skärgårdsvågen 7	Värmdö	–	1,711	2,194	–	232	118	–	613	4,868
Total East Health care			3,412	8,910	72,443	–	8,472	2,729	–	8,490	104,456

			Area, sqm								
Legal sector	Address	Municipality	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Tegen 6	Sundbybergsvågen 7-15	Solna	–	278	–	27,455	5,795	1,930	–	–	35,458
Total East Legal sector			–	278	–	27,455	5,795	1,930	–	–	35,458
Total East			89,172	127,821	87,156	27,455	21,326	5,388	0	10,692	369,010

WEST

			Area, sqm								
Nursing homes	Address	Municipality	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Rud 5:2	Positivgatan 15	Gothenburg	6,027	–	–	–	–	–	–	–	6,027
Krokslätt 147:2	Fridkullagatan 18 G	Gothenburg	3,088	–	–	–	150	–	–	–	3,238
Fiskebäck 8:7	Hällefundregatan 20	Gothenburg	6,444	–	–	–	–	–	1,341	–	7,785
Backa 243:52	S:t Jörgens väg 22	Gothenburg	4,441	–	–	–	–	–	605	–	5,046
Näset 130:1	Bjölavågen 1	Gothenburg	3,701	–	–	–	–	–	–	–	3,701
Sörbyn 17:1	Törnrosogatan 8-22	Vänersborg	3,363	–	826	–	155	–	–	208	4,552
Total West Nursing homes			27,064	–	826	–	305	–	1,946	208	30,349

			Area, sqm								
Education	Address	Municipality	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Samariten 11	Klinikvägen 48	Borås	–	11,660	–	–	–	–	–	–	11,660
Krokslätt 35:14	Ebbe Lieberathsgatan 19	Gothenburg	–	3,921	–	–	2,447	91	–	384	6,843
Backa 245:1	Sankt Jörgens Väg 14-20	Gothenburg	–	6,242	–	–	534	228	–	–	7,004
Sandarna 26:2	Karl Johansgatan 158	Gothenburg	–	–	–	–	–	–	–	–	–
Lindholmen 1:12	Karlavagnsgatan 9	Gothenburg	–	–	–	–	785	522	110	270	1,687
Vingen 10	Huskvarnavågen 42	Jönköping	–	2,484	–	–	–	–	–	–	2,484
Omsorgen 1	Samssetgatan 60	Jönköping	–	2,752	–	–	–	–	–	–	2,752
Bångsbo 1:29	Bångsbovägen 13	Kungsbacka	–	3,910	–	–	–	–	–	–	3,910
Dona 1:38	Rinkenåsgatan 2-4	Lysekil	–	9,000	–	–	–	–	–	–	9,000
Häggen 3	Gråbrödragatan 15	Skara	–	1,824	–	–	–	–	115	–	1,939
Stenbocken 1	Malmgatan 10	Skara	–	2,618	175	–	356	101	57	400	3,707
Häggen 2	Gråbrödragatan 7	Skara	–	496	–	–	–	135	–	–	631
Källstorpsbacken 1	Strömsviksvågen 50-54	Trollhättan	–	445	–	–	–	–	–	–	445
Sinclair 12	Östergatan 18	Uddevalla	–	15,090	630	–	1,250	200	–	45	17,215
Halla-Stenbacken 1:88	Västgötvågen 30	Uddevalla	–	16,170	945	–	6,218	3,088	1,893	7,645	35,959
Stallet 3	Johannesbergsvågen 15A-B	Vänersborg	–	3,359	–	–	–	360	–	72	3,791
Stallet 4	Johannesbergsvågen 17A-B	Vänersborg	–	–	–	–	–	–	–	–	–
Stallet 5	Johannesbergsvågen 21-33	Vänersborg	–	–	–	–	–	–	–	–	–
Stallet 8	Johannesbergsvågen 21-33	Vänersborg	–	–	–	–	–	–	–	–	–
Stallet 9	Johannesbergsvågen 45A-B	Vänersborg	–	–	–	–	–	–	–	–	–
Stallet 10	Johannesbergsvågen 47A	Vänersborg	–	–	–	–	–	–	–	–	–
Total West Education			–	79,971	1,750	–	11,590	4,725	2,175	8,816	109,027

PROPERTY DESIGNATION

Health care	Address	Municipality	Area, sqm								Total
			Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	
Tollerød 4:2	Göteborgsvägen 26	Ale	–	1,414	97	–	–	–	–	244	1,755
Skepplanda 2:118	Albotorget 5	Ale	–	–	1,283	–	–	–	–	–	1,283
Apelsinen 1	Säterigatan 122	Alingsås	–	730	1,948	–	–	–	–	480	3,158
Erska 1:111	Centrumgatan 6	Alingsås	–	–	1,060	–	–	–	–	800	1,860
Ängaboskolan 2	Sundsbergsvägen 7	Alingsås	–	–	1,488	–	–	–	–	–	1,488
Stenhuggaren 1	Kindsgatan 1	Borås	–	–	1,393	–	53	–	–	–	1,446
Fonden 49	Sörmarks-gatan 199-205	Borås	1,134	–	1,778	–	93	1,289	–	–	4,294
Sik 1:183	Tärnavägen 6	Borås	–	319	2,180	–	–	–	–	136	2,635
Rydboholm 1:477	Hagkällvägen 2	Borås	–	–	2,065	–	–	–	–	96	2,161
Kråkhult 1:61	Uppegårdsgatan 2	Borås	1,495	1,230	3,137	–	–	25	–	354	6,241
Milstolpen 8	Smörhulegatan 2	Borås	–	–	2,232	–	225	–	–	103	2,560
Sandhults-Rydet 1:256	Strandvägen 11	Borås	–	–	1,563	–	–	–	–	60	1,623
Bråmaregården 80:1	Borstbindaregatan 6	Gothenburg	–	–	3,130	–	–	–	–	195	3,325
Lindholmen 36:1	Vintergatan 1A	Gothenburg	–	–	1,674	–	1,056	–	–	1,528	4,258
Norr 5:10	Karlsborgsvägen 4	Hjo	3,177	–	2,132	–	–	23	–	500	5,832
Kindbogården 1:124	Ekdalavägen 2	Härryda	–	–	5,639	–	–	–	–	357	5,996
Vårdträdet 7	Hävdevägen 31	Jönköping	–	–	1,517	–	–	–	–	129	1,646
Norrahammar 28:108	Postgatan 1-9	Jönköping	–	–	2,439	–	–	–	–	178	2,617
Hälsan 3	Fabriks-gatan 17-19	Jönköping	–	–	5,780	–	–	–	–	–	5,780
Björken 10	Björkstigen 2	Karlsborg	–	–	2,213	–	–	–	–	–	2,213
Hjällsnäs 3:63	Lundbyvägen 35	Lerum	–	–	1,948	–	–	–	–	94	2,042
Torp 2:19	Göteborgsvägen 9	Lerum	–	–	3,641	–	–	40	–	287	3,968
Kullen 18	Järnvägsgatan 8	Lilla Edet	–	–	4,176	–	4,636	107	–	319	9,238
Slätten 15:7	Lasarettsgatan 1	Lysekil	5,325	137	8,896	–	284	75	–	1,086	15,803
Tuntorp 4:34	Läkarvägen 4	Lysekil	–	–	999	–	326	20	–	–	1,345
Pilen 13	Drottning-gatan 1	Mariestad	–	256	1,574	–	11,212	353	–	335	13,730
Fritsla 14:8	Förläggarevägen 29	Mark	–	–	167	–	–	–	–	640	807
Murmeldjuret 4	Fredåsgatan 13	Mölnadal	–	–	6,723	–	96	–	–	295	7,114
Sälgen 22	Malmgatan 36	Skara	4,768	1,104	4,197	–	2,146	592	–	1,417	14,224
Skytten 2	Gråbrödragatan 4-6	Skara	–	–	–	–	150	314	–	5,850	6,314
Metes 2	Veterinär-gatan 4	Skara	–	–	–	–	1,192	–	–	–	1,192
Klockstapeln 4	Knoppaliden 3	Skövde	688	–	–	–	–	–	–	–	688
Gravarne 3:139	Hvitfeldts-gatan 23	Sotenäs	–	–	1,642	–	–	–	–	231	1,873
Stenung 2:238	Södra vägen 18	Stenungsund	–	–	–	–	–	–	–	175	175
Tanumshede 1:88	Ringvägen 1	Tanum	–	–	1,464	–	180	–	–	–	1,644
Tändstickan 1	Västra Drottningvägen 11	Tidaholm	–	220	3,742	–	102	–	–	325	4,389
Skår 1:69	Syster Ebbas väg 1	Tjörn	–	–	1,910	–	12	–	–	–	1,922
Kuratorn 3	Lasarettsvägen 2	Trollhättan	–	–	808	–	–	–	–	–	808
Gladan 1	Slättbergsvägen 56	Trollhättan	–	–	1,402	–	–	–	–	–	1,402
Källstorpslyckan 1	Strömsviksvägen 16	Trollhättan	–	–	1,536	–	–	–	–	–	1,536
Linkärven 5	Lingatan 12	Uddevalla	–	–	968	–	–	–	–	–	968
Svalan 7	Nygatan 7	Ulricehamn	–	–	5,116	–	134	–	–	2,076	7,326
Klövern 7	Östergatan 1	Vänersborg	–	–	–	–	10,512	50	–	–	10,562
Grävlingen 28	Belfragegatan 2	Vänersborg	–	561	1,251	–	872	–	–	255	2,939
Månen 110	Restadvägen 24-28	Vänersborg	774	2,130	–	–	–	–	129	1,080	4,113
Tärnan 4	Torpavägen 23	Vänersborg	–	–	1,548	–	–	–	–	129	1,677
Eken 6	Södra Långgatan 3A	Åmål	2,892	–	4,217	–	98	130	–	–	7,337
Total Health care			20,253	8,101	102,673	–	33,379	3,018	129	19,754	187,307
Total Sweden West			47,317	88,072	105,249	–	45,274	7,743	4,250	28,778	326,683

PROPERTY DESIGNATION

NORTH

Nursing homes	Address	Municipality	Area, sqm								Total
			Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	
Kungsljuset 13	Ringargatan 61	Borlänge	3,415	-	-	-	-	-	-	-	3,415
Vinkelhaken 7	Märkargatan 19	Borlänge	-	-	-	-	-	-	-	352	352
Eskulapen 1	Ekebyvägen 1-3	Eskilstuna	3,369	-	1,917	-	-	-	-	548	5,834
Hemse Blåkråkan 15	Parkgatan 16-18	Gotland	2,310	-	-	-	-	-	-	-	2,310
Klinte Åvalle 2:27	Skolgatan 7-9	Gotland	2,802	-	-	-	-	43	1,056	-	3,901
Visby Pjäsen 11	Lännavägen 21-43	Gotland	-	-	-	-	-	-	308	1,113	1,421
Bunge Stucks 1:297	Strandvägen 51	Gotland	3,031	-	-	-	-	-	-	-	3,031
Othem Kilåkern 2	Apoteksgatan 3	Gotland	5,552	-	-	-	-	-	-	-	5,552
Hemse Fasanen 10	Hagagatan 30	Gotland	11,678	-	-	-	-	-	-	322	12,000
Roma Kloster 1:37	Björkstigen 10	Gotland	3,519	-	-	-	-	-	-	-	3,519
Visby Pjäsen 12	Pjäsgatan 12	Gotland	6,600	-	-	-	-	-	-	6	6,606
Brynäs 55:4	Tredje Tvärgatan 31	Gävle	6,490	-	-	-	-	-	-	-	6,490
Kristinelund 49:2	Norra Järvstavägen 20 a-b	Gävle	11,776	-	2,349	-	965	-	-	774	15,864
Strömsbro 4:2	Sanatorievägen 17	Gävle	5,841	-	-	-	-	-	-	-	5,841
Södertull 13:14	Flemminggatan 11-17	Gävle	9,358	-	-	-	-	-	-	739	10,097
Vallbacken 24:3	Vallbacksgatan 8	Gävle	4,937	-	-	-	-	-	-	-	4,937
Varva 2:20	Norra Prästvågen 12-14	Gävle	5,563	-	-	-	-	-	-	-	5,563
Landeryd 6:5	Slatteforsvägen 2A-H	Linköping	4,120	-	607	-	-	235	-	-	4,962
Landeryd 6:61	Slatteforsvägen 38	Linköping	-	-	-	-	-	-	-	1,266	1,266
Ostbiten 1	Rydsvägen 9C	Linköping	1,254	-	-	-	-	-	-	-	1,254
Riket 22	Järdalavägen 52C	Linköping	1,605	-	-	-	-	-	-	-	1,605
Trähästen 2	Skogslyckegatan 11F	Linköping	1,045	-	-	-	-	-	-	-	1,045
Vetebullen 2	Kärna Centrum 1	Linköping	2,145	-	-	-	-	-	-	-	2,145
Lillgårdsskolan 11	Ridhusgatan 2A	Linköping	1,510	-	-	-	-	-	157	11	1,678
Valbyrån 5	Kärnavägen 3-11	Linköping	2,656	-	-	-	-	-	94	-	2,750
Sandbyhov 30	Sandbyhovsgatan 21	Norrköping	14,846	1,550	4,973	-	1,179	30	-	1,658	24,236
Diademet 3	Gamla Övägen 27	Norrköping	3,625	-	-	-	-	-	-	-	3,625
Järven 6	Bergslagsgatan	Norrköping	4,054	-	-	-	766	-	-	439	5,259
Konstantinopel 6	Skomakaregatan 11	Norrköping	3,183	-	-	-	-	-	-	-	3,183
Gångjärnet 1	Plåtslagaregatan 8	Norrköping	5,386	-	-	-	-	-	-	-	5,386
Skörden 3	Axvägen 7-9	Sundsvall	8,026	-	-	-	-	-	-	-	8,026
Dragarbrunn 9:4	S:t Olofsgatan 44 B	Uppsala	4,020	-	-	-	-	-	-	-	4,020
Rickomberga 9:14	Geijersgatan 61	Uppsala	3,200	-	-	-	-	-	-	-	3,200
Kvarngärdet 14:5	Torkelsgatan 42	Uppsala	3,585	-	-	-	-	-	-	-	3,585
Valsåtra 3:10	Bernadottevägen 1P	Uppsala	6,065	-	-	-	-	-	-	-	6,065
Luthagen 81:1	Norrandsgatan 2	Uppsala	2,740	-	-	-	-	-	-	-	2,740
Lövhagen 29	Råby Centrum	Västerås	-	-	289	-	-	-	-	4,594	4,883
Lövhagen 32	Pilfinksgatan 2	Västerås	4,589	-	-	-	-	-	-	-	4,589
Vedbo 61	Hörntorpsvägen 20	Västerås	7,479	4,000	-	-	-	-	-	-	11,479
Hanan 4	Hagalidsvägen 2	Västerås	2,740	-	-	-	-	-	-	-	2,740
Skogsduvan 1	Skogsduvevägen 11	Västerås	-	-	-	-	-	-	-	1,107	1,107
Ångsklockan 1	Värlökgatan 6	Västerås	3,198	-	-	-	-	-	-	-	3,198
Klockarkärleken 3	Rönnergastigen 7	Västerås	3,937	-	-	-	-	-	-	-	3,937
Kolaren 5	Tråddragargatan 31	Västerås	-	-	-	-	-	-	-	1,052	1,052
Skjutfältet 9	Hästhovsgatan 27	Västerås	5,914	-	-	-	-	-	-	-	5,914
Birka 1	Fornridsgatan 4	Västerås	3,016	-	-	-	-	-	-	-	3,016
Östra Daggrosen 1	Daggrosatan 1	Västerås	3,507	-	-	-	-	-	-	-	3,507
Total North Nursing homes			193,686	5,550	10,135	-	2,910	308	1,615	13,981	228,185

PROPERTY DESIGNATION

Education	Address	Municipality	Area, sqm								Total
			Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	
Forskaren 2	Svengrensgatan 9	Eskilstuna	-	4,157	-	-	-	-	-	-	4,157
Nyfors 1:24	Tunavallsgränden 5	Eskilstuna	-	1,427	-	-	-	-	-	-	1,427
Alstrum 6:3	Ulvby-Åstorp 603	Karlstad	-	-	-	-	-	3,347	-	-	3,347
Nyponkärnan 1	Kvinnebyvägen 91	Linköping	-	970	-	-	-	-	-	-	970
Ordensringen 2	Ellen Keys gata 4	Linköping	-	917	-	-	-	-	-	-	917
Ostduken 2	Björnkärsgatan 14-16	Linköping	-	1,492	-	-	-	-	-	-	1,492
Laddstaken 2	Knektgatan 1A-B	Linköping	-	750	-	-	-	-	-	-	750
Isskåpet 1	Tröskaregatan 73-75	Linköping	-	2,735	-	-	-	-	-	-	2,735
Gällstad 1:291	Sävsångarevägen 61	Linköping	-	661	-	-	-	-	-	-	661
Askeby 4:54	Andreas Linbloms väg 7	Linköping	-	425	-	-	-	-	-	-	425
Askeby 4:55	Andreas Linbloms väg 5	Linköping	-	-	-	-	-	-	-	-	-
Rystads-Gärstad 8:41	Gurkvägen 2-4	Linköping	-	661	-	-	-	-	-	-	661
Nässelodlingen 1	Nybrovägen 1	Linköping	-	4,252	-	-	-	-	-	-	4,252
Järven 5	Bergslagsgatan 11	Norrköping	-	3,011	-	-	-	1,500	-	-	4,511
Drag 4	Dragsgatan 7	Norrköping	-	9,878	-	-	-	-	-	-	9,878
Drag 5	Dragsgatan 7	Norrköping	-	-	-	-	-	-	-	-	-
Borgaren 18	Stora torget 3	Nyköping	-	10,751	-	-	550	696	-	300	12,297
Idun 1	Sundbyvägen 14	Strängnäs	-	3,580	-	-	-	-	-	-	3,580
Hugin 3	Nygatan 47	Umeå	-	7,730	-	-	-	-	-	-	7,730
Gustavsborg 2	Vasagatan 44	Västerås	-	18,062	-	-	-	-	-	-	18,062
Rosenhill 1	Gurksaltargatan 9	Västerås	-	22,362	-	-	-	-	-	-	22,362
Rosenhill 12	Eriksborgsgatan 11	Västerås	-	5,800	-	-	-	-	-	-	5,800
Västerås 1:250	Ångkraftsvägen 1 A-C	Västerås	-	3,412	-	-	-	-	-	-	3,412
Barkaröby 15:308	Lövängsgatan 2	Västerås	-	1,570	-	-	-	-	-	-	1,570
Medora 168:115	Klamparvägen 1A	Älvkarleby	2,500	-	-	-	-	-	-	-	2,500
Total North Education			2,500	104,603	-	-	550	5,543	-	300	113,496

Health care	Address	Municipality	Area, sqm								Total
			Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	
Norrull 31:2	Stallgatan 4	Gävle	-	-	2,295	-	-	-	-	-	2,295
Iggesund 14:269	Skolgatan 1	Hudiksvall	-	-	1,361	-	1,407	-	-	401	3,169
Munken 5	Båtmansgatan	Motala	-	-	-	-	-	-	-	-	-
Storfors 30:1	Hammargatan 3-4	Storfors	995	-	6,000	-	-	-	-	102	7,097
Sävja 56:1	Västgötaresan 60	Uppsala	-	956	1,130	-	842	-	-	255	3,183
Gränby 12:6	Gränby Bilgata 2	Uppsala	-	265	2,172	-	-	-	-	322	2,759
Total North Health care			995	1,221	12,958	-	2,249	-	-	1,080	18,503

Legal sector	Address	Municipality	Area, sqm								Total
			Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	
Reparatören 5	Ringvägen 88	Köping	-	-	-	2,650	-	-	-	-	2,650
Stinsen 1	Stockholmsvägen 4-6	Norrköping	-	-	-	18,296	-	-	-	-	18,296
Blomman 12	Nygatan 110	Norrköping	-	-	-	3,052	980	42	-	-	4,074
Brädgården 2	Folkungavägen 2	Nyköping	-	-	-	11,476	1,047	26	-	-	12,549
Stigbygeln 5	Ridvägen 10	Umeå	-	-	-	21,274	855	-	-	-	22,129
Total North Legal sector			-	-	-	56,748	2,882	68	-	-	59,698
Total North			197,181	111,374	23,093	56,748	8,591	5,919	1,615	15,361	419,882

SOUTH

Nursing homes	Address	Municipality	Area, sqm								Total
			Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	
Arlöv 11:294	Arwidius väg 50-66	Burlöv	7,270	-	1,153	-	-	-	200	125	8,748
Brandvakten 3	Södra Vägen 4	Halmstad	3,815	-	-	-	-	-	-	-	3,815
Halmstad 10:35	Frennarpsvägen 131	Halmstad	3,312	-	-	-	-	-	-	-	3,312
Röinge 3:4	Röingevägen 1	Hörby	1,950	-	-	-	-	-	-	-	1,950
Norra Sjukhuset 1	Skansvägen 5	Lund	7,939	1,431	-	-	1,029	-	-	1,052	11,451
Styrkan 23	Spånehusvägen 91	Malmö	978	-	-	-	-	-	-	-	978
Byrådirektören 4	von Troils väg 2-8	Malmö	2,887	2,666	1,400	-	884	135	4,720	3,193	15,885
Virket 8	Sigtunagatan 13	Malmö	2,455	-	-	-	-	-	1,779	319	4,553
Styckmästaren 8	Jöns Risbergsgatan 4	Malmö	1,078	-	-	-	-	-	-	310	1,388
Anten 3	Eddagatan 1	Malmö	3,040	-	-	-	-	-	-	-	3,040
Torsten 12	Major Nilssonsgatan 13	Malmö	2,400	-	-	-	-	-	-	-	2,400
Solskiftet 1	Oshögavägen 2	Malmö	6,825	-	-	-	-	-	-	-	6,825
Nickisteln 2	Ernst Jakobssons gata 7	Malmö	2,250	-	-	-	-	-	-	-	2,250
Storskarven 9	Brunandsvägen 32	Malmö	-	-	-	-	-	-	-	442	442

PROPERTY DESIGNATION

			Area, sqm								
Nursing homes	Address	Municipality	Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	Total
Storskarven 12	Norra vägen 7	Malmö	1,900	–	–	–	–	–	–	–	1,900
Storskarven 13	Norra vägen 1	Malmö	2,313	–	–	–	–	–	–	–	2,313
Sädesårlan 6	Linnégatan 18	Malmö	–	–	472	–	–	–	–	305	777
Nattskärnan 7	Järnvägsgatan 29	Malmö	1,918	–	–	–	–	–	–	–	1,918
Rosenbuketten 8	Höjagatan 21	Malmö	–	–	1,466	–	–	–	–	–	1,466
Stengodset 1	Stengodsvägen 4	Malmö	1,850	–	–	–	–	–	–	–	1,850
Slätvaren 40 and 51	Sarvgränd 2C	Malmö	–	–	–	–	–	–	–	450	450
Koljan 10	Tegnérsgatan 68	Malmö	–	–	–	–	–	–	–	355	355
Cykeln 12	Palmgatan 17	Malmö	2,980	–	–	–	–	–	–	–	2,980
Limhamn 152:371	–	Malmö	–	–	–	–	–	–	–	–	–
Blinkarp 1:9	Blinkarp 863	Svalöv	–	–	–	–	–	–	–	2,700	2,700
Dörren 5	Vikaholmsallén 52	Växjö	4,087	–	–	–	–	–	–	–	4,087
Korpen 9	Korpvägen	Växjö	–	–	–	–	–	–	–	–	–
Tonsättaren 2	Schottsgatan 2–6	Ystad	2,892	–	65	–	–	–	–	–	2,957
Total South Nursing homes			64,139	4,097	4,556	–	1,913	135	6,699	9,251	90,790

			Area, sqm								
Education	Address	Municipality	Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	Total
Darehallen 1	Löjtnant Granlunds Väg 4	Hässleholm	–	–	–	–	–	–	–	700	700
Intendenten 1	Wendesvägen 5-7	Hässleholm	–	1,580	–	–	–	–	–	–	1,580
Intendenten 2	Finjagatan 18	Hässleholm	–	2,290	–	–	–	–	–	–	2,290
Stafvre 11	Lasarettboulevarden 22	Karlshamn	–	2,415	–	–	–	–	–	–	2,415
Rödjan 7	Karl Johans väg 25	Kävlinge	–	9,809	–	–	–	880	–	989	11,678
Borstahuset 1:8	Löpargatan	Landskrona	–	–	–	–	–	–	–	–	–
Borstahuset 1:9	Löpargatan	Landskrona	–	–	–	–	–	–	–	–	–
Silverrängen 4	Silvergården 1	Landskrona	2,469	9,856	–	–	–	–	–	2,428	14,753
Klostergården 2:9	S:t Lars väg 1-38, S:t Lars väg 70-90	Lund	3,680	28,245	8,852	–	3,924	370	158	5,805	51,034
Landsdomaren 7	Margaretavägen 1-5	Lund	–	19,855	–	–	–	–	–	–	19,855
Predikanten 2	Landgillevägen 55	Lund	–	750	–	–	–	–	–	–	750
Gullriset 4	Monicavägen 18-22	Malmö	–	648	–	–	–	–	–	–	648
Spillepensmarken 7	Strömgatan 13	Malmö	–	4,670	–	–	–	–	–	–	4,670
Hjärup 4:290	Heimdallsvägen 2	Staffanstorps	–	652	–	–	–	–	–	–	652
Stora Uppåkra 12:303	Stora Uppåkravägen	Staffanstorps	–	7,694	–	–	–	–	–	–	7,694
Jägaren 11	Vallgatan 12E	Växjö	–	6,550	–	–	2,375	774	2,511	4,830	17,040
Liv 1	Björnstjernegatan 1 A-C	Ystad	–	4,084	–	–	2,566	36	–	–	6,686
Total South Education			6,149	99,098	8,852	–	8,865	2,060	2,669	14,752	142,445

			Area, sqm								
Health care	Address	Municipality	Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	Total
Kopparormen	Vikhemsvägen 9	Eslöv	–	–	2,570	–	–	–	–	–	2,570
Lasarettet 8	Erik Dahlbergsvägen 30 A-F	Karlshamn	–	646	4,935	–	662	48	252	4,471	11,014
Grönsakshandlaren 5	Jägersrovägen 80	Malmö	–	–	3,003	–	–	–	–	–	3,003
Total South Health care			–	646	10,508	–	662	48	252	4,471	16,587

			Area, sqm								
Legal sector	Address	Municipality	Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	Total
Häradshövdingen 2	Byggmästaregatan 2	Lund	–	–	–	3,475	–	–	–	–	3,475
Polisen 1	von Lingens väg 130 B	Malmö	–	–	–	3,555	–	–	–	–	3,555
Hjorten 15	Henry Dunkers gata 6	Trelleborg	–	–	–	3,372	–	–	–	–	3,372
Total South Legal sector			–	–	–	10,402	–	–	–	–	10,402
Total South			70,288	103,841	23,916	10,402	11,440	2,243	9,620	28,474	260,224

PROPERTY DESIGNATION

FOREIGN, GERMANY

Nursing homes	Address	City	Area, sqm								Total
			Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	
Aachen Laurensberg	An der Schurzelter Brücke 1	Aachen	4,950	-	-	-	-	-	-	-	4,950
Barßel	Mühlenweg 11	Barßel	4,550	-	-	-	-	-	-	-	4,550
Bensheim	Eifelstrasse 21-25	Bensheim	7,036	-	-	-	-	-	-	-	7,036
Berlin Ullsteinstrasse	Ullsteinstrasse 159	Berlin	8,656	-	-	-	-	-	-	-	8,656
Lichterfelde	Klingsohrstrasse 121	Berlin	6,820	-	-	-	-	-	-	-	6,820
Bocholt 1	Böwings Stegge 8	Bocholt	4,966	-	-	-	-	-	-	-	4,966
Bocholt 2	Böwings Stegge 6	Bocholt	1,140	-	-	-	-	-	-	-	1,140
Bochum Vincenzstrasse	Vincenzstrasse 1	Bochum	4,719	-	-	-	-	-	-	87	4,806
Bremen-Findorff	Hemmstrasse 345	Bremen	1,809	-	562	-	-	-	-	200	2,571
Bremen-Gröpelingen	Gnesener Strasse 6	Bremen	2,621	-	-	-	-	-	-	-	2,621
Butzbach	Johann Sebastian Bach Str. 26	Butzbach	3,951	-	-	-	-	-	-	-	3,951
Darmstadt	Kassinostasse 37	Darmstadt	6,074	-	-	-	-	-	-	-	6,074
Fiedlersee	Im Fiedlersee	Darmstadt	7,516	-	-	-	-	-	-	-	7,516
Dinslaken	Kurt Schumacher Strasse 154	Dinslaken	4,059	-	-	-	-	-	-	-	4,059
Dresden Preller Strasse	Preller Strasse 16	Dresden	3,704	-	-	-	-	-	-	-	3,704
Duisburg Brauerstrasse	Brauerstrasse 42	Duisburg	4,331	-	-	-	-	-	-	-	4,331
Duisburg Fuchsstrasse	Fuchsstrasse 31	Duisburg	4,099	-	-	-	-	-	-	-	4,099
Duisburg Hufstrasse	Hufstrasse 2	Duisburg	3,846	-	-	-	-	-	-	-	3,846
Duisburg Karl-Lehr-Str	Karl Lehr Strasse 159	Duisburg	4,148	-	-	-	-	-	-	-	4,148
Emden	Am Wykhoffweg	Emden	3,351	-	-	-	-	-	-	-	3,351
Lichtenstein	Martin Goetze Strasse 17	Glauchau	5,993	-	-	-	-	-	-	-	5,993
Hadamar	Hammelburg 18	Hadamar	6,432	-	-	-	-	-	-	-	6,432
Hünxe	Bensumskamp 27	Hünxe	3,800	-	-	-	-	-	-	-	3,800
Köln Neusserstrasse	Neusser Strasse 402-406	Cologne	7,681	-	-	-	-	-	-	-	7,681
Langenfeld	Langforth Strasse 3	Langenfeld	4,073	-	-	-	-	-	-	-	4,073
Lauterbach	Bilsteinweg 1	Lauterbach	5,684	-	-	-	-	-	-	-	5,684
Leipzig Saxoniastrasse	Saxoniastrasse 32	Leipzig	4,558	-	-	-	-	-	-	-	4,558
Liederbach	Am Wehr 30	Liederbach	4,800	-	-	-	-	-	-	-	4,800
Mülheim an der Ruhr	Am Halbach 1	Mülheim an der Ruhr	5,098	-	-	-	-	-	-	-	5,098
Offenbach Am Hainbach	Spessartring 22	Offenbach	9,569	-	-	-	-	-	-	-	9,569
Taunusstein	Am alten Sportplatz 43	Taunusstein	8,513	-	-	-	-	-	-	-	8,513
Wetter	Friedrichstrasse 30	Wetter	4,004	-	-	-	-	-	-	-	4,004
Wiesbaden	Parkstrasse 21	Wiesbaden	5,371	-	-	-	-	-	-	1,190	6,561
Total Germany Nursing homes			167,922	-	562	-	-	-	-	1,477	169,961
Total Foreign, Germany			167,922	-	562	-	-	-	-	1,477	169,961

FOREIGN, FINLAND

Nursing homes	Address	City	Area, sqm								Total
			Nursing homes	Edu-cation	Health care	Legal sector	Offices	Ware-house	Residen-tial	Other	
Kappalaisenkujä 3	Kappalaisenkujä 3	Espoo	1,487	-	-	-	-	-	-	2	1,489
Kattilantanhua 6	Kattilantanhua 6	Espoo	2,061	-	-	-	-	-	-	-	2,061
Kiltakallionrinne 1	Kiltakallionrinne 1	Espoo	1,729	-	-	-	-	-	-	-	1,729
Puistokatu A	Puistokatu A	Espoo	-	-	-	-	-	-	-	-	-
Puistokatu B	Puistokatu B	Espoo	-	-	-	-	-	-	-	-	-
Haahkapolku 3	Haahkapolku 3	Helsinki	1,043	313	-	-	-	-	1,833	904	4,093
Keskiyöntie 6-8	Keskiyöntie 6	Helsinki	1,675	-	-	-	-	-	-	-	1,675
Kuparitie 2	Kuparitie 2	Helsinki	1,901	-	1,038	-	-	-	-	142	3,081
Haavantie	Haavantie 4	Hyvinkää	1,013	-	-	-	-	-	-	-	1,013
Hotellitie 1	Hotellitie 1	Jämsä	1,432	-	-	-	-	-	-	-	1,432
Harjunsalontie 2	-	Kangasala	-	-	-	-	-	-	-	-	-
Metsolantie 1	Metsolantie 1	Kervo	1,963	-	999	-	-	-	-	395	3,357
Arppentie 6 B	Arppentie 6 B	Kitee	1,541	-	-	-	-	-	-	-	1,541
Koiravedenkatu 10	Koiravedenkatu 10	Kuopio	2,099	-	-	-	-	-	-	-	2,099
Helsingiuksentie 1	Helsingiuksentie 1	Lojo	-	-	-	-	-	-	-	-	-
Pitkäniementie	Pitkäniementie 15	Nokia	3,249	-	-	-	-	-	-	-	3,249
Viertolantie 3 and 5	Viertolantie 3 and 5	Nurmijärvi	-	-	-	-	-	-	-	-	-
Haapavedentie 20	Haapavedentie 20	Savonlinna	1,437	-	-	-	-	-	-	-	1,437
Lastenlinnantie	Lastenlinnantie	Pälkäne	-	-	-	-	-	-	-	-	-
Meesakatu 4	Meesakatu 4	Tampere	-	-	-	-	-	-	-	-	-
Tilkonmäenkatu 2	Tilkonmäenkatu 2	Tampere	-	-	-	-	-	-	-	-	-
Mielikintie 8	Mielikintie 8	Oulu	9,375	-	-	-	-	-	-	-	9,375
Huvilatie 2	Huvilatie 2	Vaasa	2,800	-	-	-	-	-	-	-	2,800
Asentajankatu 2	Asentajankatu 2	Turku	2,543	-	-	-	-	-	-	-	2,543
Total Finland Nursing homes			37,348	313	2,037	-	-	-	1,833	1,443	42,974

PROPERTY DESIGNATION

			Area, sqm								
Education	Address	City	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Suotie 4	Suotie 4	Espoo	–	–	–	–	–	–	–	–	–
Strandgatan 2 905-2-3-30, 31	Strandgatan 2 905-2-3-30, 31	Vaasa	–	16,487	–	–	–	–	–	–	16,487
Turku University of Applied Sciences 853-21-2-26	Lemminkäisenkatu 30	Turku	–	14,940	97	–	92	650	–	503	16,282
Total Finland Education			–	31,427	97	–	92	650	–	503	32,769

			Area, sqm								
Health care	Address	City	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Kornetintie 8	Kornetintie 8	Helsinki	–	–	2,626	–	–	–	–	–	2,626
Kajaanintie 48	Kajaanintie 48	Oulu	–	–	4,384	–	–	–	–	–	4,384
Louhelantie 10	Louhelantie 10	Vantaa	–	–	4,939	–	–	–	–	–	4,939
Total Finland Health care			–	–	11,949	–	–	–	–	–	11,949

			Area, sqm								
Legal sector	Address	City	Nursing homes	Education	Health care	Legal sector	Offices	Warehouse	Residential	Other	Total
Arvi Kariston katu 5	Arvi Kariston katu 5	Hämeenlinna	–	–	–	4,715	–	–	–	–	4,715
Total Finland Legal Sector			–	–	–	4,715	–	–	–	–	4,715
Total Foreign, Finland			37,348	31,740	14,083	4,715	92	650	1,833	1,946	92,407
Total Foreign			205,270	31,740	14,645	4,715	92	650	1,833	3,423	262,368
Total Sweden			403,957	431,108	239,414	94,605	86,631	21,293	15,486	83,305	1,375,799
Total portfolio			609,227	462,848	254,059	99,320	86,723	21,943	17,319	86,728	1,638,167

HEMSÖ'S 2016 SUSTAINABILITY REPORT

As of the 2016 financial year, Hemsö's sustainability reporting will be included in the Annual Report. Hemsö reports in accordance with the Core option of the Global Reporting Initiative's (GRI) G4 Guidelines. The reporting describes Hemsö's sustainability performance for 2016. The reporting has not been subject to external review. The contact person for the reporting and its contents is Head of Sustainability, Emma Weman (emma.weman@hemso.se).

A summary of the GRI Aspects and Indicators reported is presented on the following pages, with information about where they can be found.

GRI data

Information about the GRI Indicators not included elsewhere in the Annual Report is presented below.

G4-11 Percentage of total employees covered by collective bargaining agreements

All employees in Hemsö Fastigheter and Hemsö Development are covered by collective bargaining agreements. Virtartes, Hemsö in Finland and Germany comply with local legislation.

G4-16 Memberships of associations 2016

Organisation	Role and purpose
Almega	Almega helps service companies develop positive relationships between employer and employees.
BRIS	Promotes the rights of children in Sweden. Hemsö sponsored the organisation in 2016.
Future by Lund	Innovation platform for sustainable urban development.
Royal Institute of Technology's Property Academy	Funding for research related to property management.
SGBC – Sweden Green Building Council	Organisation that promotes sustainable construction and urban development.
City of Stockholm's sustainable properties forum	Cooperation between property owners around sustainability-related issues.
Confederation of Swedish Enterprise	An employers' organisation that lobbies actively for Swedish pro-business interests.
Vinnova	Government agency for innovation in Sweden with a mission to promote sustainable growth. Hemsö participates in the selection of proposals for the "Outdoor environment" area.
Mälardalen University, KPI2030 research project	Hemsö participates via the Forum for sustainable properties as part of the KPI2030 research project.
Berlin City Mission	Hemsö sponsors the organisation's initiatives to support the homeless, "kältebus."
Forum Vårdbyggnad	Association for development, research and education in the physical environment for health care and care services.

G4-EC1 Direct economic value generated and distributed

	SEK million	Percentage
Direct economic value generated		
Income (rents and other income)	2,189	
Economic value distributed		
Employee salaries and benefits, social security contributions	-132	6%
Payments to providers of capital	-372	17%
Dividends to the owners	-585	27%
Payments to suppliers	-525	24%
Tax	-66	3%
Economic value retained	510	23%

G4-LA1 Number and rates of new employees

Employee turnover, %	2016	2015
Total	22.3	9.1
Men	24.3	5.4
Women	17.6	13.8

The number of new employees in 2016 was 23 (23). In 2016, the employee turnover was higher than normal due to Hemsö's decision to outsource the operations in Region West.

G4-EN3 Energy consumption within the organisation

	Total energy consumption, MWh
Direct energy consumption per primary source	3,415
Heating oil	523
Natural gas	2,618
Diesel	274
Indirect energy consumption per primary source	199,011
Renewable electricity	76,146
District heating	118,906
District cooling	3,960
Total MWh	202,426

G4-EN15, G4-EN16, G4-EN17 Greenhouse gas emissions*

	Gross emissions, tCO ₂ e
G4-EN15 Direct emissions from own vehicles and fuel consumption (Scope 1)	755
G4-EN16 Indirect emissions from purchased electricity, heating and cooling (Scope 2)	6,973
G4-EN17 Other indirect emissions from business travel and the production of energy carriers (Scope 3)	1,843
Total climate impact	9,570

*Greenhouse gas emissions are reported in accordance with the GreenHouse Gas Protocol (GHG Protocol)

Disclosures on Management Approach – compliance with laws and regulations

Laws and regulations of particular significance for Hemsö are mainly in the areas of tax, financial accounting and reporting, employer's liability, premises liability and for the role of developer. To ensure compliance with laws and regulations related to tax and financial management, Hemsö uses internal and external controls. Hemsö also has a clear division of responsibilities across the company for other areas subject to legal regulation. The principle of responsibility is based on fields of expertise and the employee's own ability to take responsibility for their particular area of expertise.

G4-SO8 Non-compliance with laws and regulations

During the year, Hemsö was not subject to legal action due to non-compliance with laws or regulations.

G4-LA12, G4-EN17 Breakdown of Board and employees according to age group and gender

G4-EN17	Proportion of men/ women, %	Age group		
		< 29 years	30-49 years	> 50 years
2016				
Board	67/33	0	33	67
Management	87/13	0	87	13
All employees	56/44	9	59	32
2015				
Board	67/33	0	33	67
Management	62/38	0	77	23
All employees	58/42	9	62	29

* Including the jointly owned company Vitartes

G4-LA16, G4-HR12, G4-SO11, G4-EN32 Grievances filed about impacts on society, the environment, human rights and labour practices

One notification was received during the year regarding a suspected deviation from Hemsö's business ethics policy. A review found that the grounds for suspicion no longer existed, and the matter was closed without leading to any changes to the company's governing document or procedures.

GRI CONTENT INDEX

General standard disclosures		Page	Comments
G4-1	Statement from the CEO/Chairman	4	
G4-3	Name of the organisation	1	
G4-4	Primary products and/or services	Inside cover	
G4-5	Location of the organisation's headquarters		Stockholm
G4-6	Countries where the organisation operates	Inside cover	
G4-7	Nature of ownership and legal form	51	
G4-8	Markets served	Inside cover	
G4-9	Scale of the organisation	Inside cover, 3, 41	
G4-10	Employee data	41	
G4-11	Percentage of total employees covered by collective bargaining agreements	94	
G4-12	The organisation's supply chain	26	
G4-13	Any significant changes during the reporting period		No major changes during 2016
G4-14	How the organisation addresses the precautionary approach		Hemsö applies the precautionary approach through systematic property management, which prevents problems associated with the indoor environment. The precautionary approach is also applied when using new materials and products.
G4-15	Externally developed regulations, standards, principles to which the organisation subscribes/endorse	25-26, 35	
G4-16	Memberships of associations and organisations	94	
G4-17	Entities included in/not covered by the organisation's consolidated financial statements or equivalent documents		Employee-related data covers Sweden, Germany and Finland. The consolidated financial statements include all of Hemsö's Swedish operations, which includes most of Hemsö's properties (approx. 82 per cent). The aim is to eventually include data for Germany and Finland.
G4-18	Process for defining the report content	34	
G4-19	Material Aspects identified in the process for defining report content	35, 95	
G4-20, 21	Aspect Boundaries within/outside the organisation		The reporting does not include the impact of the supply chain. Where relevant, the impact of Hemsö's operations on tenants/users/society is reported.
G4-22	The effect of any restatements of information provided in previous reports		This is Hemsö's first GRI report.
G4-23	Significant changes from previous reporting periods		This is Hemsö's first GRI report.
G4-24	Stakeholders engaged by the organisation	33	
G4-25	The basis for identification and selection of stakeholders	33	
G4-26	Approach to stakeholder engagement	33	
G4-27	Key topics and concerns raised through stakeholder engagement	33	
G4-28	Reporting period		1 January 2016-31 December 2016
G4-29	Date of most recent previous report		This is Hemsö's first GRI report.
G4-30	Reporting cycle		Calendar year
G4-31	Contact point for questions regarding the report or its contents	94	
G4-32	GRI Content Index	94, 95	
G4-33	Policy and current practice with regard to seeking external assurance for the report	94	
G4-34	The governance structure of the organisation	51-54	
G4-56	The organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	1, 34	
Material Aspects, Disclosures on Management Approach (DMA) and Indicators			
Economic performance			
DMA		8	
G4-EC1	Direct economic value generated and distributed	94	
Compliance			
DMA		94	
G4-SO8	Non-compliance with laws and regulations	94	
Anti-corruption			
DMA		34	
G4-SO4	Communication and training on anti-corruption policies and procedures	34	
G4-SO5	Confirmed incidents of corruption and actions taken	34	
Materials			
DMA		30	
G4-EN1	Materials used by weight or volume		Method for measuring materials use in projects will be developed in 2017.
Hemsö-1	Materials in new construction that meet Hemsö's environmental and health requirements	30	
Energy			
DMA		9, 26	
G4-EN3	Energy consumption within the organisation	94	
G4-EN6	Energy efficiency and use of renewable energy	26	
CRE1	Building energy use intensity	25	
Emissions			
DMA		26	
G4-EN15	Direct greenhouse emissions (Scope 1)	94	
G4-EN16	Purchased energy – indirect greenhouse emissions (Scope 2)	94	
G4-EN17	Other indirect greenhouse emissions (Scope 3)	94	
G4-EN18	Greenhouse gas emissions intensity	25	
Effluents and Waste			
DMA		26	
G4-EN23	Total weight of waste by type and disposal method		Method for measuring waste in projects and existing buildings will be developed in 2017.
Employment			
DMA		36-37	
G4-LA1	Number and rates of new employees and employee turnover	94	
Occupational health and safety			
DMA		9, 38	
G4-LA6	Occupational injuries and diseases and other absenteeism	38	Partially reported
Training and education			
DMA		36	
G4-LA9	Average hours of training per employee		Method for measuring hours of training will be studied in 2017.
G4-LA11	Percentage of employees who receive regular performance and career development review	36	
Diversity and equal opportunity			
DMA		38	
G4-LA12	Composition of Board, management and employees.	36, 94	
G4-LA13	Ratio of the basic salary and remuneration of women to men	38	
Supplier environmental assessment			
DMA		25, 26	
G4-EN32	New suppliers that were screened using environmental, labour practices and human rights criteria		In 2016, new suppliers within technical operations was screened according to specific requirements using these criteria. Other new suppliers were only subject to a general screening.
G4-LA14			
G4-HR10			
Grievances			
DMA		34	
G4-LA16			
G4-HR12	Grievances about impacts on society, the environment, human rights and labour practices	94	
G4-SO11			
G4-EN32			
Tenant health and safety			
DMA		26	
G4-PR1	Percentage of properties for which health and safety impacts are assessed for improvement	26	
Hemsö-2	Reported accidents and incidents in Hemsö's properties during the reporting period	26	
Product and service labelling			
DMA		9, 25	
G4-CR8	Sustainability certifications and ranking of the property portfolio	25	
Customer satisfaction			
DMA		9, 25	
G4-PR5	Results of surveys measuring customer satisfaction	25	

DEFINITIONS*

FINANCIAL DEFINITIONS

Return on equity

Profit/loss after tax for the period in relation to average equity (12-month rolling period). Average equity calculated as the total of the opening and closing balance, divided by two.

Return on profit from property management

Profit from property management less ten per cent standard tax, in relation to average equity. Average equity calculated as the total of the opening and closing balance, divided by two.

Loan-to-value ratio

Interest-bearing net debt as a percentage of the carrying amount of the properties.

EMTN programme

Euro Medium Term Notes, a European bond programme

Average loan maturity

The average remaining period to maturity of interest-bearing liabilities, taking credit facilities into account.

Average interest rate

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

Short-term loans

Loan maturities within 12 months.

MTN program

Medium Term Notes, a bond programme.

Interest-coverage ratio

Net operating income less administrative expenses in relation to net financial items.

Operating profit/loss

Net operating income less central administrative expenses.

Total return

The sum of net operating income and changes in value in relation to average property value, adjusted for changes in value over a rolling 12-month period.

PROPERTY-RELATED DEFINITIONS

Yield

Net operating income for the past 12 months, adjusted for the holding period and currency of the properties during the period, in relation to the carrying amounts of the properties at period-end, excluding project properties.

Net operating income

Rental income less operating and maintenance costs, property tax and leasehold fees.

Economic occupancy rate

Rental income in relation to rental value.

Profit from property management

Profit/loss before changes in value and tax.

Rental income

Rental value less vacancies, discounts and rental losses.

Comparable portfolio

The properties owned by Hemsö during all periods reported. Transactions pertaining to properties sold and project properties are excluded.

Net investments

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

Project property

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

Property for public use

A property that is predominantly utilised for taxpayer-funded activities and dedicated to public services. Also includes sheltered housing under the public properties concept.

Lettable area

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

Occupancy rate, area

Leased area in relation to total lettable area at period-end.

Vacancy rent

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

Rent based on vacancy rate

Rental value of vacancy rent as a percentage of total rental value.

Vacancy rate, area

Vacant area in relation to total lettable area.

Surplus ratio

Net operating income in relation to rental income and other income.

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



Reporting – Sustainable bonds

Hemsö issued the first sustainable bond in the Nordic region during the year. The issue amount is SEK 1,000 million.

First in the Nordic region

On 30 May, Hemsö became the first Nordic company to issue a sustainable bond. The issue amount was SEK 1,000 million. The proceeds will be used exclusively for sustainable investing and properties. Hemsö's sustainable bond framework provides a clear definition of the project types and properties that can be financed. Hemsö was the first company in the Nordic region to incorporate social investment into its framework.

The proceeds from Hemsö's first sustainable bond will be used to finance three categories of sustainable projects: environmental certification for newly developed properties, the outdoor environment for a school, and a conversion project to develop housing for unaccompanied refugee children.

The bond is traded on the Nasdaq Stockholm Sustainable Bond list – a market

segment for sustainable bonds with specific eligibility criteria for issuers.

Qualified projects

The proceeds from the sustainable bonds can be used to finance environmentally certified properties, energy-efficiency investments or social investments in the following categories:

1. Development or acquisitions of new properties
2. Existing environmentally certified properties
3. Reduced energy consumption in existing properties
4. Social investments in the following categories
 - a. Schools
 - b. Nursing homes
 - c. Conversion projects to develop refugee housing

No more than 10 per cent of the total proceeds may be used for social

investments. Only new projects received allocations, but the aim is to finance both new and old projects in the future.

The complete framework is available at hemso.se

Second opinion from Sustainalytics

Ratings firm Sustainalytics reviewed Hemsö's sustainability performance and bond framework terms. Sustainalytics is of the view that Hemsö's sustainability performance ranks highly in the property sector and that the company is well-positioned to issue sustainable bonds that support both environmental and social initiatives. Sustainalytics verifies that the investment categories included in the framework will contribute to greater sustainability.

Read Sustainalytics' second opinion on hemso.se



Some examples of financed projects

Grenverket – Social investment in the outdoor environment

Grenverket in Lund comprises facilities for education, health care and care services, as well as modern office premises, a boutique hotel and a community-based school restaurant. The outdoor environments in the Grenverket development project have been designed to promote learning and reduce stress. The project is based on environmental psychology research conducted by the Swedish University of Agricultural Sciences (the Alnarp Model). The amount invested was SEK 15.2 million and used for:

- Lighting to improve safety, security and well-being, with particular consideration for wildlife in the area.
- Replanting and replenishment of plant species.
- Planning of horizontal and vertical greenery. For example, trees provide protection from the sun while shrubs reduce noise levels around building facades.
- Container gardening helps school students deepen their understanding of biology and ecology.
- Areas for both activity and relaxation: seating, hammocks, a greenhouse, natural enclosures, table-tennis tables, basketball and football.
- Ground materials and playground equipment have been chosen to

ensure accessibility, long-term sustainable operation, permeability, robustness and to promote natural greenery.

- A special drop-off/pick-up point for parents who drive their children to school has created safer traffic flows around the school.
- A walk with QR codes has been designed to encourage physical activity and to provide information about plants, wildlife and cultural history.

Grenverket – SGBC-certified, Silver rating

The building has a SILVER rating under the Sweden Green Building Council's (SGBC) certification system and the investment amount is SEK 674.6 million. To safeguard the overall Silver rating, a wide range of measures have been taken in the following areas:

- Energy efficiency by adding insulation, replacing windows, replacing facade sealant, re-roofing and introducing modern technological systems.
- Indoor climate and air quality by focusing on natural light, demand control ventilation and air quality control. New structural elements have, for example, enabled more natural light to flow into the building and improved accessibility.
- Extensive remediation of hazardous materials, such as PCBs, asbestos and lead.
- Choice of materials based on Sunda-Hus A, B and C+ classifications, which

means that materials are chosen on the basis of their environmental and health impacts.

- Environmental noise with a focus on airborne sound insulation and noise from installations and the choice of sound absorbing materials in floors and ceilings.

Medicinaren 23 – SGBC-certified, Silver rating

The first of two buildings in a training and research centre next to Karolinska University Hospital in Huddinge. The building houses the Royal Swedish Institute of Technology's School of Technology and Health and the Red Cross University College, as well as facilities for the Karolinska Institute and Karolinska University Hospital. The building has a SILVER rating under the SGBC certification system and the investment amount is SEK 300 million. To safeguard the overall Silver rating, a wide range of measures have been taken in the following areas:

- Environmental noise with a focus on airborne sound insulation and noise from installations
- Choice of materials based on Sunda-Hus A, B and C+ classifications, which means that materials are chosen on the basis of their environmental and health impacts.
- Indoor climate and air quality by focusing on natural light, demand control ventilation and air quality control.



Environmental certification (categories 1 & 2)

Category	Property/project	Amount, SEK million	Project, description	kWh/year	kWh/sqm	tCO ₂ /year	kgCO ₂ /sqm
Category 1	Health and Technology	674.6	SGBC-certified, Silver rating	1,592,283	77.0	31.06	1.5
Category 1	Grenverket	300	SGBC-certified, Silver rating	7,596,000	111.6	134.89	1.98
Total		974.6*					

Social investments (category 4)

Category	Property/project	Amount, SEK million	Project, description	No. of places	Area/person/sqm	Distance from public transport, km
Category 4	Norr 5:10	2.9	Conversion to housing for unaccompanied refugee children	24	21	0.6
Category 4	Kråkhult 1:61	3.2	Conversion to housing for unaccompanied refugee children	24	30	0.2
Category 4	Fritsla 14:8	2.9	Conversion to housing for unaccompanied refugee children	12	53	0.2
Category 4	Byrådirektören 4	1.4	Conversion to housing for unaccompanied refugee children	25+8-12	46	0.1
Category 4	Grenverket	15.0	Design of outdoor environment based on environmental psychology research	n/a	n/a	n/a
Total		25,4*				

* Information within the scope of the auditors' assurance report.

A selection of the research studies used for Grenverket's outdoor environment design:

Grahn, P. Stigsdotter, U. & Berggren-Bärring, A-M. 2005. A planning tool for designing sustainable and healthy cities. The importance of experienced characteristics in urban green open spaces for people's health and well-being. In Conference proceedings "Quality and Significance of Green Urban Areas", April 14-15, 2005, Van Hall Larenstein University of Geocentrum Sölvegatan 10, Lund Professional Education, Velp, The Netherlands.

Grahn, P. & Stigsdotter, U.K. 2010. The relation between perceived sensory dimensions of urban green space and stress restoration. Landscape & Urban Planning 94: 264-275.

Hollingsworth R & E. J. Hollingsworth. (2003). Stora upptäckter och biomedicinska forskningsorganisationer (Eng: Major discoveries

and biomedical research organisations), Kim, Lillemor & Mårtens, Pehr (eds), Den vildväxande högskolan, Studier av reformer, miljöer och kunskapsvägar (Eng: The wild-growing college, Studies of reform, environments and knowledge paths), SISTER, Skrifter 8, Nora: Nya Doxa.

Kaplan, R. & Talbot, J.F. (1983). Psychological benefits of wilderness experience. Human Behavior & Environment: Advances in Theory & Research 6, 163-203.

Kaplan, R., Kaplan, S. & Ryan, R.L. (1998). With People in mind. Island Press.

For a complete list of the research studies, refer to: <http://restorativeworkplace.com/wp-content/uploads/2015/07/Publications-2015-GI-Starka-Miljöer.pdf>



HEMSÖ
Fastighetsvärden för samhällsservice

hemsö.se