

## Interim report January – March 2017

### Summary January-March 2017

- » Rental income amounted to SEK 583 million (531).
- » Profit from property management totalled SEK 303 million (246).
- » Changes in value of properties amounted to SEK 388 million (56), and changes in value of derivatives to SEK 47 million (-256).
- » Profit after tax for the period totalled SEK 600 million (34).
- » Market value of investment properties amounted to SEK 35,003 million (27,888).
- » During the period, 7 properties (10) were acquired for SEK 536 million (1,088) and 1 property (-) was divested for SEK 60 million (-).

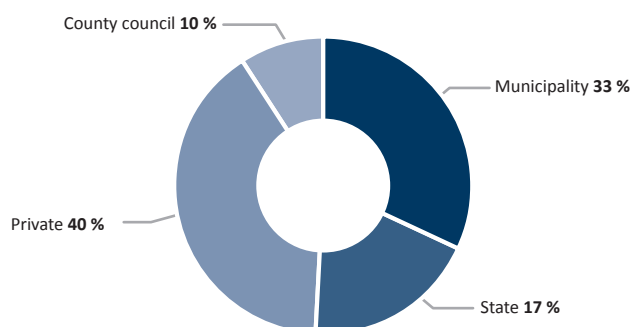
### Significant events during the quarter

- » Hemsö acquired site leaseholds with related project commitments to construct the new Mälardalen University in Eskilstuna. The investment amount is SEK 800 million. Mälardalen University has signed a 20-year lease agreement.
- » The City of Västerås awarded Hemsö land 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 City of Västerås has signed a 15-year lease agreement.
- » Hemsö acquired five properties and was awarded a land use agreement with an investment of SEK 370 million in Luleå. The Municipality of Luleå is the main tenant and has signed 20-year lease agreements.
- » In Bremen, Germany, one nursing home was acquired for SEK 210 million. Care provider Curanum is the tenant with an eight-year lease agreement.

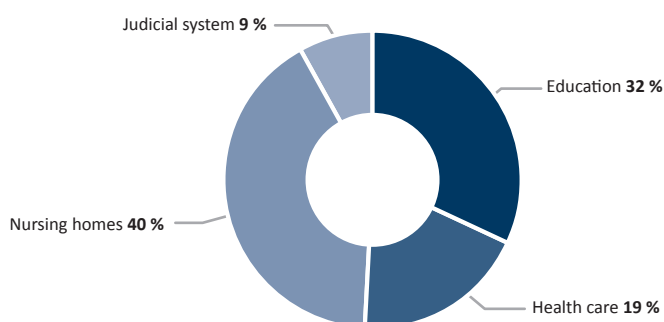
### Hemsö in summary

	Jan-Mar 2017	Jan-Mar 2016	Apr 2016-Mar 2017	Jan-Dec 2016
Rental income, SEK million	583	531	2,241	2,189
Profit from property management, SEK million	303	246	1,168	1,111
Profit after tax, SEK million	600	34	2,909	2,343
Cash flow from operations before changes in working capital, SEK million	280	212	1 052	984
Loan-to-value ratio, %	63.6	65.5	63,6	64.0
Interest-coverage ratio, times	4.3	3.9	4,3	4.1
Market value of investment properties, SEK million	35,003	27,888	35,003	33,629
Surplus ratio, %	71.5	70.5	75,1	75.0
Economic occupancy rate, %	97.9	97.3	97,9	97.5
Leasable area, tsqm	1,663	1,550	1,663	1,638

### Contracted rent per customer category, %



### Contracted rent per property category, %



## CEO statement

### Strong start to the year with focus on property management and new development projects

Hemsö had a strong start to the year with a 23 per cent increase in profit from property management. The increase was mainly due to acquisitions, but also to a higher occupancy rate and lower administration and operating costs. During the quarter, the occupancy rate rose to 97.9 per cent and the letting of an additional 2,800 sqm to the Swedish Police in Solna was a contributing factor. The Swedish Police Authority is already a tenant in the same property, and is Hemsö's largest single tenant. We are therefore proud of our extended partnership.

The technical management procurement was completed during the quarter and the number of our providers has now been reduced to three. This means that we will be able to offer the same high level of service to all tenants. We also launched a system that provides real-time feedback on tenant fault reports are handled. This is one example of how we are working to improve the quality of our property management.

Everything we do is guided by a long-term approach and sustainability. In 2016, we compiled our first sustainability report based on the Global Reporting Initiative (GRI) Guidelines. This process has given us tools and methods to monitor and control the results of our sustainability efforts in a more systematic manner. We were also named a "rocket" in the Universum Student Survey of Ideal Employers. A "rocket" means that we have significantly raised our position in the ranking of Sweden's most attractive employers.



There were some important acquisitions and construction starts during the quarter. These include acquisition of the ongoing new construction of Mälardalen University in Eskilstuna, and the construction of Widénska gymnasiet in Västerås. The letter of intent signed with the Municipality of Luleå in August last year led to the acquisition of five properties and one land use agreement for a large nursing home. All new construction projects that commenced in the quarter were fully let to public sector tenants, with lease agreements ranging from 15-20 years, before construction start.

Despite political uncertainty in our business environment, the availability of finance is stable. Demand for Hemsö's bonds remains strong and several bonds were issued during the quarter at attractive terms.

Our continued efforts to focus on our customers and streamline our daily property management, in combination with new development projects, is providing a solid base for stable growth.

Nils Styf, VD

### Vision

To be the best property company for social infrastructure.

### Mission

To sustainably own, manage and develop properties for social infrastructure.

### Financial target

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

## About Hemsö

Hemsö is Sweden's leading private owner of properties for public use. The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the judicial system. Hemsö owns properties in Sweden, Germany and Finland. Our vision is to be the best property company for social infrastructure. This involves generating added value for our customers and being the

preferred property partner for municipalities, county councils and private operators. The hallmarks of Hemsö's business are long-term leases and stable tenants. The Third Swedish National Pension Fund is the majority owner. The total value of Hemsö's property portfolio is SEK 35.0 billion. Hemsö has a credit rating of A- from Standard & Poor's.

## Income, costs and profit

Profit/loss items relate to the January-March 2017 period, and are compared with the year-earlier period. Balance-sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year.

### Rental income

During the period, rental income amounted to SEK 583 million (531). Rental income rose 20 per cent in Germany, and 34 per cent in Finland. The increase was mainly the result of completed acquisitions. In Sweden, rental income rose 7 per cent, of which half was attributable to acquired properties and the remaining portion to completed development projects.

Rental income in the comparable portfolio declined SEK 3 million, representing 0.7 per cent. The decline was attributable to Sweden and is the result of a financial settlement, charging the quarter with a reduced rental income of SEK 7 million.

Contracted annual rent amounted to SEK 2,369 million (2,121) and economic vacancies to SEK 53 million (60), down SEK 7 million since year-end. The economic occupancy rate was 97.9 per cent (97.3).

The weighted average remaining lease term increased to 8.2 years (7.8).

### Property costs

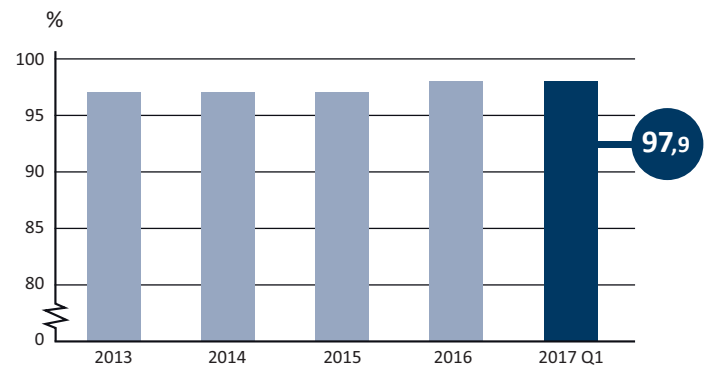
Property costs amounted to SEK 167 million (158), up SEK 9 million. The increase was mainly attributable to a larger property portfolio.

Costs in the comparable portfolio increased SEK 1 million, or 0.5 per cent, due to higher costs for planned maintenance.

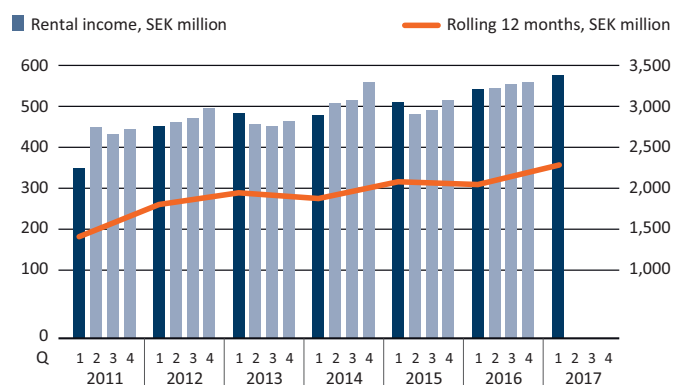
# SEK 303 million

Profit from property management

### Economic occupancy rate, %



### Rental income



### Vacancy changes

SEK million	Jan-Mar 2017
Opening vacancy	60
Terminated leases	3
New leases	-10
Acquired	-
Divested	-
<b>Closing vacancy</b>	<b>53</b>

### Maturity structure of leases

Maturity year	Annual rent, SEK million	Share of annual rent, %
2017	98	4.1
2018	284	12.0
2019	239	10.1
2020	263	11.1
2021	152	6.4
>2021	1,333	56.3
<b>Summa</b>	<b>2,369</b>	<b>100.0</b>

**Comparable portfolio**

	31 Mar 2017	31 Mar 2016	Change, %
No. of properties	288	288	-
Market value of investment properties, SEK million	25,870	23,942	8.1
Yield, %	5.6	5.9	-5.9
<b>Amounts in SEK million</b>	<b>31 Mar 2017</b>	<b>31 Mar 2016</b>	<b>Change, %</b>
Rental income	476	479	-0.7
Other income	3	4	-17.4
Operating costs	-108	-106	1.9
Maintenance costs	-24	-24	0.5
Other property costs	-10	-11	-12.5
<b>Net operating income</b>	<b>338</b>	<b>343</b>	<b>-1.3</b>

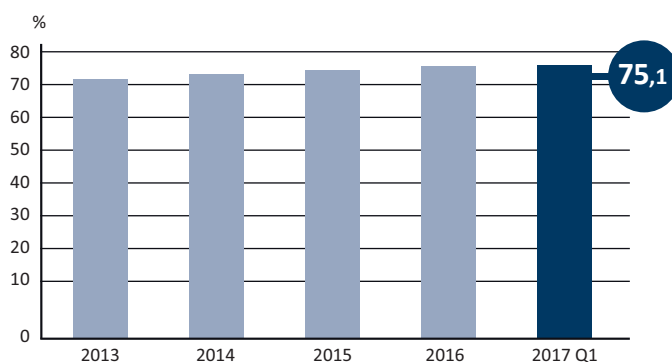
Pertains to properties owned throughout the entire period, from 1 January 2016 until 31 March 2017.

**Net operating income**

Net operating income increased to SEK 420 million (377). The increase was primarily attributable to acquisitions and completed development projects.

The surplus ratio was 71.5 per cent (70.5). The increase was mainly due to properties acquired in Germany and Finland, where the tenants are responsible for a larger share of operating and maintenance costs. The increase was also attributable to acquisitions in Sweden, and completed pdevelopments in Sweden with low maintenance costs.

In the comparable portfolio, net operating income declined SEK 5 million, or 1 per cent. The decline was due to a rental loss of SEK 7 million derived from the Hälsan 3 property in Jönköping.

**Surplus Ratio rolling 12 months, %****Administration**

Central administrative expenses for the period amounted to SEK 33 million (46). The total year-on-year decline of SEK 13 million pertained partly to changed policies for the allocation of administrative expenses of SEK 11 million, and partly to a decline of SEK 2 million in central administration expenses. The policies were changed to adapt the financial statements to industry practices.

**Financial items**

Net financial items amounted to an expense of SEK 84 million (85), of which interest expense accounted for SEK 79 million (76). Despite an increase to SEK 23,436 million (18,542) in interest-bearing debt and a longer loan maturity and fixed-rate period, interest expenses rose only marginally by SEK 3 million, due to a lower average interest rate. Remaining net financial items included other financial expenses of SEK 12 million (10), interest income of SEK 0 million (1) and other financial income of SEK 7 million (-).

**Profit from property management**

Profit from property management totalled SEK 303 million (246), up 23 per cent. The improvement was attributable to increased net operating income and lower central administrative expenses.

**Change in value of investment properties**

At period-end, changes in the value of investment properties amounted to SEK 388 million (56), of which realised change in value amounted to a negative SEK 3 million (-) and unrealised change in value to a positive SEK 391 million (56). Unrealised changes in value were mainly attributable to lower yield requirements in Germany, but also to completed development projects and new lettings. The valuation yield on the entire property portfolio, excluding project properties, was 5.6 per cent (6.0).

**Changes in value of property portfolio**

	Mkr	Antal
Carrying amount at beginning of the year	33,629	356
Acquisitions	536	7
Investments in new construction, extension and refurbishment	518	
Divestment/disposal	-60	-1
Exchange-rate fluctuations	-11	
Unrealised changes in value	391	
<b>Carrying amount at period-end</b>	<b>35,003</b>	<b>362</b>

**Unrealised changes in value**

	Jan-Mar 2017
New leases/Renegotiations	198
Terminated leases/Renegotiations	-61
General market value	-
<b>Subtotal Sweden</b>	<b>137</b>
New leases/Renegotiations	-
Terminated leases/Renegotiations	-
General market value	254
Other	-
<b>Subtotal International</b>	<b>254</b>
<b>Total unrealised changes in value</b>	<b>391</b>

### Change in value of derivatives

Changes in the value of derivatives had a positive impact of SEK 47 million (-256) on profit, of which unrealised change in value amounted to SEK 47 million (-246) and realised change in value to SEK 0 million (-10). Of the change in value of SEK 47 million, SEK 50 million is an effect of continuous interest rate derivatives, which was offset by a negative change of SEK 3 million in the market rate.

### Tax

Recognised tax for the period amounted to an expense of SEK 138 million (12), of which current tax accounted for SEK 25 million (17) and deferred tax for SEK 113 million (5).

Deferred tax expense mainly consisted of changes in the temporary difference between the carrying and residual values of investment properties, and of the recognised change in value of financial derivatives.

At period-end, deferred tax assets amounted to SEK 162 million (212) and pertained to a temporary difference of SEK 149 million (203) on the change in value of financial derivatives and loss carryforwards of SEK 13 million (9). Deferred tax liabilities amounted to SEK 2,378 million (1,726) and were largely attributable to temporary differences related to investment properties. Changes in deferred tax liabilities are due to changes in the market values of properties combined with tax depreciation. Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

### Profit

Profit after tax for the period totalled SEK 600 million (34), representing a year-on-year increase of SEK 566 million. In addition to improved profit from property management, the earnings improvement was mainly due to valuation adjustments of SEK 388 million (56) for properties and SEK 47 million (-256) for financial instruments.

The total return was 13.6 per cent (8.2) and return on equity 36.2 per cent (20.1).

### Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 280 million (212). Changes in working capital had a negative impact of SEK 65 million (160) on cash flow. Investing activities had a negative impact of SEK 999 million (-1,300) on cash flow, while increased borrowing had a positive impact of SEK 1,022 million (1,016) on cash flow from financing activities. Overall, cash and cash equivalents increased SEK 238 million (90) during the period.

### Segment information

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

### Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties through ownership of shares in the property-owning subsidiaries. Parent Company sales amounted to SEK 16 million (28) and consisted of fees for services to the subsidiaries. Administrative expenses decreased to SEK -39 million (-44). Financial items included an improvement in net financial items, mainly due to lower interest rates.

Total comprehensive loss for the period increased to SEK -68 million (loss: -69).

### Segment information

Amounts in SEK million	Profit items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	31 Mar 2017	31 Mar 2016
Sweden East	169	144	122	104	11,770	8,797
Sweden West	78	83	46	50	3,914	3,593
Sweden North	146	141	103	100	8,313	7,301
Sweden South	84	78	56	48	4,690	3,911
Germany	61	51	57	48	3,898	2,669
Finland	45	34	36	27	2,418	1,617
<b>Total</b>	<b>583</b>	<b>531</b>	<b>420</b>	<b>377</b>	<b>35,003</b>	<b>27,888</b>

## Property portfolio

Of the total property value of SEK 35,003 million, 82 per cent (86) is attributable to Sweden, 11 per cent (9) to Germany and 7 per cent (5) to Finland.

At period-end, Hemsö was owned properties in 81 municipalities in Sweden, 30 cities in Germany and 19 cities in Finland. The largest proportion of the market value of investment properties, 78 per cent, was attributable to properties located in major cities in Sweden, Germany and Finland.

In Sweden and Finland, Hemsö owns properties for nursing homes, education, health care and the judicial sector. The properties in Germany are exclusively nursing homes.

At 31 March 2017, Hemsö's property portfolio comprised 362 properties (328) with contracted annual rent totalling SEK 2,369 million (2,121) and a total lettable area of 1,663 tsqm (1,550).

### Property valuation

Hemsö recognises the fair value of its investment properties in Sweden in accordance with IAS 40, and at 31 March, the value of all Swedish properties had been internally assessed. Property valuations are conducted quarterly. To verify the internal valuation, most of the property portfolio is externally assessed every year. The value of Hemsö's property portfolios in Germany and Finland is determined by external valuations. The valuation method complies with Level 3 of the fair value hierarchy in IFRS 13.

At period-end, the fair value of properties was SEK 35,003 million (27,888).

### Hemsö's five largest ongoing development projects

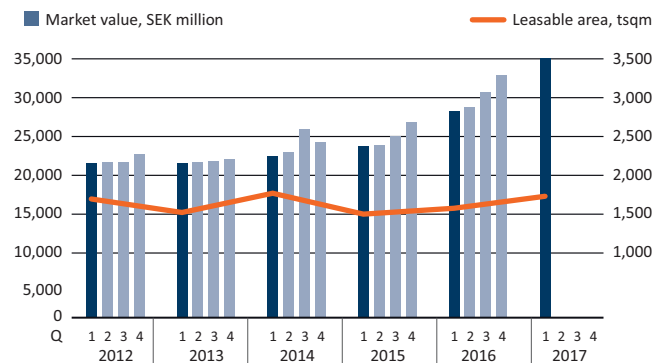
Municipality	Property	Property category	Project area, tsqm	Estimated investment, SEK million	Remaining investment, SEK million	Increase in rental value after project, SEK million	Leasing rate, %	Estimated year of completion
Solna	Patienten 1 <sup>1</sup>	Health care	21,000	1,627	1,215	82	74	2020
Stockholm	Princeton 1 <sup>1</sup>	Health care	20,000	1,393	1,014	77	0	2021
Huddinge	Medicinaren 25 <sup>1</sup>	Education	19,000	829	315	61	81	2017
Solna	Älgörten 1	Education	5,252	200	67	12	100	2017
Landskrona	Borstahusen	Education	5,700	180	78	14	100	2017
<b>Total</b>			<b>70,952</b>	<b>4,229</b>	<b>2,689</b>	<b>246</b>		

1. Projektet bedrivs i bolag samägda med SveaNor

### Investments

Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new lettings, with the aim of refurbishing and modernising the premises and thus increasing the rental value. During the period, investments amounted to SEK 518 million (211). Of this amount, SEK 464 million (155) pertained to new construction, and SEK 54 million (56) to maintenance and new lettings.

### Market value and area of investment properties



### Property transactions

During the period, seven properties (10) were acquired for SEK 536 million (1,088). During the period, one property (-) was divested for SEK 60 million (-).

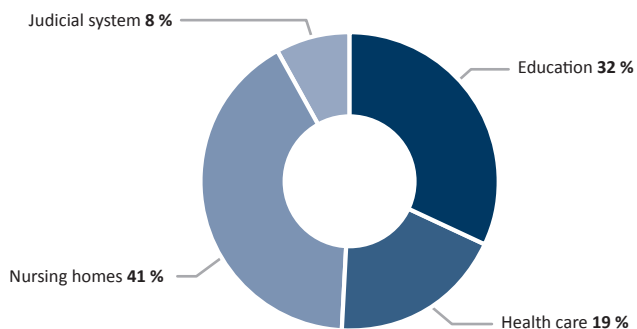
### Properties acquired and divested

Quarter	Number	Property value, SEK million	Leasable area, sqm
Acquisitions			
Q1	7	536	16,952
<b>Total</b>	<b>7</b>	<b>536</b>	<b>16,952</b>
Divestments			
Q1	1	60	4,883
<b>Total</b>	<b>1</b>	<b>60</b>	<b>4,883</b>

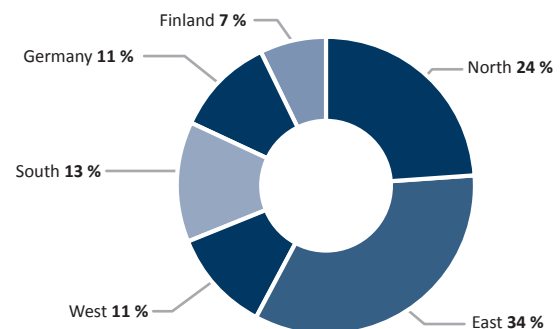
### Projects

Hemsö has many ongoing projects, particularly in relation to new school and nursing home developments. The five largest projects comprise a total investment of SEK 4,229 million, of which the remaining investment amount is SEK 2,689 million. A total of 203 projects are ongoing, with a remaining investment amount of SEK 3,638 million (2,019).

### Market value of investment properties per property category, %



### Market value of investment properties per segment, %



### Hemsö's property categories

	Nursing homes	Education	Health care	Judicial system	Total
Number	162	111	79	10	362
Leasable area, tsqm	682	528	342	110	1,663
Average lease length, years	9.0	9.5	4.6	7.6	8.2
Property value, SEK million	14,298	11,278	6,487	2,940	35,003
Rental income, SEK million	240	190	105	48	583
Net operating income, SEK million	180	139	64	37	420
Economic occupancy rate, %	99.7	97.5	94.7	98.3	97.9
Yield, %	5.4	5.7	6.1	5.6	5.6

### Tenants

Over 90 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 15 of the 20 largest tenants are state, municipal or county council operators. The proportion of contracted annual rent with public counterparties amounted to 60 per cent, where lease agreements with state tenants accounted for 17 per cent, municipal tenants for 33 per cent and county councils for 10 per cent. In Sweden, all privately run education, health-care and elderly-care operations are taxpayer-funded via school, health care and care voucher schemes. In Finland, private operators receive funding through a system similar to the Swedish schemes.

In Germany, privately run operations are funded through the public health insurance scheme and care-user fees. When users are unable to pay their own expenses, funding is provided through municipal contributions. Hemsö is usually able to pledge an operator's entitlement to contributions from the German municipality. Contracted annual rent in Germany amounted to EUR 25 million, of which 20 per cent is pledged.

The largest tenants are the Swedish Police Authority, Attendo, AcadeMedia, the Stockholm City Council and the Västra Götaland Region. Together they account for a total of 23.5 per cent of contracted annual rent.

### Hemsö's 10 largest tenants

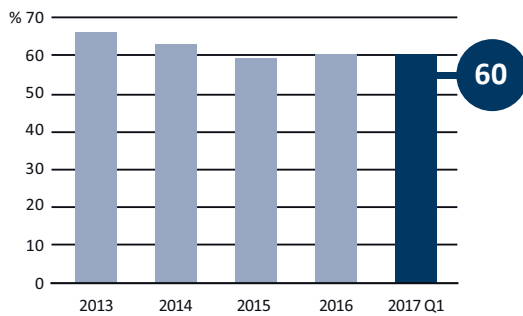
Tenant	Tenant category	Contracted annual rent, SEK million	Percentage of contracted annual rent, %	No. of lease agreements
Polismyndigheten	State	131	5.6	11
Attendo	Private	116	5.0	44
AcadeMedia	Private	113	4.8	24
Stockholms Läns Landsting	County council	111	4.8	43
Västra Götalandsregionen	County council	78	3.3	74
Västerås stad	Municipality	68	2.9	14
Norrköpings kommun	Municipality	60	2.6	23
Mälardalens högskola	State	52	2.3	2
AWO (Tyskland)	Private	50	2.2	6
HEWAG (Tyskland)	Private	50	2.1	9
<b>Total</b>		<b>828</b>	<b>35.4</b>	<b>250</b>

## Property frameworks

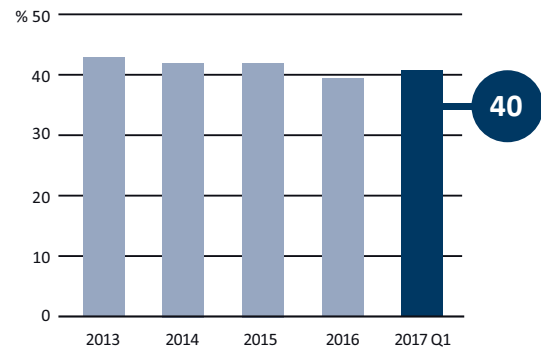
Hemsö has a long-term perspective for property ownership, and the property portfolio's composition is governed by four property frameworks. As of 2017, the target for the proportion of total property value located in major cities has changed from 40 to 75 per cent. The change is mainly due to inclusion of both the German and Finnish portfolios in the proportion (previously, only the Swedish portfolio was included), but also because the definition of "major cities" has been adjusted. For more information, refer to definitions on page 16. At 31 March, the proportion of property value in major cities was 78 per cent.

## Property portfolio

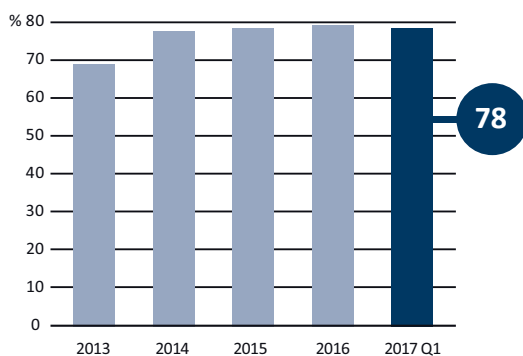
Public-sector tenants are to account for at least 50 per cent of rental income.



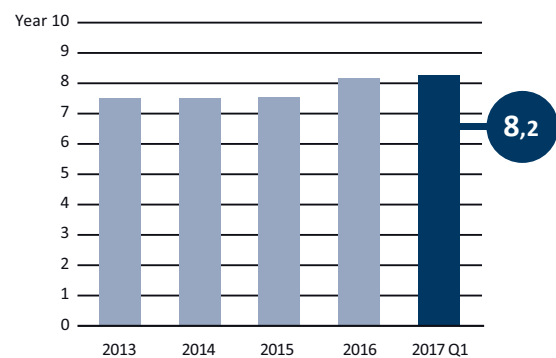
Nursing homes are to account for at least 30 per cent of rental income.



At least 75 per cent of the property value is to be concentrated to major cities.



The average lease term is to exceed five years.





## Financing

Hemsö aims for a maximum loan-to-value ratio of 70 per cent and a minimum interest-coverage ratio of 2.0 times. At period-end, the loan-to-value ratio was 63.6 per cent (65.5) and the interest-coverage ratio was 4.3 times (3.9).

At 31 March 2017, Hemsö's total assets amounted to SEK 36,734 million (28,466), of which the value of Hemsö's properties accounted for SEK 35,003 million (27,888), cash and cash equivalents for SEK 1,170 million (247) and other assets for SEK 561 million (331). The assets were financed through equity of SEK 9,329 million (6,764), deferred tax liabilities of SEK 2,216 million (1,514), interest-bearing liabilities of SEK 23,436 million (18,542) and other liabilities of SEK 1,753 million (1,646).

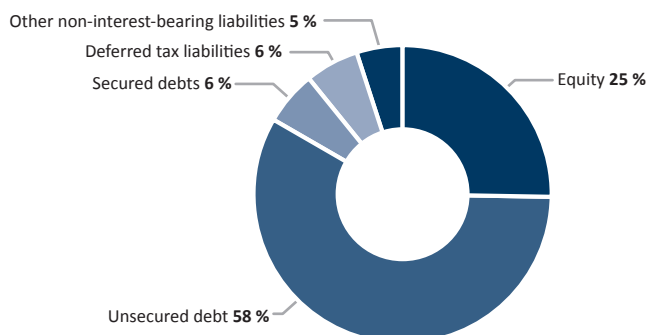
### Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 23,436 million (18,542), including loans from minority interests of SEK 1 million (23). The increase of SEK 4,894 million compared with 31 March 2016 was due to a large investment volume and many acquisitions. The debt portfolio of SEK 23,435 million comprised secured loans amounting to SEK 2,723 million (4,421), outstanding commercial papers of SEK 4,818 million (5,001) and unsecured bond loans of SEK 15,894 million (9,097). Available liquidity amounted to SEK 12,889 million (10,070), of which bank deposits accounted for SEK 1,170 million (247) and unutilised credit facilities for SEK 11,719 million (9,823).

At period-end, foreign currency debt amounted to EUR 633 million (205), corresponding to SEK 6,046 million (1,958). Currency exposure, defined as property assets plus cash less interest-bearing liabilities, amounted to EUR 30 million, corresponding to SEK 290 million. The amount represents 3 per cent of the Group's equity.

At period-end, Hemsö's average interest rate was 1.5 per cent (1.9). The average loan maturity was 3.9 years (2.7), and the average fixed-interest period was 4.3 years (3.8).

### Capital structure at 31 March 2017



### Financial ratios at 31 March 2017

Loan-to-value ratio, %	63.6
Secured loans, %	7.8
Interest coverage ratio, times	4.3
Fixed-interest period, years	4.3
Loan maturity, years	3.9

### Loan maturity and fixed-interest period

Maturity year	Loan maturity			Fixed interest period	
	Credit agreements, SEK million	Utilised, SEK million	Share, %	SEK million	Share, %
2018	2,500	2,321	12.5	7,767	33.1
2019	12,867	4,327	23.2	200	0.9
2020	4,868	2,868	15.4	1,640	7.0
2021	3,099	2,099	11.3	1,347	5.7
2022	1,300	1,300	7.0	2,100	9.0
2023	400	400	2.1	1,777	7.6
2024	-	-	-	1,500	6.4
2025	-	-	-	1,500	6.4
2026	-	-	-	859	3.7
>2026	5,301	5,301	28.5	4,745	20.2
<b>Total</b>	<b>30,335</b>	<b>18,616</b>	<b>100.0</b>	<b>23,435</b>	<b>100.0</b>
Outstanding commercial papers		4,818			
<b>Total</b>		<b>23,435</b>			

### Interest-rate derivatives

Hemsö uses interest-rate derivatives to reduce the company's interest-rate risk. At period-end, the nominal value of the derivatives portfolio was SEK 8,036 million (12,527). The deficit value of the financial derivatives was SEK 679 million (924).

The change in nominal volume was due to expiration or termination of some of the derivatives. Hemsö issued fixed-rate bonds during the period, which has extended the fixed-rate period and thereby reduced the need for derivatives.

Interest-rate derivatives are recognised at fair value in the statement of financial position under non-interest-bearing liabilities, and their changes in value are recognised in the statement of comprehensive income. Derivatives are measured using valuation techniques based on observable inputs, in accordance with Level 2 of the fair value hierarchy in IFRS 13. Hemsö assesses that there is no significant difference between the fair value and carrying amount of financial assets and liabilities.

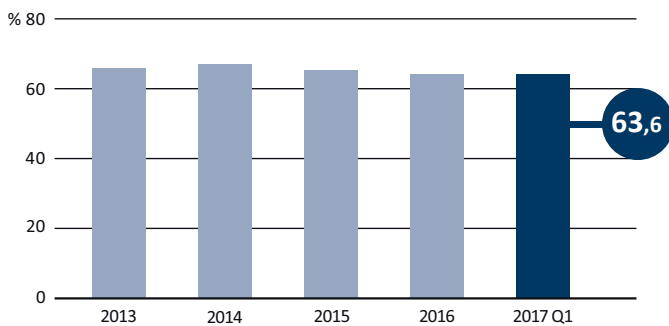
## Financing policy

		Outcome, 31 March 2017
<b>Financing risk 2017</b>		
Loan-to-value ratio	Max. 70 per cent	63.6 %
Loan maturity	At least 2 years	3.9 years
Debt cover ratio	At least 110 %	139 %
Secured loans	Max. 20 per cent of property value over the long term	7.8 %
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 2.0 times (rolling 12-month period)	4.3 times
Fixed-rate period	Average fixed-rate period between 3-6 years	4.3 years
Interest hedging maturity	Max. 40 % of the interest hedging may expire in 12 months	33 %
<b>Counterparty risk</b>		
Financial instruments	Bank with at least A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. corresponding value in SEK of 20 % of the Group's equity without currency hedging	3.1 %

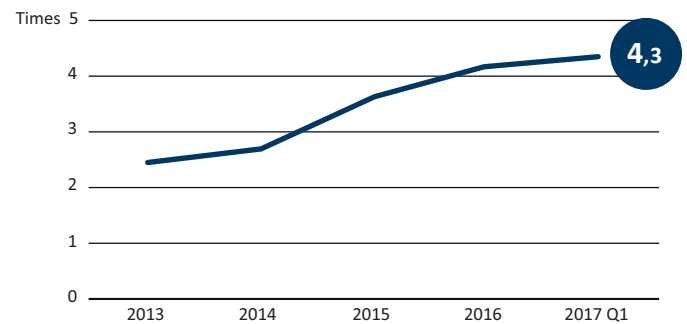
## Financial policy

The aim of Hemsö's financing activities is to ensure a stable capital structure at the lowest-possible cost within given risk limits. In 2017, Hemsö has replaced the liquidity ratio with debt-coverage ratio. The debt-coverage ratio measures the relationship between available liquidity and short-term borrowings. The ratio should be at least 110 per cent. The company has also added an average fixed-rate period. The average fixed-rate period should range from 3 to 6 years.

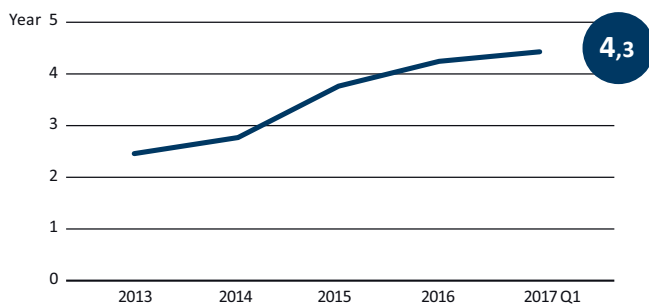
## Loan-to-value-ratio, %



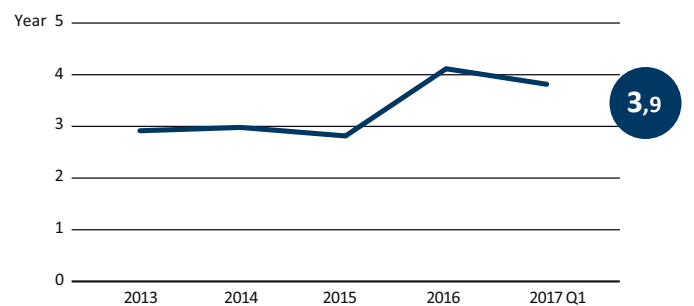
## Interest-cover-ratio, rolling 12 months, times



## Fixed-rate period, years



## Loan maturity, years



## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Mar 2017	Jan-Mar 2016	Apr 2016-Mar 2017	Jan-Dec 2016
Rental income	583	531	2,241	2,189
Other income	4	4	15	15
Operating expenses	-129	-119	-388	-378
Maintenance costs	-27	-27	-141	-141
Other property costs	-11	-12	-32	-33
<b>Net operating income</b>	<b>420</b>	<b>377</b>	<b>1,695</b>	<b>1,652</b>
Central administration expenses	-33	-46	-169	-182
Financial items	-84	-85	-358	-359
<b>Profit before changes in value</b>	<b>303</b>	<b>246</b>	<b>1,168</b>	<b>1,111</b>
<b>Changes in value</b>				
Investment properties	388	56	2,404	2,072
Derivatives	47	-256	95	-208
<b>Profit before tax</b>	<b>738</b>	<b>46</b>	<b>3,667</b>	<b>2,975</b>
Current tax	-25	-17	-57	-49
Deferred tax	-113	5	-701	-583
<b>Profit for the period</b>	<b>600</b>	<b>34</b>	<b>2,909</b>	<b>2,343</b>
<b>Profit for the period attributable to</b>				
Parent Company shareholders	576	32	2,839	2,295
Non-controlling interests	24	2	70	48
<b>Other comprehensive income</b>				
Profit for the period	600	34	2,909	2,343
Translation difference	1	18	64	81
<b>Total comprehensive income for the period</b>	<b>601</b>	<b>52</b>	<b>2,973</b>	<b>2,424</b>
<b>Comprehensive income for the period attributable to</b>				
Parent Company shareholders	577	50	2,903	2,376
Non-controlling interests	24	2	70	48

## Group – Condensed statement of financial position

Amounts in SEK million	31 March 2017	31 March 2016	31 December 2016
<b>ASSETS</b>			
Investment properties	35,003	27,888	33,629
Other non-current assets	69	50	69
Other current receivables	492	281	323
Cash and cash equivalents	1,170	247	932
<b>TOTAL ASSETS</b>	<b>36,734</b>	<b>28,466</b>	<b>34,953</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	9,329	6,764	8,672
Deferred tax liability	2,216	1,514	2,103
Interest-bearing liabilities	15,397	11,346	15,167
Non-interest-bearing liabilities	676	927	723
<b>Total non-current liabilities</b>	<b>18,289</b>	<b>13,787</b>	<b>17,993</b>
Interest-bearing liabilities	8,039	7,196	7,316
Non-interest-bearing liabilities	1,077	719	972
<b>Total current liabilities</b>	<b>9,116</b>	<b>7,915</b>	<b>8,288</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,734</b>	<b>28,466</b>	<b>34,953</b>

## Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Proportion from non-controlling interest	Total equity
Opening balance, 1 Jan 2016	1	6,835	-8	-164	100	6,764
Reclassification of capital contribution 2015	-	21	-	-21	-	-
Dividend	-	-	-	-585	-	-585
Acquisition of minority share	-	-	-	-	-5	-5
Minority shareholders' contribution	-	-	-	-	74	74
Total comprehensive income for the period	-	-	81	2,295	48	2,424
<b>Closing balance 31 Dec 2016</b>	<b>1</b>	<b>6,856</b>	<b>73</b>	<b>1,525</b>	<b>217</b>	<b>8,672</b>
Opening balance, 1 Jan 2017	1	6,856	73	1,525	217	8,672
Minority shareholders' contribution	-	-	-	-	56	56
Total comprehensive income for the period	-	-	1	576	24	601
<b>Closing balance 31 Dec, 2017</b>	<b>1</b>	<b>6,856</b>	<b>74</b>	<b>2,101</b>	<b>297</b>	<b>9,329</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Mar 2017	Jan-Mar 2016	Apr 2016-Mar 2017	Jan-Dec 2016
<b>Operating activities</b>				
Profit before changes in value	303	246	1,168	1,111
Other items not included in the cash flow	-1	-	-64	-63
Income tax paid	-22	-34	-52	-64
<b>Cash flow from operations before changes in working capital</b>	<b>280</b>	<b>212</b>	<b>1,052</b>	<b>984</b>
Increase (+)/Decrease (-) in working capital	-65	160	29	254
<b>Cash flow from operating activities</b>	<b>215</b>	<b>372</b>	<b>1,081</b>	<b>1,238</b>
<b>Investment activities</b>				
Property acquisitions	-536	-1,088	-2,810	-3,362
Investment in new constructions, extensions and refurbishments	-518	-211	-1,858	-1,551
Property divestments	55	-	115	60
Other non-current assets	-	-1	-24	-25
<b>Cash flow from investment activities</b>	<b>-999</b>	<b>-1,300</b>	<b>-4,577</b>	<b>-4,878</b>
<b>Financing activities</b>				
Shareholder contribution	-	-	74	74
Borrowing in interest-bearing liabilities	1,225	2,621	10,072	11,468
Amortisation in interest-bearing liabilities	-259	-1,553	-5,228	-6,522
Contribution from non-controlling interests	56	-	56	-
Dividend paid	-	-52	-533	-585
<b>Cash flow from financing activities</b>	<b>1,022</b>	<b>1,016</b>	<b>4,441</b>	<b>4,435</b>
<b>Cash flow for the period</b>	<b>238</b>	<b>88</b>	<b>945</b>	<b>795</b>
Opening balance, cash and cash equivalents	932	157	247	157
Exchange rate difference in cash and cash equivalents	-	2	-22	-20
<b>Closing balance, cash and cash equivalents</b>	<b>1,170</b>	<b>247</b>	<b>1,170</b>	<b>932</b>

## Parent Company – Condensed statement of income

Amounts in SEK million	Jan-Mar 2017	Jan-Mar 2016	Apr 2016-Mar 2017	Jan-Dec 2016
Operation income	16	28	83	95
Central administration expenses	-39	-44	-177	-182
<b>Operating profit</b>	<b>-23</b>	<b>-16</b>	<b>-94</b>	<b>-87</b>
Financial items	-45	-53	383	375
Appropriations	-	-	400	400
<b>Profit before tax</b>	<b>-68</b>	<b>-69</b>	<b>689</b>	<b>688</b>
Recognised tax	-	-	-6	-6
<b>Profit for the period</b>	<b>-68</b>	<b>-69</b>	<b>683</b>	<b>682</b>
<b>Other comprehensive income</b>			0	0
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-68</b>	<b>-69</b>	<b>683</b>	<b>682</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	31 Mar 2017	31 Mar 2016
<b>ASSETS</b>		
<b>Fixed assets</b>		
Equipment	3	5
Shares and participations in Group companies	6,206	6,393
Non-current receivables	4,330	4,372
<b>Total non-current assets</b>	<b>10,539</b>	<b>10,770</b>
<b>Current assets</b>		
Current receivables	13,140	7,218
Cash and cash equivalents	879	147
<b>Total current assets</b>	<b>14,019</b>	<b>7,365</b>
<b>TOTAL ASSETS</b>	<b>24,558</b>	<b>18,135</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	3,625	3,474
<b>Untaxed reserves</b>		
Tax allocation reserve	13	33
<b>Liabilities</b>		
Deferred tax liabilities	29	27
Interest-bearing liabilities	20,712	9,497
Non-interest bearing liabilities	179	5,104
<b>Total liabilities</b>	<b>20,920</b>	<b>14,628</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,558</b>	<b>18,135</b>

## Other information

### Events after period-end

On 6 April, 34 of the 35 properties that Hemsö agreed, in December 2016, to sell to Samhällsbyggnadsbolaget i Norden AB were transferred, and the last remaining property will be transferred on 28 April. Most of the properties are located in western and southern Sweden and the total lettable area is 174,400 sqm.

On April 19 Hemsö issued EUR 35 million under the company's EMTN programme. The bond has a term of 15 years and is Hemsö's first bond with a term of more than 10 years.

### Employees

At period-end, Hemsö had 103 employees, of whom 47 were women. 41 employees worked with asset and property management, and nine with project development. Other employees were active in administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of the total number of employees, 97 are employed in Sweden, four in Germany and two in Finland.

### Risks and uncertainties

No changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 46-48 of the 2016 Annual Report.

### Related-party transactions

Hemsö's related-party transactions are set out in Note 25 of Hemsö's 2016 Annual Report. No related-party transactions of any significance were conducted during the period.

### Jointly owned companies

In addition to the Group's wholly owned property portfolio, Hemsö owns shares in three companies held jointly with SveaNor and the Third Swedish National Pension Fund. All jointly owned companies are consolidated in the company's consolidated financial statements.

Hemsö owns half of the shares and the voting rights in the jointly owned companies TKV 2 Fastighets AB and Vitartes AB and their subsidiaries. The remaining shares are owned by SveaNor Holding AB. The TKV company is developing a medical training and research centre at Karolinska University Hospital in Huddinge. Vitartes is also a project development company focused on life science properties. In addition to this, Hemsö jointly owns, Hemsö Norden KB, in partnership with the Third Norden KB currently owns 15 investment properties through limited partnerships.

### Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The consolidated financial statements have also been prepared in accordance with Swedish law, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities.

No new or amended standards or interpretations from IASB have had any impact on the interim report, and the accounting policies applied are those presented in Note 1 of Hemsö's 2016 Annual Report.

Stockholm den 26 april 2017

Nils Styf

Chief Executive Officer

This report has not been reviewed by the company's auditors.

# Definitions

Definitions and explanations of key figures are also available at [www.hemso.se/en/financial-information/definitions/](http://www.hemso.se/en/financial-information/definitions/)

## Financial definitions

### Return on equity

Profit after tax adjusted for interest rates on shareholder loans for the period as a percentage of average equity (rolling 12 months). 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 value of the properties.

### Available liquidity

Cash plus unutilized credit commitments.

### EMTN program

Euro Medium Term Note programme, a European bond programme.

### Average loan maturity

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

### Average interest rate

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

### Short-term loans

Loan maturities within 12 months

### Interest-coverage ratio

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

### Debt-coverage ratio

Available liquidity in relation to short term borrowings.

### Total return

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

## Property-related definitions

### Yield

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

### Net operating income

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

### Economic occupancy rate

Rental income in relation to rental value.

### Profit from property management

Profit before changes in value and tax.

### Rental income

Rental value less vacancies, discounts and rental losses.

### Rental duration

The weighed average remaining lease term excluding garage/parking, stores/warehouses and housing rented to private individuals.

### Comparable portfolio

The properties that Hemsö owned during all reported periods. 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 sales price of divested properties and the sales 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, or 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 tax-funded activities and dedicated to community services. Also includes sheltered housing under the public properties concept.

### Major cities

In Sweden and Finland, major cities are defined as cities with populations of 100,000 or more, and in Germany, as cities with populations of 200,000 or more. The limits are based on Statistic Sweden's definition of "metropolitan areas" in Sweden and Finland, respectively, and the OECD's definition of "medium-size urban areas" in Germany.

### Lettable area

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

### Occupancy rate, area

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



**Vacancy rent**

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

**Rent based on vacancy rate**

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

**Vacancy rate, area**

Vacant area in relation to total lettable area.

**Surplus ratio**

Net operating income in relation to the sum of property income and other income.

**Questions and more information**

For more information, please contact:

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CFO, Rutger Källén, phone +46 8-501 170 35

Financial statements and press releases are available on Hemsö’s website: [hemso.se](http://hemso.se)

**Financial calendar**

Interim Report Jan-Jun 2017            13 July 2017

Interim Report Jan-Sep 2017        25 Oct 2017

# HEMSÖ

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