

**HEMSÖ**

**2017**

**Annual Report**



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## 2017 Annual Report and Sustainability Report

The statutory Annual Report, including the Directors' Report, for Hemsö Fastighets AB (publ), Corp. Reg. No. 556779-8169 has been audited and comprises pages 64-114. The Directors' Report comprises pages 64-79. 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 127-129.



## Mission

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



## Vision

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

## This is Hemsö

Hemsö is one of the largest private owners of public properties in Sweden. The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.

The properties are located in Sweden, Germany and Finland. The tenants are mainly state, municipalities and county councils, but also private companies with taxpayer-funded operations. The Third Swedish National Pension Fund is Hemsö's principal 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 dependable and accessible 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.

# Hemsö in figures and significant events in 2017

Properties

**346**

Leasable area

**1,636**  
tsqm

Property value

**SEK 38.9**  
billion

Economic  
occupancy rate

**98.3 %**

Profit from  
property management

**SEK 1,314**  
million

Contracted annual rent

**SEK 2,492**  
million



## Q1

Hemsö acquired site leaseholds with related project commitments to construct Mälardalen University in Eskilstuna. The investment amounted to SEK 800 million.

The City of Västerås allocated land to Hemsö to build Widénska gymnasiet (an upper secondary school). The school will accommodate 480 pupils and the investment amounted to SEK 150 million.

Hemsö acquired five properties and received a land-use agreement in Luleå for a nursing home with 144 beds. The investment amounted to SEK 370 million. Luleå Municipality is the main tenant of the premises, with a 20-year lease agreement.

In Bremen, Germany, a nursing home with 78 beds and 46 senior apartments was acquired for SEK 210 million. The tenant is care provider Curanum.

## Q2

The vocational college in Pori, Finland, was transferred when construction was completed. The investment amounted to SEK 550 million.

In Germany, two nursing homes with 211 beds were acquired for SEK 300 million.

Hemsö was named "Investor of the Year" at the 2017 EXPO retirement home congress in Berlin.

Bonds totalling EUR 385 million were issued, with 12-15 year maturities.

Åsa Bergström was elected new Board member by the AGM.



## Q3

An environmental and research centre was acquired in Duisburg, Germany. The investment amounted to SEK 1,100 million. The building is under construction and transfer will take place when the centre is completed in 2018.

An adult education college in Dortmund, Germany, was acquired for SEK 100 million. The City of Dortmund is the tenant.

Hemsö and Lantmännen formed a joint venture to develop and own public properties. The initial portfolio comprised four school and nursing home properties and one nursing home project with a total value of SEK 540 million.

In Sandbyhov, Norrköping, Hemsö is converting properties into schools to accommodate 800 pupils. The investment amounted to SEK 260 million. Norrköping Municipality signed a 25-year lease agreement.

## Q4

Two nursing homes in Växjö with 116 beds were acquired for SEK 300 million. 15-year and 17-year lease agreements were signed with Attendo and Norlandia, respectively.

Hemsö conducted a barter transaction with Stenvalvet, in which Hemsö acquired three properties in Gothenburg in the justice system segment and divested nine properties in several locations across Sweden. The transaction value was just over SEK 1 billion.

Hemsö's two buildings in Borstahusen received the City of Landskrona's Urban Planning Award.

Hemsö acquired land from Boden Municipality to build a nursing home with 126 apartments. Norlandia signed a 15-year lease agreement.

The City of Västerås selected Hemsö to develop Södra Källtorp. Hemsö will build a nursing home with 120 beds, 60 senior living units and a preschool with 72 places. The investment amounted to SEK 490 million.

In central Helsinki, Hemsö acquired an educational property for SEK 120 million. The tenants are Aalto University and the Hanken School of Economics.



# Properties for public use

A property that is **customized for** special use for **public services**, and with tenants that are **predominantly tax-funded**. This asset class is also referred to as social infrastructure.

## HEMSÖ



## CEO statement

# The best landlord for public services

Hemsö's proven business model once again generated stable earnings in 2017. Profit from property management rose 18 per cent and the property value was nearly SEK 40 billion.

Hemsö is Sweden's largest private owner of public properties. Due to our size, we are well-positioned to achieve our goal of being the best landlord for public services. To achieve our goal over time, we have chosen to focus on four pillars. Hemsö aims to have a high-quality portfolio of public properties, customer-oriented asset and property management, long-term property development and, not least, a stable capital structure. All areas are characterised by a strong sustainability focus and a long-term approach.

### High-quality public properties

During the year, we continued to streamline and improve the quality of our portfolio, in which growth is mainly derived from acquisitions and development in growing cities. The share of properties in major cities is 81 per cent. Combined with urbanisation, the demographic trend is creating long-term growth for public services in major cities, and we want to take advantage of these trends.

In Germany, Hemsö acquired seven nursing homes during the year and also broadened the company's portfolio to increase the share of public-sector tenants. The acquisi-

tion of an adult education college in Dortmund and a newly built environmental and research centre in Duisburg, with public-sector tenants and long-term lease agreements, will increase the stability of our portfolio. Hemsö was named "Investor of the Year" at the annual



EXPO retirement home congress in Berlin. The award confirms that our fokus on nursing homes has been successful, and that we are now an established and respected player in Germany. The award is given to the investor that is financially successful, strategically effective, innovative and forward-looking, and can be a role model for the segment.

### Customer-oriented asset and property management

One year ago, we simplified Hemsö's organisation in order to make our property management

more agile and customer-oriented. In 2017, we saw the positive effects of a more decentralised Hemsö, where the key is greater understanding of our tenants' operations, combined with simpler and faster decision-making. It also led to more effective property management, with a lower cost base as an added bonus.

To meet the growing demands of our tenants and stay at the forefront, we attach great importance to developing our specialised expertise in the development and management of public properties. For example, we launched an internal training programme – the Public properties School – during the spring. The aim is to offer all employees an opportunity to deepen their knowledge in a range of areas that affect our specific segment. A good understanding of our tenants' operations, and the specific demands that characterise public properties, is a basic requirement for all Hemsö employees.

### Long-term property development

Property development has become a natural feature of Hemsö's operations, driven by the large need for newly constructed nursing homes and schools, in particular. 2017 was an intensive year, when we completed projects for public-sector tenants as well as private operators conducting taxpayer-funded public services. Seven new-construction projects were completed for a total

investment amount of SEK 1.5 billion. The projects were delivered within budget and with a rental duration of 22 years upon completion, which increased the total portfolio rental duration to 9.2 years. Sustainability is important in new construction and all projects hold Silver certification under the Sweden Green Building Council (SGBC) system, and the building materials were chosen on the basis of their effects on the environment and human health. We

A major focus during the year was to broaden our investor base, and to extend our loan maturity and fixed-rate periods. These are now 5.0 and 5.1 years, respectively – among of the longest in the Swedish property market. In a global capital market characterised by uncertainty and political concerns, we want to reduce our refinancing risk and create predictability around Hemsö's financing costs.

efforts to strengthen our capital structure have reduced this risk for Hemsö. 2018 will be characterised by increased competition in all of our markets, particularly Sweden. It will be more difficult to find new acquisition opportunities. This is one of the reasons why, here in Sweden, we have chosen to focus our investments on development, where our expertise can create added value.

Our business model and strong cash flows build resilience, even in the event of a decline in property values. We also have the unique advantage of a long-term owner, the Third Swedish National Pension Fund, which creates security for Hemsö and, in turn, our customers and investors.

Hemsö is entering 2018 as a company standing firmly on its four pillars, and with a clear focus. Hemsö's organisation is characterised by a drive to be the best in our segment, and a passion to be involved in the creation of the social infrastructure required to provide public services. Hemsö will be a natural property partner for the public sector in both the coming year, and for a long time to come.

Nils Styf, CEO

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## **We are particularly proud that Hemsö's newly opened compulsory school in Borstahusen, with an indoor sports centre, won the City of Landskrona's 2017 Urban Planning Award."**

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are particularly proud that Hemsö's newly opened elementary school in Borstahusen, with an indoor sports centre, won the City of Landskrona's 2017 Urban Planning Award. The project was the result of close cooperation between Hemsö, the municipality and the International English School.

### **Stable capital structure**

A stable business model and a low-risk capital structure are fundamental to the creation of long-term value for all of our stakeholders. Our business model risk is reflected by our A- credit rating from Standard & Poor's.

Hemsö currently has SEK 1 billion outstanding in sustainable bonds. We are planning to expand our sustainable bond programme due to the high level of interest from investors and our ongoing financing requirements for sustainable investments. These investments are mainly used for energy projects, refurbishments, new construction and special social initiatives such as school playgrounds.

### **Stability in an uncertain world**

We are living in a world of global political uncertainty. Although this mainly affects the capital market,



# Strategy and business model

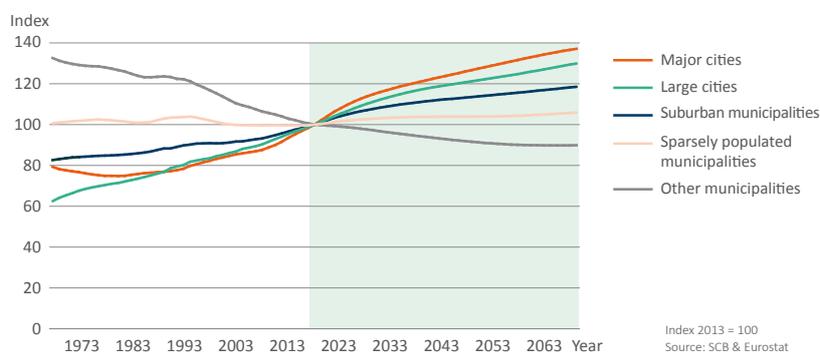
Hemsö's strategy is to invest in major cities, with a focus on entering into long-term lease agreements with predominantly public-sector tenants. The aim is that the business model will generate long-term stable returns.

Hemsö owns, develops and manages public properties. These are customised for public services, where the tenant is taxpayer-funded. The public properties market creates conditions for long-term stable returns due to:

- Strong demand for premises, which is also expected to rise over time.
- Tenants with high credit scores, usually with long-term lease agreements.
- Lower sensitivity to economic fluctuations than other property types.

Demand for public properties will increase sharply over the next 20 years, due to the strong demographic trend combined with urbanisation. There is also a major need to convert older portfolios in municipalities into more modern premises. This applies in all of Hemsö's geographic markets. Of Hemsö's property portfolio, 78 per cent is located in Sweden, 12 per cent in Germany and 10 per cent in Finland. The properties are divided into four categories: nursing homes, education, health care and the justice system. The tenants are government, municipality, county or private operators that are taxpayer-funded. The countries in which Hemsö operates have stable economies, with strong finances and a publicly funded welfare sector. This strengthens Hemsö's business model, with income derived directly or indirectly from public funds.

## Urbanisation in Sweden



## Hemsö's markets

Country	Credit rating	Public sector share of GDP	GDP growth 2017	Market value
Sweden	AAA	51%	2.6%	78%
Germany	AAA	45%	2.2%	12%
Finland	AA+	54%	3.3%	10%

Population	Sweden	Germany	Finland
Population, 2017	10,120,242	82,800,000	5,503,297
Population 80+	516,132	4,802,400	286,171
Projected population growth, 2030	15%	-1%	5%
Projected population growth for 80+, 2030	64%	38%	75%

Source: SCB & Eurostat



Halmstad 10:35, Halmstad

## Hemsö's four property frameworks

To clarify the company's strategy, Hemsö has a number of property frameworks. These frameworks aim to ensure a low level of portfolio risk, and that Hemsö's cash flow remains stable over time.

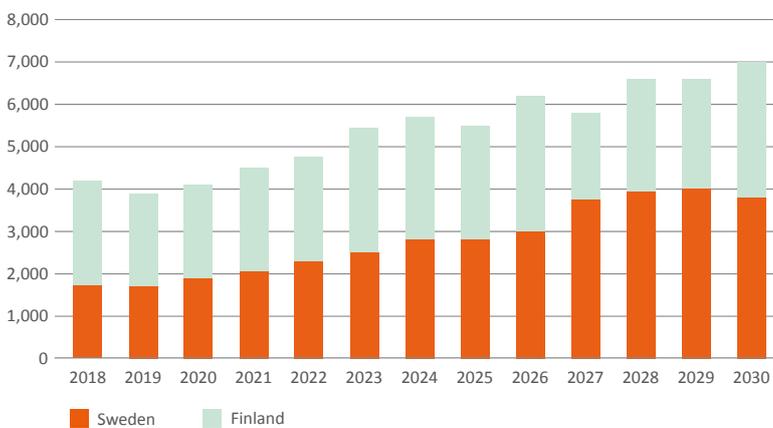
1

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

The nursing homes segment is showing strong, long-term and rising demand, which guarantees stable rental income over time. Demand is directly linked to the demographic trend, where the share of people aged 80 and over is setting the tone. This share is expected to rise sharply in all of Hemsö's geographic markets.

In Sweden, private operators have become increasingly common in elderly care. However, because the municipality is responsible for the provision of elderly care, the connection with the municipality is strong, even when private operators are Hemsö's tenants.

### Need for new residential placements for the elderly in Sweden and Finland



✓

Share of income from nursing homes

**42%**

2

**The rental duration is to exceed 5 years.**

To ensure stable, predictable and inflation-adjusted income, Hemsö strives for long-term lease agreements. Lease agreements for new construction normally have terms of 15-25 years, with annual rent adjustments to reflect increases in the consumer price index. On average, Hemsö's rental income is adjusted annually by 80 per cent of underlying inflation.

3

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

Demand for public properties is mainly driven by demographics and urbanisation. Analyses show that demand will be greatest in metropolitan areas and major cities. For this reason, strong long-term demand for Hemsö's properties is secured by concentrating a high percentage of the property holding to major cities.

4

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

Hemsö's business model is based on taxpayer-funded tenants in an established system with publicly funded welfare services. Hemsö has a preference for rental income received directly from the government, municipalities or county councils. This provides stability since the ability of these tenants to meet their payment obligations is strong.



Rental duration, years

9.2



Share of major cities

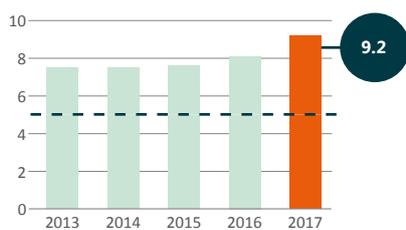
81%



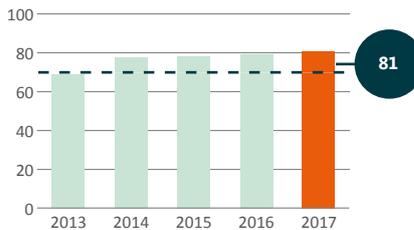
Share of public-sector tenants

59%

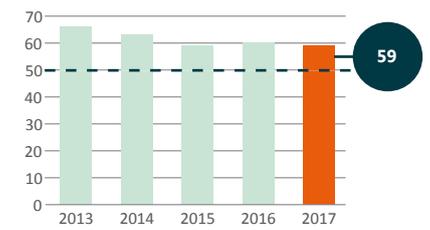
**Rental duration, years**



**Major cities, %**



**Public-sector tenants, %**





Vittraskolan School, Jönköping



## Portfolio strategy

Hemsö grows through acquisitions, extensions and refurbishment, and new construction.

Growth takes place with a focus on profitability, and on developing the property portfolio in accordance with the stated property frameworks. Hemsö holds a unique position for growth opportunities by being the leading public property operator, with established tenant relationships, especially with municipalities.

Hemsö has in-house expertise and capacity for public property development, and is therefore able to meet strong demand, particularly the need for new nursing homes and schools. By working closely with municipalities and tenants, Hemsö can develop its existing portfolio at an early stage, or undertake new construction projects.

Hemsö develops its properties with the aim of long-term ownership. This guarantees high-quality and sustainable production that meets the tenant's high demands. By ensuring

an efficient construction process, we can offer our tenants attractive rents.

To reduce Hemsö's new construction risk, the rate of occupancy should be high before start-up with long-term lease agreements, which will secure net operating income for future years. Production costs are fixed before project start to ensure project profitability, and production is procured from a creditworthy contractor, which minimises cost risk.

Properties that Hemsö considers non-strategic holdings are divested, such as solitary properties in smaller towns, which further streamlines Hemsö's property management. The freed-up capital is used to acquire or build new properties that are modern, sustainable and located in areas with long-term strong demand.

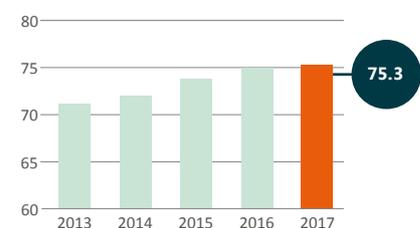
## Property management

Hemsö is a property-management company and a long-term property partner for our tenants. Hemsö's property management is characterised by a local presence to ensure a high level of service, as well as

efficiency and a strong sustainability focus. Hemsö has extensive experience and knowledge of its tenants' operations and has built up specialised expertise in the management of public properties.

In Germany and Finland, lease agreements are structured so that tenants are responsible for most of the operating expenses, which minimises the cost risk. Hemsö's surplus ratio has continuously improved and is currently 75.3 per cent.

## Surplus ratio, %



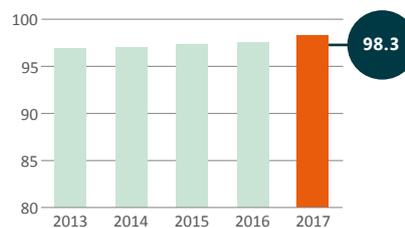
To further improve the predictability of cash flow from property operations, property management is focused on minimising costs by, for example, reducing energy consumption and hedging electricity costs.



Medicinaren 23, Stockholm

Since demand for public properties is both high and growing, tenants usually choose to extend their lease agreements when they expire. Hemsö's property management includes active efforts to understand tenant needs and challenges, to adapt the premises together and win tenant loyalty. As a result, vacancies rarely arise.

### Occupancy rate, %



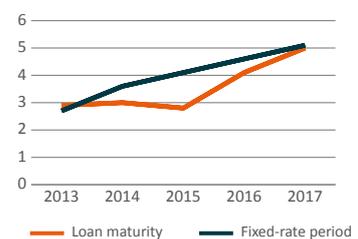
### Capital structure

Hemsö grows through the free cash flow generated by its operations. 50 per cent of the profit from property management is normally distributed to shareholders, while the remaining 50 per cent is reinvested in the operations.

Hemsö strives to maintain a stable capital structure, with a maximum loan-to-value ratio of 70 per cent. Historically, the loan-to-value ratio has been about 65 per cent and was 62.9 per cent at period-end. Hemsö's capital structure reflects a stable and predictable operating cash flow, which provides scope for adjusting the capital structure and maintaining financial flexibility should the property market decline. Hemsö's predictable cash flow also creates more stability in the value of properties, because rental rates and long-term vacancies do not follow business cycles.

Hemsö minimises its financial risk by diversifying the sources of its borrowed funds. By focusing on unsecured loans in the capital market, Hemsö has methodically reduced its secured debt. Efforts to optimise the debt maturity profile, as well as loan maturity and fixed-rate periods, have also been important for minimising financial risk. On 31 December, the loan maturity was 5.0 years and the fixed-rate period 5.1 years, which means that net financing cost is expected to remain stable in the medium term.

### Loan maturity and fixed-rate period



### Share of secured debt, %

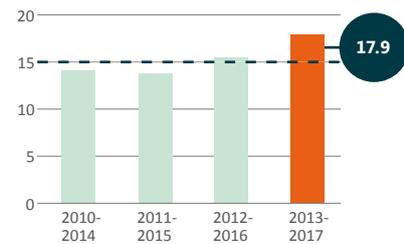


# Targets and frameworks

## Profitability target

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

### Return on equity, %

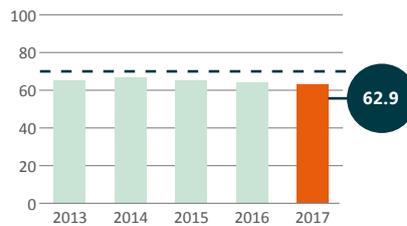


In 2017, average return on equity over a five-year period was 17.9 per cent, which exceeds the target of 15 per cent. In 2017, the return was 26.6 per cent. The result was largely attributable to higher profit from property management and a positive value trend for the property portfolio.

## Financial frameworks

A maximum loan-to-value ratio of 70 per cent.

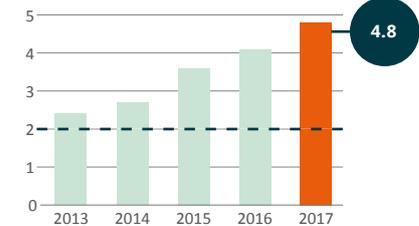
### Loan-to-value ratio, %



Despite a high rate of investment in 2017, the loan-to-value ratio fell to 62.9 per cent. This was mainly due to changes in value resulting from lower yield requirements in the property market.

An interest-coverage ratio of at least 2.0.

### Interest-coverage ratio



In 2017, the interest-coverage ratio increased to 4.8. This was an effect of higher net operating income, lower central administrative expenses and a decrease in net financial items.



## Engagement Index (EI).

Outcome 2017

# 82/100

This means that the target of 77 was achieved in 2017. EI is part of the Employee Engagement Index (EEI), which includes the Leadership Index and Efficiency Index, which also received high scores during the year.

## Energy consumption per sqm is to fall 30 per cent between 2012 and 2020.

Outcome 2017, 13.5%

# 13.5%

Energy consumption has fallen 13.5 per cent since 2012. Energy audits have been carried out for all properties in Sweden and potential efficiencies in tenant operations have also been identified.







## Market overview

Hemsö is active in Sweden, Germany and Finland. A common denominator for these markets is that public services are mainly taxpayer-funded.

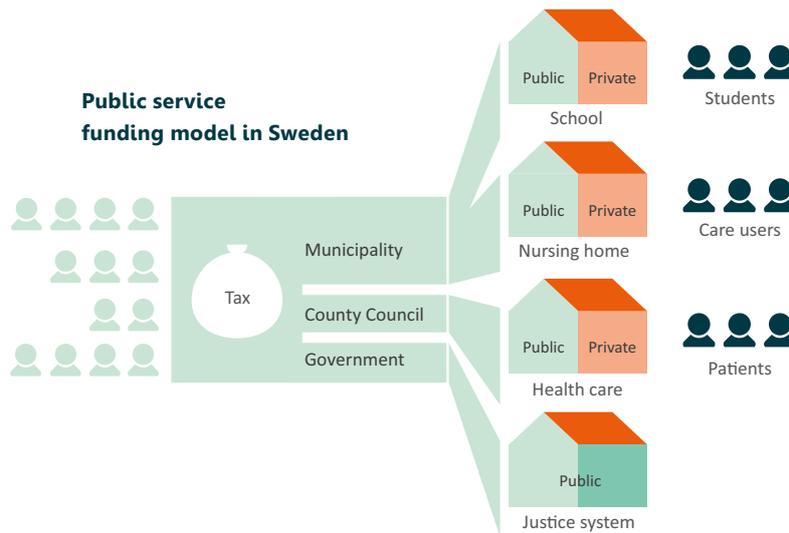
As a result, the operations run by private-sector tenants in Hemsö's public properties are also taxpayer-funded. For independent schools in Sweden, for example, the municipality pays a school fee to the

school where the student is enrolled. For nursing homes in Germany, a long-term care insurance fee is paid to the nursing home where the care recipient chooses to live. 95 per cent of Hemsö's total rental income

is derived from taxpayer-funded operations. See the following market section for each country.



## Sweden



### Definition of properties for public use

A property that is predominantly used for taxpayer-funded operations and is dedicated to public services. Sheltered housing is also included under the public properties concept.

### Economy

The property market is largely impacted by general macroeconomic factors, which represent the fundamental driving forces of property supply and demand. These macroeconomic factors, such as inflation trends, access to capital and capital costs, also impact the property owners' financial calculations and therefore their willingness to invest.

The Swedish economy remained strong in 2017 and GDP growth was about 2.4 per cent, which is slightly higher than consensus expectations from 2016. Growth was mainly driven by housing investment, while household consumption developed at a slower pace. Growth is expected to continue in 2018, based on the consensus forecast of up to about 2.5 per cent followed by a slight drop in 2019 to about 2 per cent. While the falling house prices at the end of 2017 pose a risk to economic growth, a generally strong economy and housing shortage indicate that the falling prices are likely to stagnate. Other indicators, such as the Nation-

al Institute of Economic Research's Economic Tendency Survey Data and the Purchasing Managers Index, are both showing stronger levels than normal. Unemployment is expected to continue falling in 2018, while the employment rate increases.

The repo rate remained at a stable -0.5 per cent throughout the entire year. At its final monetary policy meeting for the year in December, the Riksbank chose to keep the repo rate at -0.5 per cent in order to maintain the strong economy, support inflation and prevent the SEK rate from rising too fast. The repo rate is expected to remain low and be slowly raised in mid-2018, which is positive for the property sector.

### Demographics

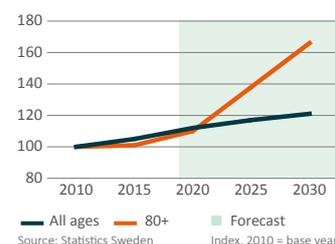
The need for public services, and thus public properties, is governed by demographic, political and economic factors. While demand for public properties is largely governed by population growth, rising employment is a prerequisite for a positive trend in the tax base. This ultimately benefits those parties that lease public properties to operations that are wholly or partially dependent on public funding.

Sweden is characterised by strong population growth and in January 2017, the number of inhabitants

passed the ten-million mark. Statistics Sweden's latest forecast indicates that the population will reach 11 million by 2026, reflecting average population growth of nearly 100,000 people per year. Due to the ongoing urbanisation trend, population growth is highest in the metropolitan areas, but other regional cities with colleges or universities, such as Umeå, Uppsala, Västerås and Linköping, are also showing a strong trend.

Hemsö's total property value largely comprises properties for nursing homes and education. As a result, development in the younger and older age groups is important, since demand for public services is expected to rise in line with population growth. In Sweden, the population in pre-school, compulsory school and upper secondary school ages is rising faster than the average for all ages. The 80+ age group is also growing fast, which is positive for Hemsö.

### Demographic trend, Sweden





Gunnebo 15, Stockholm

## General property market

The commercial property sector is capital intensive and the high level of investment appetite has mainly been driven by the prevailing low interest rates. Other factors, such as the lack of alternative investments, good access to equity financing and favourable financing options, have also benefited the property market. The fundamental driving forces, such as positive economic growth, low vacancies and rental growth, remain favourable and indicate that investment appetite is likely to remain at a high level.

## Transaction market

The Swedish transaction market has been robust since 2014, with high transaction volumes and high liquidity. The transaction market remained strong during 2017, with high interest in property investments. During the year, the transaction volume was SEK 152 billion, in line with the average annual volume over the past five years. Despite a significantly

lower transaction volume year-on-year, it should be remembered that 2016 was a record year and that, historically, the volume for 2017 is considered high.

Due to the relatively stable economic and political conditions in Sweden, the interest shown by foreign investors has been high. During the year, foreign investors acquired properties for a total value of SEK 40 billion, representing 26 per cent of the total transaction volume – and the highest volume recorded since the financial crisis in 2008. 2017 was also the first year since 2008 that foreign investors turned net buyers of properties and Swedish operators net sellers.

Residential properties, followed by office properties, were the two segments with the highest turnover. The total transaction volume was SEK 39 billion for residential properties, and SEK 29 billion for office properties, corresponding to a market share of 26 and 19 per cent, respectively.

Despite a slowdown in the transaction market compared with 2016, the conditions for a continued strong market in 2018 appear favourable. However, there are some concerns in the market, such as the Swedish government's taxation initiative, and the proposed limitation on deductions for interest expense. Transaction volumes are expected to remain high, provided there are no major unforeseen macroeconomic changes in Sweden or the rest of the world.

## Transaction market for public properties

Public properties have been considered an established property segment since around 2000, when the share of private owners increased sharply. After the financial crisis in 2008, investors became more risk-averse which led to higher demand for properties with a low risk profile, such as housing or public properties. Public properties usually offer lower risk compared with traditional commercial properties, in the form of



stable tenants and long-term lease agreements. Transaction volumes in this segment have therefore shown sharp, but volatile, growth over the past decade and in 2016, a new transaction record was measured when public properties worth just over SEK 22 billion changed hands. Transaction volumes in this segment can vary widely from year to year, mainly driven by fluctuations in supply. 2017 was a rather lean year for public properties, with a transaction volume of just over SEK 12 billion. Despite a significantly lower volume year-on-year, the figure was slightly higher than the average annual volume of SEK 11.5 billion for the past decade.

The strong buying pressure led to a record-low yield requirement during the year. Buyers were predominantly institutions and funds, while the most active sellers were construction and property development companies. The required yields for both prime and secondary objects

are expected to remain stable during the coming year. In some cases, however, there could be a significant difference between the yield requirements for prime and secondary objects, depending on location, use, modernity and lease duration.

Transaction volumes in the segment are expected to remain high, mainly due to the prevailing positive market conditions. In addition, municipalities are expected to continue selling off their properties in order to focus on their core activities and to free-up capital. The anticipated increase in new construction volumes is also expected to drive the transaction market because construction companies and property developers are divesting properties upon, or prior to, completion.

### Public property trends

Sweden has a rapidly growing population, and the fastest growth is expected in younger and elderly age groups. The favourable demographic

changes are expected to drive new construction volumes which, in turn, will increase the supply and thereby transaction volumes in the segment. There is also a tendency to demolish older schools and nursing homes and replace them with new, more modern and appropriate premises.

**Transaction volumes, Sweden, SEK billion**





Turku University of Applied Sciences, Finland



## Finland

### Economy

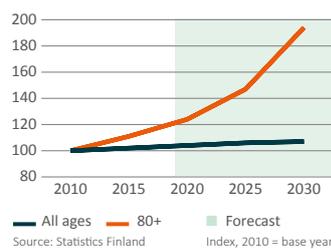
Following several years of recession, growth in the Finnish economy has finally gained momentum and the outlook for the coming years looks bright. Growth forecasts were adjusted upwards during the year. GDP growth was about 3.2 per cent in 2017 is expected to reach about 3 per cent in 2018. The upturn in exports contributed to the more positive prospects, since several of Finland's key export markets are moving in the right direction. In addition to exports, household consumption also had a positive impact on growth, and consumer confidence indicators hit high levels during the year. Furthermore, investment volumes in construction, machinery and equipment rose sharply and reflected positively in economic growth.

### Demographics

Finland's population growth is stable but weaker than in Sweden. An urbanisation trend is also evident here, and cities like Helsinki, Oulu, Turku and Tampere are growing faster than the smaller cities. Finland's projected population by 2025 is about 5.7 million, compared with the current figure of just over 5.5 million. The

age pyramid is similar to the Swedish rectangular model, indicating a growing share of elderly people. The 80+ age group is expected to increase sharply over the next few years, and bring a growing demand for nursing homes.

### Demographic trend, Finland



### Transaction market

2016 was a record year for the Finnish transaction market, with a total transaction volume of EUR 7.4 billion. However, the transaction volume in 2017 exceeded the year-on-year figure and properties were sold for a total value of EUR 10.2 billion, up a full 38 per cent. The main contributors to the high transaction volume were the Blackstone Group's acquisition of Sponda, the largest transaction in Finland's history, and CIC's (China Investment Corporation)

acquisition of the logistics property company Logicor.

In 2017, the share of foreign investors in the Finnish market was historically high at 68 per cent. Although the acquisition of Sponda represented a major contribution to the high share, other transactions also took place in which foreign investors won the bidding processes. The high proportion of international operators is due to the country's better economic prospects, and the fact that yield requirements are higher compared with other markets.

Despite an immature transaction market for public properties in Finland, it has begun to accelerate in recent years. For example, the transaction volume for health care properties amounted to EUR 408 million in 2017, compared with the average volume of EUR 327 million since 2013.

Expectations for the segment are positive now that investors have begun to focus on alternative sectors, such as public properties, student housing or infrastructure.

Text source Sweden and Finland: Savills



## Germany

### Economy

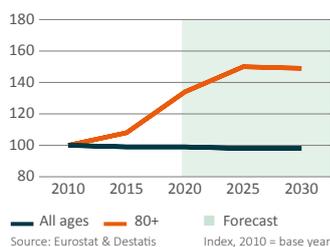
In 2017, growth was strong in Germany, and across the eurozone in general. In recent times, the country has benefitted particularly from the positive global trend for the manufacturing industry. In 2017, Germany's GDP growth was 2.2 per cent, the highest figure since 2011. The German Business Climate Index (IFO) for the manufacturing industry is at its highest level since the German reunification, indicating that high demand will continue in 2018. The unemployment rate has seen a steady fall in recent years and was 5.7 per cent at year-end, an historically low figure. High demand and the ECB's continued expansionary monetary policy are creating good conditions for continued positive economic growth in 2018.

### Demographics

Although the total population of Germany is not growing, both the number and the proportion of elderly people are increasing

Statistics from the end of 2015 show that 3.5 per cent of the German population, or 2.9 million people, were entitled to the "Pflegeversicherung" long-term care insurance. This takes the form of a care voucher for the individual and is used to finance their care requirements, in their own home or a nursing home. The number of people who are entitled to the long-term care insurance has risen by more than 40 per cent since 1999. By 2030, the number of people needing care is expected to rise by

### Demographic trend, Germany

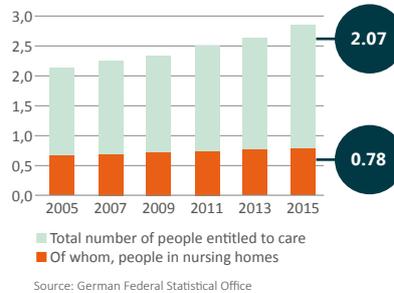


more than one million – a direct consequence of Germany's demographics.

The total number of people who are in need of care and living in a nursing home is 800,000. The figure has risen 35 per cent since 1999.

The elderly care market is growing in line with the ageing population. Longer life expectancies and higher incidents of age-related diseases will also increase the need for care services. There is a political aspiration to initially enable care of the elderly in their own homes. However, the growing need will increase the burden on families if their relatives are to be cared for at home. This can also become more difficult when relatives no longer live close by, or have their own family or work obligations. For this reason, the relative share

### Share of people in Germany receiving care in nursing homes (million)



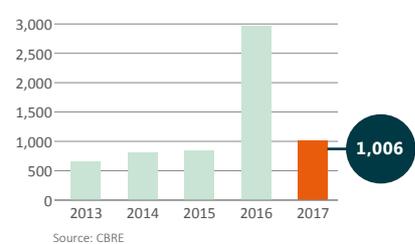
of people being cared for in nursing homes is expected to increase.

### Transaction market

The transaction market for health care and nursing homes amounts to approximately EUR 1 billion per year. The share of international investors has increased and in 2017, accounted for 64 per cent of the total investment volume, mainly due to the increased presence of Belgian and Swedish investors.

Investments in new construction are required to add new nursing-home beds, while refurbishments are needed in existing properties to provide functional premises for the operations. The residential form must be adapted to the users' individual needs and service requirements. A growing addition of new construction is expected to increase volumes in the transaction market.

### Transaction volumes for nursing homes in Germany/year (EUR billion)



# Property portfolio

Hemsö's property portfolio contains properties for nursing homes, education, health care and the justice system in Sweden, Germany and Finland. The portfolio is well diversified and at year-end, the market value was about SEK 39 billion.

At 31 December 2017, Hemsö's property portfolio consisted of 346 properties with a market value of SEK 38,883 million. Contracted annual rent amounted to SEK 2,492 million, with a total leasable area of 1,636 tsqm. Net operating income amounted to SEK 1,788 million.

## Portfolio development

In 2017, a total of 27 properties were acquired for SEK 2,668 million.

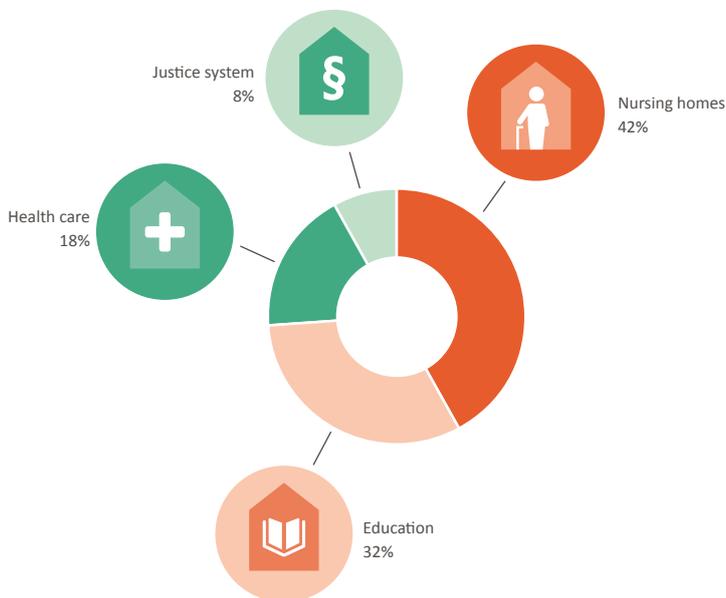
Property acquisitions amounted to SEK 873 million in Sweden, SEK 1,011 million in Germany and SEK 784 million in Finland. Acquisitions were made in all of Hemsö's property categories, and met Hemsö's requirements in terms of quality and geographic concentration to regions with demographic growth.

Over five years, the total market value of the portfolio has risen 72

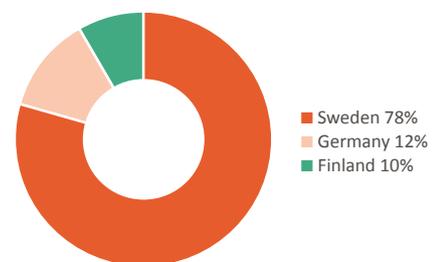
per cent to SEK 38,883 million, corresponding to SEK 23,800 per sqm. During the same period, the leasable area rose 1 per cent to 1,636 tsqm.

This is a result of dedicated efforts to streamline the portfolio, with a focus on major cities and modern properties, and lower yield requirements in the property market.

## Market value per property category



## Market value per country



## Property portfolio development



## Property portfolio

### Sweden

267 properties  
Property value, SEK 30,220 million  
78% of the portfolio's market value

	SEK million	No.
Value, Jan 2017	28,007	292
Acquisitions	873	12
Investments	1,898	
Divestments	-1,593	-37
Changes in value	1,035	
Exchange differences	–	
<b>Value, Dec 2017</b>	<b>30,220</b>	<b>267</b>

### Finland

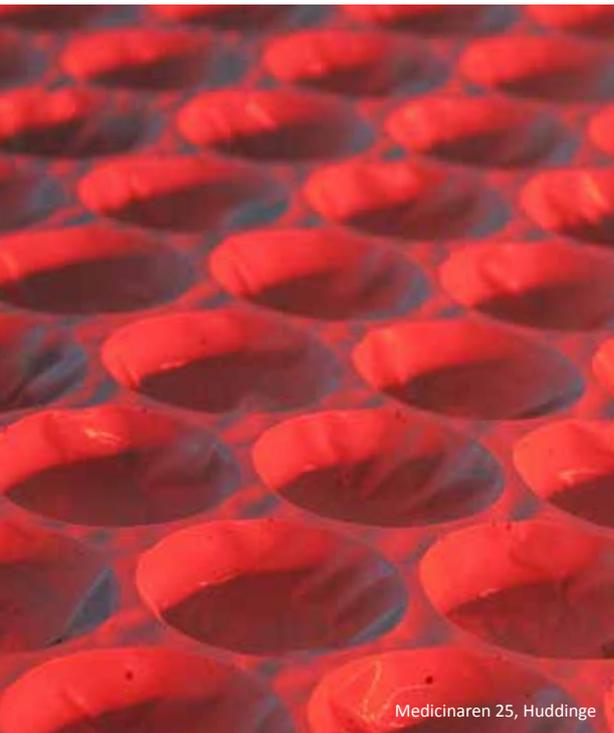
36 properties  
Property value, SEK 3,774 million  
10% of the portfolio's market value

	SEK million	No.
Value, Jan 2017	2,348	31
Acquisitions	784	5
Investments	254	
Divestments	–	
Changes in value	290	
Exchange differences	98	
<b>Value, Dec 2017</b>	<b>3,774</b>	<b>36</b>

### Germany

43 properties  
Property value, SEK 4,889 million  
12% of the portfolio's market value

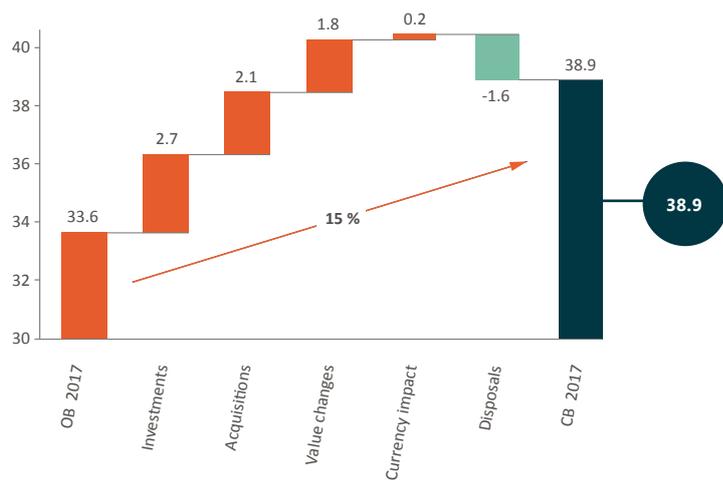
	SEK million	No.
Value, Jan 2017	3,274	33
Acquisitions	1,011	10
Investments	38	
Divestments	–	
Changes in value	436	
Exchange differences	130	
<b>Value, Dec 2017</b>	<b>4,889</b>	<b>43</b>



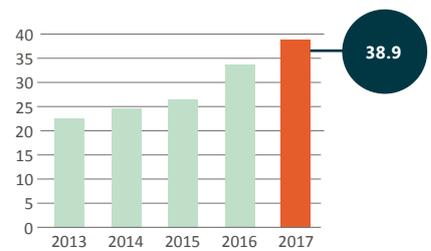
Medicinaren 25, Huddinge



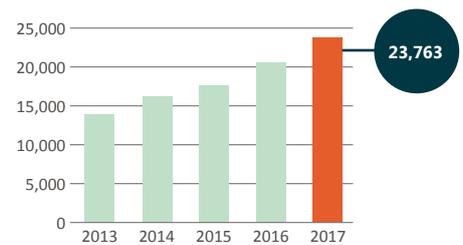
Property portfolio changes 2017, SEK billion

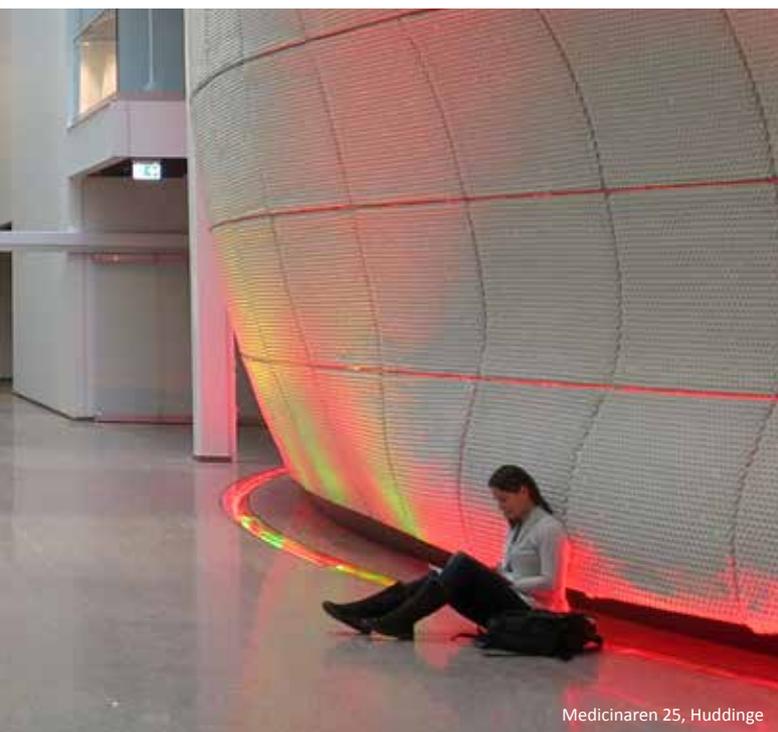


Total property value, SEK billion



Property value, SEK/sqm





Medicinaren 25, Huddinge



Medicinaren 23 and 25, Huddinge

### Hemsö's ten-largest properties in terms of value

Municipality	Property	Property category	Largest tenant	Leasable area, tsqm
Solna	Tegen 6	Justice system	Swedish Police	35
Huddinge	Medicinaren 25	Health care	Karolinska Institute	16
Lund	Klostergården 2:9	Education	International English School	51
Huddinge	Medicinaren 19	Health care	Stockholm County	39
Huddinge	Medicinaren 23	Education	Royal Institute of Technology	17
Umeå	Stigbygeln 5	Justice system	Swedish Police	22
Pori, Finland	Satakunnankatu 23	Education	Pori Municipality	22
Täby	Marknaden 1	Nursing home	Täby Municipality	23
Upplands Väsby	Vilunda 19:2	Education	Upplands Väsby Municipality	20
Västerås	Rosenhill 1	Education	Mälardalen University	15
<b>Total</b>				<b>260</b>

### Five largest acquisitions in 2017

Municipality	Property/portfolio	Property category	Largest tenant	Leasable area, tsqm	Property value, SEK million
Duisburg, Germany	LANUV	Education	Nordrhein-Westfalen	17	1,100
Eskilstuna	Mälardalen University*	Education	Mälardalen University	20	800
Växjö	Two nursing homes	Nursing home	Norlandia	9	300
Hamburg/Lübeck, Germany	Two nursing homes	Nursing home	Inter Pares	11	228
Heusenstamm, Germany	Herdestrasse 85*	Nursing home	AWO	9	220
<b>Total</b>				<b>66</b>	<b>2,648</b>

\* Project acquisition – the property value pertains to the total property value after completion of the project.

## Tenants

95 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 14 of the 20 largest tenants are government, municipal or county operators. The share of contracted annual rent with public-sector tenants was 59 per cent, where lease agreements with state operators accounted for 17 per cent, municipal operators for 34 per cent and county operators for 8 per cent. In Sweden, most 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 Swedish schemes.

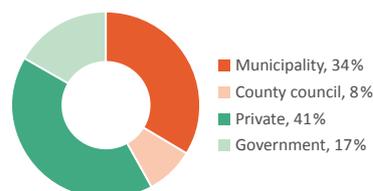
In Germany, privately run operations are funded by the long-term care insurance scheme and care-user fees. If residents are unable to pay for their expenses, funding is provided through a municipal contribution. Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions.

Contracted annual rent in Germany amounted to EUR 29 million, of

which 23 per cent is secured through the pledging of entitlement flows.

Hemsö's largest tenants are the Swedish Police Authority, Attendo, AcadeMedia and the Stockholm City Council.

### Contracted rent per category



### Hemsö's 20 largest tenants

Tenant	Tenant category	Contracted annual rent, SEK million	Share of contracted annual rent, %	No. of lease agreements
Swedish Police	State	137	5.5	25
Attendo	Private	134	5.4	67
Academedi	Private	115	4.6	25
Stockholm County	County	105	4.2	73
Norrköping Municipality	Municipality	73	2.9	23
City of Västerås	Municipality	66	2.6	15
The Karolinska Institute	State	66	2.6	11
AWO (Germany)	Private	63	2.5	8
Västra Götaland Region	County	61	2.5	65
Mälardalen University	State	53	2.1	2
HEWAG (Germany)	Private	51	2.1	9
Gävle Municipality	Municipality	48	1.9	19
International English School	Private	45	1.8	8
Region Gotland	County	43	1.7	10
Upplands Väsby Municipality	Municipality	40	1.6	4
Uppsala Municipality	Municipality	37	1.5	22
Nacka Municipality	Municipality	36	1.5	14
Royal Institute of Technology	State	36	1.4	1
Pori Municipality (Finland)	Municipality	35	1.4	1
Kunskapsskolan	Private	34	1.4	6
<b>Total</b>		<b>1,278</b>	<b>51.1</b>	<b>408</b>



## Ann Kalla, Luleå Municipality:

### “It’s so easy to work with Hemsö”

On 1 April, Hemsö took over five public properties in Luleå in a transaction that also included the construction of a new 144-bed nursing home. Although the decision was political, Hemsö has also been welcomed by the public sector.

“Hemsö is a professional player, and you see it in everything they do,” says Ann Kalla, Head of Property Management for Luleå Municipality.



Luleå is accustomed to working with private operators in relation to properties. However, Hemsö is new in Luleå and this was a major transaction – in one fell swoop, Hemsö assumed ownership and operation of about 10 per cent of the Municipality’s public properties, comprising four residential care facilities and a

### “Hemsö is one of our easiest partners to work with.”

medical centre. The agreement also included construction of a totally new residential care facility in the Kronan area.

According to Ann, the initial period of collaboration with Hemsö has been promising.

“Hemsö is one of our easiest partners to work with. They have the know-how, are clear and good when it comes to communication. They also have drive. They are obviously one of the leading property companies.”

#### Great hopes

She is therefore looking forward to even deeper collaboration.

“First and foremost, I am hoping that their expertise and knowledge of sustainability and energy savings will complement our organisation. In terms of everyday upkeep, I obviously hope that our operations in these properties will be as problem-free as possible. Because Hemsö collaborates with Fastighetssnabben for operations and maintenance, whom we trust completely, we are not at all worried.

The five properties that Hemsö has taken over are older, but have been continuously upgraded over the years. No urgent measures are required at present but properties are always in need of some kind of maintenance, according to Ann Kalla, such as the facade, roof or ventilation.

“During the autumn, Hemsö performed an analysis of the properties, which will later result in a maintenance plan that we will jointly discuss and agree upon.”

#### About the Luleå transaction

**In April 2017**, Hemsö took over the Ingridshems, Kalkällan, Alvik and Bergstaden residential care facilities from Luleå Municipality. The transaction also included the Mjöludden medical centre.

**The agreement also** included construction of a totally new residential care facility in the Kronan area. Construction start is scheduled for May 2018 and completion by 2020. The transaction represents an investment of SEK 370 million for Hemsö.

**The background is** Luleå Municipality’s earlier decision to sell off some of its public properties – down to 75 per cent – to free up capital for investments.

**The transaction with Hemsö** will help to finance a new aquatic centre at Hertsön in Luleå.



## Hemsö takes over Mälardalen University's new campus

There are great expectations for Mälardalen University's (MDH) new campus in Eskilstuna, which will be completed by the end of 2019. Hemsö already owns the MDH campus in Västerås.

"We are delighted with our collaboration with Hemsö around the Västerås campus. They are good listeners, creative and bring professionalism to our joint projects," says Fredrik Enqvist, Head of Property Management at MDH.



"Although the institution is relatively young and only celebrated its 40th anniversary in 2017, MDH is firmly established, with about 900 employees, 15,000 students and internationally acclaimed research into such fields as future energy systems.

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**"They are good listeners, creative and bring professionalism to our joint projects."**

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Conditions for the two locations, Västerås and Eskilstuna, have not been equal. In Eskilstuna, MDH leases three separate buildings and the need for an integrated campus has grown stronger over time.

In June 2017, the first sod was turned for a new campus with approximately 20,000 sqm of modern and flexible educational premises for 4,000 students. Just prior to this, in March, it was also confirmed that Hemsö would own and manage the new property in central Eskilstuna.

### Future study

"I feel very positive about this solution. We lease from Hemsö in Västerås and have an excellent relationship – they have everything you could wish for from a property manager. They have the size and resources, but also a local presence and are good listeners. They are responsible, professional and have a long-term approach," says Fredrik Enqvist.

And by being a good listener, he doesn't mean a property manager that always says yes.

"No, we obviously have our own ideas because our operations are continuously evolving. The good thing about Hemsö is that they combine their experience and expertise with our ideas. That way we arrive at the best solutions together.

That's how it worked in 2017, for example, when MDH started planning a campus for Västerås – a plan that will look 20-30 years ahead and account for the development of the city and the university, as well as existing building permits and outdoor environments.

"Hemsö is not only involved in the process, they also offer assistance with their organisation. That's when you really see what kind of expertise Hemsö has in various areas."



Visionary image of Mälardalen University, Eskilstuna



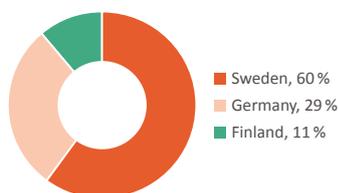
## Property portfolio – Nursing homes

### Portfolio and tenants

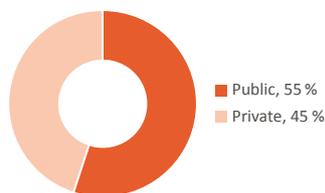
Nursing homes is Hemsö's largest property category and at year-end, accounted for 42 per cent of the property value. Hemsö owned 172 nursing homes, of which 103 were in Sweden, 42 in Germany and 27 and Finland. The premises accommodate residential care facilities, dementia care homes and residential facilities for people in need of extra support and service. Of the contracted annual rent, public-sector tenants accounted for 45 per cent and

private taxpayer-funded operators for 55 per cent. In Sweden, public-sector tenants accounted for 72 per cent and private-sector tenants for 28 per cent of contracted annual rent. In Finland, public operators accounted for 4 per cent, and private operators for 96 per cent, of the contracted annual rent. In Germany, Hemsö has private-sector tenants only. The largest tenants in this category are Attendo, Norrköping Municipality and AWO (Germany).

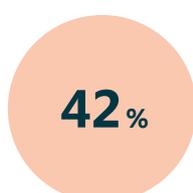
### Market value per country



### Contracted annual rent per customer category



### Share of property value

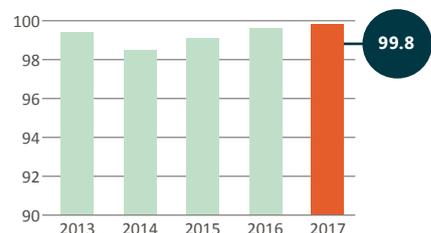


### No. of places



No. of properties **172**  
 Property value SEK **16,412** million  
 Leasable area **739** tsqm  
 Rental duration **9.5** years  
 Rental income SEK **988** million  
 Valuation yield **5.1%**

### Economic occupancy rate, %





Medicinaren 23, Huddinge

## Property portfolio – Education

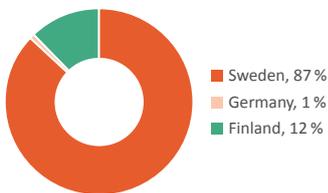
### Portfolio and tenants

Education is Hemsö's second-largest property category and at year-end, accounted for 32 per cent of the total property value. Hemsö owned 103 educational properties, of which 97 were in Sweden, one in Germany and five in Finland. The premises accommodate everything from pre-schools to colleges and advanced life sciences research. Of the contracted annual rent, public-sector tenants accounted for 56 per cent, and

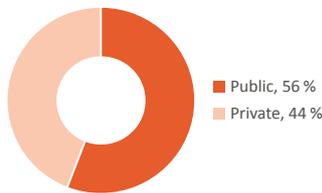
private taxpayer-funded operators for 44 per cent. In Sweden, public-sector tenants accounted for 49 per cent and private-sector tenants for 51 per cent of contracted annual rent. In Finland, public operators accounted for 92 per cent, and private operators for 8 per cent, of the contracted annual rent. In Germany, the educational property is leased to a public-sector tenant. 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 Upplands Väsby Municipality.

### Market value per country



### Contracted annual rent per customer category



### Share of property value



### Number of pupils/students



### Economic occupancy rate, %





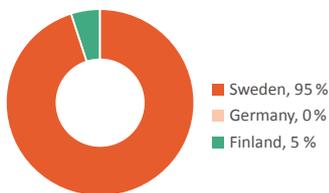
## Property portfolio – Health care

### Portfolio and tenants

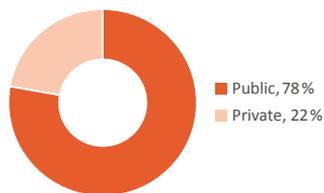
At year-end, health care premises accounted for 18 per cent of Hemsö's total property value. Hemsö owned 62 health care properties, of which 59 were in Sweden and three in Finland. The operations conducted on the premises include medical centres, dental care, pharmacies, palliative care, assisted living facilities, rehab clinics, child health centres, maternity centres, child and adolescent psychiatry, emergency centres and local hospitals. Of the contract-

ed 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 operators for 20 per cent, of the contracted annual rent. In Finland, public and private operators accounted for 50 per cent, respectively, of the contracted annual rent. The largest tenants in this category are the Stockholm County Council, the Västra Götaland Region and the Karolinska Institute.

### Market value per country



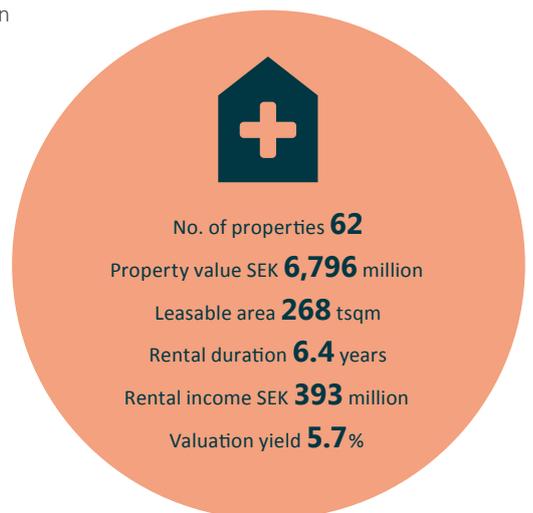
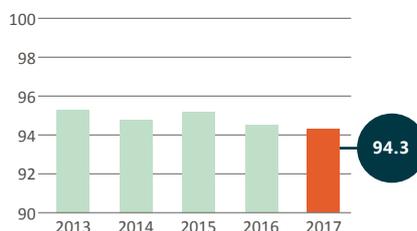
### Contracted annual rent per customer category



### Share of property value



### Economic occupancy rate, %





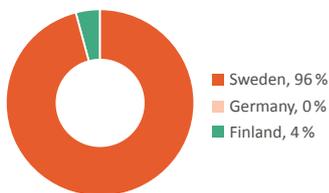
## Property portfolio – Justice system

### Portfolio and tenants

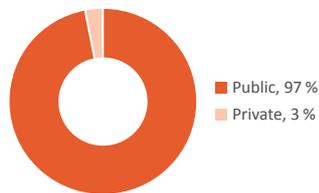
At year-end, properties for the justice system accounted for 8 per cent of Hemsö's total property value. Hemsö owned nine justice system properties, of which eight were in Sweden and one in Finland. The properties accommodate premises for the police, prisons, district courts and prosecution. The properties are characterised by a major proportion of customised areas with high security requirements. The tenants often

choose to co-locate in legal centres, which can accommodate police, custodial operations and courts. In Sweden, the majority of Hemsö's tenants are government agencies, and accounted for 97 per cent of contracted annual rent. 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.

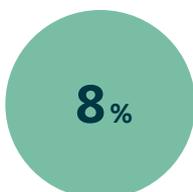
### Market value per country



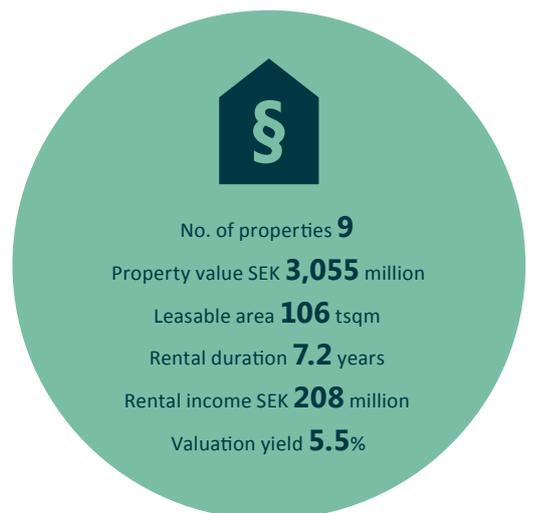
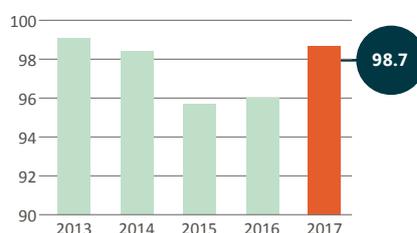
### Contracted annual rent per customer category



### Share of property value



### Economic occupancy rate, %





Hjärup 4:290, Staffanstorp



## Property management

Hemsö's property management focus – to own public properties in expansive regions – creates favourable conditions for effective and customer-oriented management. In 2017, agreements for maintenance and operation were signed with three contractors to ensure high-quality and equal service to all tenants.

### Equal property management

Efforts to create a uniform approach to property 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 property operations and maintenance. During the year, Hemsö continued its efforts to ensure uniformity and high-quality property operations by focusing on implementation and completion, together with the tendering of three

service providers in 2016. The aim is that Hemsö's property management will offer the same high quality for tenants regardless of where the property is located.

### More satisfied tenants

Uniform and centrally controlled property maintenance also frees

Surplus ratio

**75.3%**

Rental duration

**9.2 years**

Economic occupancy rate

**98.3%**



Drag 4, Norrköping



Klostergården 2:9, Lund

up time for Hemsö's property and technical managers to increase their focus on tenants and value-creation initiatives. In Sweden, Hemsö has tenant managers with specific responsibility for its major government, municipal, county and private-sector tenants. Property managers maintain regular contact with tenants to hear about their needs and views. This creates security and helps to build long-term relationships.



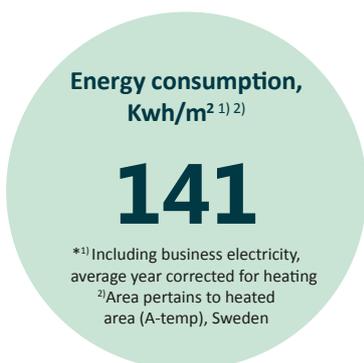
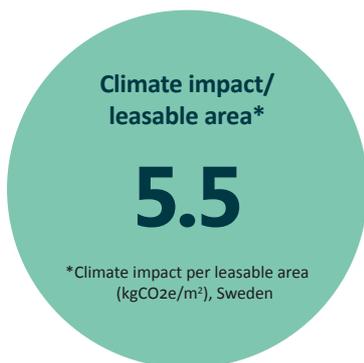
Hemsö works with customer care on a daily basis and arranges internal workshops on this topic for all employees every year. Customer Satisfaction Index (CSI) surveys are conducted regularly and the most recent survey from November 2016 gave a CSI score of 65. Customer service, property quality and maintenance 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 is continually improving its operations and offering. The next CSI survey will take place in 2018.

As part of this process, Hemsö created customer care guidelines in 2017 to provide a structure for strength-

ening customer relationships. One concrete activity was to request that customers rate the service they had received – green, yellow or red – as well as leaving a written comment, in conjunction with the e-mail confirmation of their maintenance request. The direct feedback on the customer experience is then used for continuous improvements.

### Enhanced dialogue

Hemsö's dialogue with tenants takes several different forms. Property managers maintain close contact with tenants to capture their needs and views. In addition to the ongoing contact, regular meetings are held with tenants to discuss the condition of the property, any maintenance needs and any specific issues for tenants.

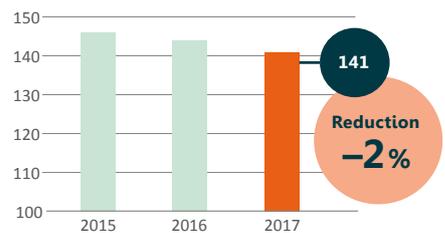


### Energy efficiency

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, forming the basis for the prioritisation of energy projects. These projects may also identify opportunities for potential energy efficiencies in the tenants' operations. During the year, the projects included more strategic efforts with renewable geothermal energy and solar thermal collectors.

Most of the energy consumed, 60 per cent, is used for heating properties. The aim is reduce energy consumption by 30 per cent by 2020, compared with 2012. These efforts are proceeding as planned and in 2017, energy consumption declined 2 per cent. The total decline since 2012 is 13.5 per cent. Hemsö has been working to phase out non-renewable energy sources for some time and in Sweden only purchases hydro-electricity 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 2018, Hemsö will step up the rate of investment in projects to reduce energy consumption.

### Energy consumption in Sweden past 3 years, kWh/m<sup>2</sup> A-temp



### Digitisation

Over the past year, Hemsö has initiated several pilot projects in digitisation with the aim of developing both properties and the company's internal working method. One of these is an Internet of Things project, in which digital sensors have been installed in selected properties.

The purpose is to gather more data for analysis of the buildings in relation to performance, utilisation rate and user behaviour. Another is a cloud-based project, enabling remote control of the buildings in order to optimise the indoor climate.

Hemsö has also selected a new provider of automated measurement data acquisition for monitoring energy consumption, which will improve the process and lead to higher quality data and lower costs.





Visionary image of the new Stavsborg School, Nacka

### Certification

Since efforts to improve energy efficiency take place continuously in most energy projects, Hemsö is phasing out the Green Building energy certification. In 2018, the possibility of using more complete environmental certification for existing buildings will be investigated, in which energy consumption is one of the many parameters.

### Supplier requirements

Hemsö's primary suppliers are contractors and consultants for development and operations and maintenance, as well as utility companies. Purchasing is characterised by high ethical standards, respect for human rights, professionalism, objectivity and fair treatment. Hemsö's suppliers are to act in accordance with set requirements in relation to, for example, sustainability, quality, reliability and service. The Code of Conduct – Hemsö's supplier require-

ments – applies for purchasing and procurement.

In 2017, Hemsö extended its supply chain control. A sustainable supply chain reveals, for example, environmental impacts and working conditions in the production stage and creates conditions for making informed choices and imposing demands on suppliers and producers. Hemsö guides purchases of the consumables used in property operations to the supplier Ahlsell. Hemsö and Ahlsell conducted a joint review of the management systems used to purchase these consumables and have ensured compliance with Hemsö's supplier requirements.

### Sustainable property management

Some of Hemsö's surplus is returned to the tenants in the form of social sustainability projects. One example is the partnership with Professor

Erik Skärbäck from the Department of Landscape Architecture, Planning and Management at the University of Agricultural Sciences (SLU) in Alnarp, aimed at analysing and upgrading playgrounds for a number of pre-schools and comprehensive schools.

Hemsö has established the Sustainability Manager position to create a sustainable working method for property management, and to increase the focus on tenant dialogue. The Sustainability Manager led several projects during the year, including an inventory and review of improvement proposals for the outdoor environments of 13 schools and preschools in Nacka Municipality. Implementation of the measures is planned for spring 2018. This is part of the partnership project with SLU in Alnarp.

Another project commenced by the Sustainability Manager in 2017



Klostergården 2:9, Lund

is the inventory and management of separated waste in the Swedish property portfolio in order to optimise fractions, receptacle size and frequencies. Procurement is now taking place at regional level to contract strategic partners for the collection and handling of the waste. A study of the possibility to measure the waste arising from property operations has shown that conditions for measuring and monitoring do not exist at present.

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 2017, no claims for accidents covered by Hemsö's premises liability were reported.

### Focus in 2018

The function-based maintenance contracts have now been awarded

and become effective. However, efforts to further develop structured and process-oriented working methods are continuing. The focus lies on more efficient property management, an entrepreneurial culture and increased customer satisfaction.

To further develop the portfolio and maintain the high standard sought by Hemsö, the funds allocated for planned maintenance will be increased in 2018.

Sustainability management will remain central for the company. In 2018, a structure and strategy for digitisation will be created and Hemsö will commence certifications of existing properties. Additional focus will be placed on operational community initiatives to create synergies in Hemsö's business model.

The rate of investment in energy projects will be high, in order to

achieve the set targets. Energy consumption per sqm is continuously decreasing and there is a well-formulated strategy to ensure that this trend continues.

In Finland, Hemsö decided to certify properties according to the BREEAM In-Use standard during the year. The first certifications are planned for 2018. Continued development of relationships and partnerships with existing and potential tenants is also a priority.

In Germany, Hemsö's property development managers' focus for 2018 will be the development potential in the existing property portfolio, the acquisition of older properties with refurbishment projects, and the implementation and adaptation of Hemsö's sustainability policy for the German property management portfolio.

## A focus on the day-to-day life of tenants

Rikard Nyhrén wants to improve Hemsö's efficiency and find new ways to bring more structure to property management.

"Less administration and more time for the things that make day-to-day life easier for our tenants," says Rikard Nyhrén.



Rikard joined Hemsö in autumn 2014 as Head of Technology & Service and two years later, after a reorganisation, became Head of Asset Management in Sweden. A job that mainly rests on two pillars: responsibility for managing operational property assets in Sweden, and leading the strategic work of property staff units together with the Heads of Sustainability, Quality, Purchasing and Technology.

### "Our ownership is long-term"

"I like Hemsö's flat organisation, which combines freedom with responsibility."

It would be an understatement to say that Rikard also likes to see things happen. In 2017, he helped to concentrate Hemsö's operations into geographic clusters to make property management more efficient – and the divestment of 120,000 sqm in diverse locations.

And in 2017, the procurement of operations and maintenance for all of Hemsö's properties was also completed. Agreements were signed with three contractors – Fastighetsnabben, Coor Service Management and Gunnar Karlén Sverige – all responsible for their own geographical area of the Swedish portfolio.

### Continuous adaptation

"Because our ownership is long-term, we have engaged contractors with broad property management competence and a passion for developing long-term, sustainable operational solutions, both economical and environmental," says Rikard.

Looking ahead, he sees no major changes on the horizon. However, the pace of development can also be maintained by many minor decisions that lead to continuous improvement for employees and properties.

"There is always room for improvement, and measuring and monitoring is important. At central level, Hemsö's size and expertise should be used to find new solutions in sustainability and energy management, for example, and make this work in all parts of the organisation. We now have a long-term organisational structure that enables a local business focus while leveraging economies of scale through central resources."

### About Rikard

**Name:** Rikard Nyhrén

**Age:** 36

**Position:** Head of Asset Management Sweden

**Family:** Married to Susanna. Two children – Melvin, 2, and Olivia, 6.

**Lives:** A house in Nykvarn, Sweden

**Interests:** "I enjoy keeping fit, especially with Susanna, including mountain bike training and going to the gym. I used to compete in motocross racing and I still enjoy that. I try to compete in at least one race every year."





## Sweden

267 properties  
SEK 30.2 billion in property value  
78% of the portfolio's  
market value

98% occupancy rate  
SEK 1,989 million in rental value  
1,276 tsqm in leasable area

## Record year for Hemsö Germany

For Jens Nagel, 2017 was the year that Hemsö claimed a central role on the German property scene.

Hemsö completed transactions of EUR 185 million – more than twice as much as in previous years – and was named “Investor of the Year” at the annual EXPO retirement home congress.

“The award had nothing to do with the number of transactions, it is a direct reflection of our market status” says Jens Nagel.



Jens Nagel has been responsible for Hemsö’s business in Germany since spring 2011, initially as an in-sourced consultant and from 2013 as an employee.

“At first, the job involved taking care of the German properties that Hemsö acquired. But when the operations started growing, I wanted to join the company – there’s a big difference between a consultant and an employee,” says Jens Nagel.

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**“Our partners know that we are competent, genuine and good problem solvers”**

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The German operations not only broke a sales record in 2017, the business was also expanded during the year by acquiring educational properties.

“We bought an adult education college in Dortmund and completed a major transaction by buying an environmental and research centre in Duisburg. In 2018, we will continue to focus on nursing homes, but also want to continue growing in education – to give the operations two demographic legs to stand on.

Jens Nagel has a degree in real estate economics and his choice of career fell naturally, as his father was Minister of Building and Housing in both West Berlin and the united Berlin.

However, he moved to Sweden at the age of 27 where he worked for a handful of major construction and property companies.

### Difficult to navigate

As Head of Region for Hemsö in Germany, Jens works in a highly fragmented market with thousands of different operators as elderly care property owners.

“This type of market is very difficult to navigate. You have to be right there, and a lot of foot work is required. Of one hundred business proposals, only one will become a completed transaction,” he says.

Working with Hemsö’s goodwill is part of this process. For example, Jens Nagel devotes a lot of energy to PR work and is active in the German debate on care content, building regulations and government subsidies.

A great deal of this work led to the “Investor of the Year” award, when Hemsö achieved 76 per cent of the votes. A feather in his hat but, most of all, acknowledgement of Hemsö’s new position in Germany.

“More and more people are discovering us and our role in the market. Our trust capital makes the job easier. We don’t necessarily have to offer the highest bid when our partners know that we are competent, genuine, long-term and good problem solvers.

### About Jens

**Name:** Jens Nagel

**Age:** 46

**Position:** Head of Asset Management Germany

**Family:** Married to Kerstin with two children, Jakob, 8, and Jonas, 18. And a 13-year-old cat, Konstapel Lava.

**Lives:** Rents a house in Potsdam, just outside Berlin, Germany.

**Interests:** “I’m an avid hunter and been part of a shooting team in Emmaljunga for the past 15 years. There’s not a lot of moose, but the number of wild boar is really growing. I also enjoy fishing.”





## Germany

43 properties  
SEK 4.9 billion in property value  
12% of the portfolio's  
market value

100% occupancy rate  
SEK 291 million in rental value  
218 tsqm of leasable area

## Proud – but we can do better

Jarkko Leinonen demands a lot – from both himself and his employees – so it’s no wonder he’s a bit dissatisfied with 2017.

“We should have closed more transactions during the year,” says Jarkko, but hurriedly adds,

“The platform we created in 2017 was good, however, and it will help us improve our delivery in 2018.”



Jarkko is mainly referring to the resources that are now available for both property and technical management due to the recruitment of a technical manager last autumn. This provides better conditions for future business discussions, especially now that sustainability has become so important in property management.

### “I’m far from being done!”

“In addition, our marketing efforts are generating results.” In Finland, although municipalities and central government still usually own their properties, Hemsö is gradually becoming a steadfast and long-term alternative.

The transaction with Aalto University in 2017 is the deal that Jarkko values most, even though it didn’t have the highest financial value. Acquisition of the Arkadia property in Helsinki for EUR 12.5 million is an indication of Hemsö’s ambitions, as well as the growing confidence in Hemsö among public operators.

“Our short-term ambition is to grow in educational properties, in both municipal schools and universities. It is a good way to open up the entire public properties market in Finland, by showing that Hemsö is a long-term and steadfast private property owner.

### Strategic framework agreements

In terms of size, the transaction in December 2017 was bigger, when Hemsö signed a EUR 20 million contract for an elderly and sheltered residential facility and a preschool in Vantaa with construction company YIT. The property is under construction and will be transferred to Hemsö in the first quarter of 2019.

“This is a direct result of a framework agreement we signed with YIT in 2016, and we have a 15-year lease agreement with Attendo for the nursing home and with Touhula for the preschool. We are hoping the framework agreement with YIT will lead to more transactions,” says Jarkko.

Jarkko’s own solid background is also helping to raise credibility in a property market that has not yet matured. Jarkko is a construction engineer and his résumé includes a position with the construction company YIT, head of prison properties at the state-owned property company Senat, five years as head of property development for private company Renor, and the last three years as Property Manager for Aalto University.

“But when Hemsö called me about three years ago, I couldn’t say no. And I’m far from being done,” he says with a laugh.

### About Jarkko

**Name:** Jarkko Leinonen

**Age:** 47

**Position:** Head of Asset Management Finland

**Family:** Two adult children.

**Lives:** An apartment in Munkkivuori, in Helsinki, Finland.

**Interests:** “I like sports, but I don’t compete. I enjoy cycling, both road and cyclocross bikes. I also like skiing, but only cross-country.”





## Finland

36 properties  
SEK 3.8 billion in property value  
10% of the portfolio's  
market value

100% occupancy rate  
SEK 261 million rental value  
142 tsqm leasable area



## Development projects

Hemsö's unique knowledge and experience of developing and managing public properties creates long-lasting value, from well-functioning schools to nursing homes, with satisfied employees, students and patients.

### High demand for schools in Swedish municipalities

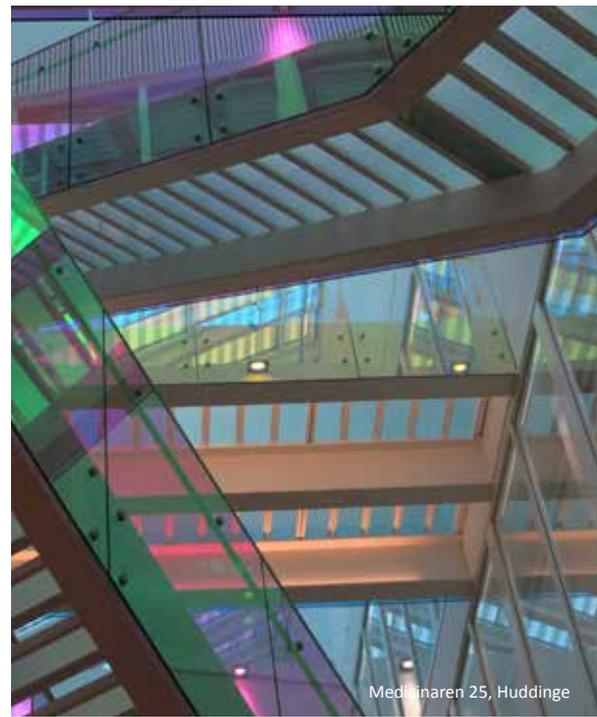
Two-thirds of Swedish municipalities have an acute shortage of school premises. Classes are growing larger and students are being taught in temporary modules and other premises that are not designed to be classrooms. According to HUI Research, the number of students will rise by about 23,000 per year over the next eight years to a total of 184,000. As a result, 1,000 new schools will be required over the next ten years. While the need for investment in compulsory schools is particularly high, the trend also

indicates a growing need for upper-secondary school properties. Many Swedish schools were built in the 1960-70s and often have considerable maintenance needs coupled with outdated design, with inefficient working methods and lack of security as a result. They are in major need of extension and refurbishment work. Nor is it uncommon that the schools are in such bad condition that they have to be demolished and then replaced with new, effective buildings. The high rate of new construction and refurbishment will require major economic and human resources. Many municipalities are

therefore choosing to increase the proportion of leased premises, or to completely transfer property ownership, management and business operations to private operators.

### Nursing homes

The demographic trend shows a 66-per cent increase in the population aged 80 or over between 2010-2030. Over the next 14 years, the construction of about 50 new nursing homes annually will be required in Sweden, a total of 750, according to the Swedish Board of Housing, Building and Planning. In addition, many old nursing homes will need



Source: HUI Research, Statistics Sweden and own calculations.

to be replaced because they do not comply with applicable requirements and regulations.

**Broad experience and expertise**

For many municipalities and county councils, it takes several years before new properties are built. Hemsö, however, develops several public properties across the country every year, for both municipal and private operations.

This has given Hemsö broad knowledge and experience in the development of properties that are sus-

tainable and customised with good property management economics.

At year-end, Hemsö had 12 major ongoing new construction projects in the nursing home, education and health care categories. Development takes place both in-house, and in partnerships. Regardless of the form, Hemsö's objective is long-term ownership. Property development is conducted in partnership with in-house expertise, including project developers and property managers, as well as external consultants, tenants, business operators and municipalities. 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 an operational and management perspective, and long-term relationships with the company's tenants.

Because Hemsö both develops and manages public properties, the company has unique knowledge and insight into the requirements for running a well-functioning school or nursing home, which is used to develop new cost-efficient public properties.

## Hemsö wins City of Landskrona's Urban Planning Award

Hemsö's two buildings in Borstahusen were awarded the City of Landskrona's Urban Planning Award. The buildings comprise a compulso-

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**"The buildings are proof that architecture can help to create an overall sense of place."**

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ry school and a sports centre, and were completed in autumn 2017. The school has an area of 5,700 sqm, and the sports centre 2,250 sqm. The International English School with

600 students leases the school, and the City of Landskrona leases the sports centre.

### Jury citation

"Sharp-angled architecture with sedum roofs, exciting brick facades, painted concrete and graphic ornaments. The buildings are proof that architecture can help to create an overall sense of place. With interesting and exciting attention to detail and effective adaptation to both place and people, the building for the International English School, and the Borstahusen sports centre, create a natural and important hub for the emerging new district of Norra Borstahusen in Landskrona."



## Technology and Health nominated for Huddinge's 2017 Building Award

Hemsö's education and research building, Medicinaren 23, Technology and Health, was nominated for Huddinge's 2017 Building Award.

The premises adjacent to the entrance to Karolinska University Hospital host educational activities for the Royal Swedish Institute of Technology, Red Cross University College and Karolinska Institute. The building was completed in autumn 2016 and built by SveaNor Fas-tigheter and Hemsö.

### Jury citation

"The building is part of the region's focus on life sciences, and designed to create meeting places where

people and businesses can interact and cooperate. The building has aluminium and glass facades, adapted in scale, creating a light and playful

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**"... an exciting addition to the urban fabric of Flemingsberg."**

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contrast to the heaviness of the hospital building. Despite its minimalistic exterior, the building offers a range of impressions and facade textures, depending on the position of the beholder, creating an exciting addition to the urban fabric of Flemingsberg."



## Completed projects

During the year, Hemsö's completed projects included Medicinaren 25, Neo, a research and educational property of 20,000 sqm in Flemingsberg, Stockholm. Two comprehensive schools were also completed in the autumn – the International English School in Borstahusen outside Landskrona, and Järvastaden School in Solna, Stockholm – both for approximately 600 students.

In Borstahusen, Hemsö signed a 20-year lease agreement with the International English School. The school won the City of Landskrona's 2017 Urban Planning Award. Hemsö has also built a full-scale sports centre with stands adjacent to the school.

Järvastaden School is run by the Raoul Wallenberg School. The school

has been built according to the "Village School" concept, developed in close collaboration with the tenant. This concept means that the premises have been designed to serve as a meeting place for everyone living in Järvastaden. The design also included a focus on multi-purpose and shared utilisation of both indoor and outdoor areas. The school playground has been designed to promote well-being and boost the working capacity of students and employees, based on a school playground project that Hemsö has been actively applying at several schools.

In late autumn 2017, a nursing home was also completed in the Sandbyhov area of Norrköping. The building is the first stage of a major development of the area, in which two municipal schools, one care

property and residential units are being planned.

## Ongoing projects

At year-end, the remaining investment volume in Hemsö's ongoing project portfolio was an estimated SEK 3,687 million.

In 2016, an agreement to acquire 13 schools and preschools was signed with Nacka Municipality. In connection with the acquisition, Hemsö agreed to implement three projects, including the demolition and new construction of Stavsborg School. The conditions for a new school are under review, and construction is expected to start in 2019.

Two nursing home projects started during the year are Älvängen in Enköping (Romberga 23:54) and Villa

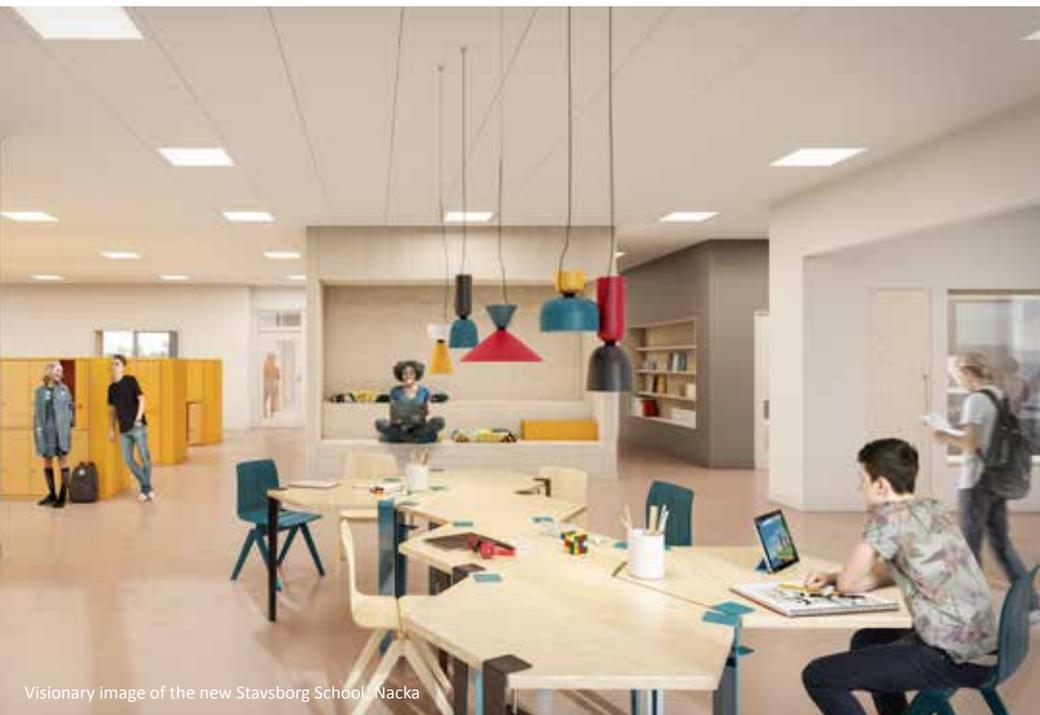
## Ten largest ongoing development projects, 2017

Municipality	Property	Property category	Project area, tsqm	Estimated investment, SEK million	Remaining investment, SEK million	New construction, extension or refurbishment	Rental value increase after completion, SEK million	Occupancy rate, %	Year of completion
Solna	Patienten 1 <sup>1)</sup>	Health care	21	1,783	1,246	New construction	82	68	2020
Stockholm	Princeton 1 <sup>1)</sup>	Health care	20	1,440	1,009	New construction	77	0	2021
Tyresö	Krusmyntan 1	Nursing home	5	158	10	New construction	10	100	2018
Västerås	Widénska	Education	5	141	100	New construction	10	100	2018
Staffanstorps	Stanstorp 5:368	Nursing home	4	135	110	New construction	9	100	2019
Växjö	Korpen 9	Nursing home	4	119	14	New construction	8	100	2018
Enköping	Romberga 23:54	Nursing home	4	110	49	New construction	9	100	2018
Solna	Älgörten 1	Education	2	77	39	New construction	5	100	2019
Solna	Älgörten 1	Education	1	57	44	New construction	3	100	2018
Sotenäs	Gravarne 3:139	Health care	2	54	8	New construction	4	100	2018
<b>Total</b>			<b>68</b>	<b>4,074</b>	<b>2,629</b>		<b>217</b>		

<sup>1)</sup> The projects are conducted in companies owned jointly with SveaNor.

## Development projects completed, 2017

Municipality	Property	Category	Project area, tsqm	Estimated investment, SEK million	Rental duration, years	Rental value increase after completion, SEK million	Occupancy rate, %
Huddinge	Medicinaren 25	Education	19	772	20	61	100
Solna	Älgörten 1	Education	5	180	30	12	100
Landskrona	Borstahusen 1:9	Education	6	148	20	14	100
Norrköping	Sandbyhov 30	Nursing home	6	172	20	11	100
Motala	Munken 5	Nursing home	4	95	25	6	100
Landskrona	Borstahusen 1:8	Education	2	53	20	3	100
Västerås	Rosenhill 12	Education	2	40	9	3	100
<b>Total</b>			<b>44</b>	<b>1,460</b>		<b>110</b>	



Visionary image of the new Stavsborg School, Nacka



Medicinaren 23, Huddinge

Vikhem in Staffanstorp (Stanstorp 5:368). Both residential facilities are being developed on behalf of Ambea with 54 and 60 apartments, respectively. A 15-year lease agreement has been signed. Completion of Älvängen is scheduled for October 2018, and July 2019 for Villa Vikhem.

In 2017, Hemsö secured the contract to realise the City of Västerås's vision of a new area for public services in the new Södra Källtorp residential area. The company will build a nursing home with 120 beds, 60 senior housing units and a preschool with 72 places. A 25-year lease agreement has been signed with the City for the nursing home and preschool, and a number of co-housing units.

Early in the year, Hemsö acquired five properties in Luleå – four nursing homes and a medical centre. The transaction also included a land-use approval for a new nursing home. The nursing home is now being planned and construction is scheduled to start in May 2018. The facility contains 144 apartments and the municipality has signed a 20-year lease agreement.

At year-end, Hemsö acquired land in Boden Municipality to construct a 10,700-sqm nursing home with 126 apartments. The project commenced immediately and a 15-year lease agreement has been signed with Norlandia.

### Developing sustainable public properties

A key element of Hemsö's development process is the regular analysis of each municipality's conditions and the changing need for premises over time. The analysis includes such factors as demographics, public finance, the job market and property market. It is also important to understand the operations and their users. This provides invaluable knowledge for building efficient and sustainable public properties.

Hemsö requires all new construction to be environmentally certified. In Sweden, the Sweden Green Building Council (SGBC) system is mainly used with a minimum level of Silver,



which focuses on energy, the indoor environment and choice of materials. In 2017, the entire development process was analysed to identify and manage the sustainability aspects not covered by the SGBC system but still of material significance.

In public properties and preschools in particular, the substances in building materials must not be harmful to human health or the environment. To ensure compliance, Hemsö in Sweden uses materials based on SundaHus Material Data assessments. All materials and products used by Hemsö must have either A or B classification under the SundaHus system. In 2017, 90 per cent of the assessed products in completed

projects were classified as either A or B. In some cases, non-compliant products were approved following a special evaluation, on account of no other options being available. The goal is to also apply the SundaHus system to refurbishments, and to regular property maintenance.

Most of the projects take place in Sweden, since Germany and Finland are mainly growing through acquisitions and project activities have been limited to date.

### **Hemsö's project philosophy**

Hemsö always proceeds from the operations when launching a project. Because our properties perform vital roles for public services, the starting

point for our development is to create opportunities for effective care services and education. By knowing what is important for our operations and their users, we can design effective properties from both an operational perspective and a long-term property-management and cost perspective. Hemsö always tries to find effective solutions for how floor space can be co-used, serve multiple purposes and be adapted over time.

By ensuring an efficient construction process and developing high-use properties, we can offer our tenants attractive rents.



Patienten 1, Solna

### **Vitartes**

Vitartes is a 50/50 joint venture with SveaNor. The company is focused on development with a life sciences orientation. The aim is to create a leading operator in the development and construction of life science properties. During the year, Vitartes started construction of the Patienten 1 property in Hagastaden, Solna, where the new St Erik Eye Hospital will be established, and also become a centre for companies, research and education in eye research and care.



Krusmyntan 2, Tyresö

### **New joint venture with Lantmännen**

During the year, Hemsö and Lantmännen formed a joint venture (50/50) to develop and manage public properties. The main focus will be schools and nursing homes. The company has an initial portfolio of four education and nursing home properties plus one nursing home project, all located in the Stockholm and Malmö regions. The venture is long-term and expected to comprise five to ten projects over a five to seven-year period.



Krokslätt 147:2, Gothenburg

### Focus and trends in 2018

In 2018, Hemsö will be focused on developing public properties on own land, or land owned through our joint ventures. This will be done by initiating and driving planning processes.

The trend is moving towards the inclusion of construction, extension and refurbishment in property acquisitions. Many tenants have a need to modernise their portfolios, and are primarily 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 draw on valuable experience in subsequent projects. To achieve cost and time efficiencies, the company will intensify its efforts to standardise concepts for schools and nursing homes.

## Some of Hemsö's completed development projects

### International English School, Landskrona

**Property category:** Education

**Project type:** Newly constructed elementary school, 2-floor, plus sports centre

**Project area:** school 5,700 sqm, sports centre 2,250 sqm

**Leased at start-up:** 100%

**Environmental certification:**

SGBC, Silver

**Project description:** The school and sports centre were opened in autumn 2017. The school can accommodate 600 students. The property won Landskrona's 2017 Urban Planning Award. The lease term is 20 years.



Borstahusen 1:8, Landskrona



Medicinaren 25, Huddinge

### Medicinaren 25, Huddinge

**Property category:** Education

**Project type:** Newly constructed research and education centre

**Project area:** 20,000 sqm

**Environmental certification:**

SGBC, Silver

**Leased at start-up:** 80%

**Project description:** The project was completed in December 2017. The largest tenant is the Karolinska Institute, with a 20-year lease for 15,000 sqm. The remaining area is leased by Huddinge Municipality for a life-sciences upper secondary school, focused on science, technology, health and entrepreneurship.

## Some of Hemsö's planned development projects

### Södra Källtorp, Västerås

**Property category:** Nursing home and education

**Project type:** Newly constructed nursing home, co-housing units and preschool.

**Project area:** 9,000 sqm nursing home, 3,600 sqm co-housing units, sports centre 1,400 sqm and 1,100 sqm preschool

**Construction start:** 2018

**Leased at start-up:** 100% (excluding the co-housing units).

**Environmental certification:** SGBC, Silver

**Project description:** In 2017, the City of Västerås selected Hemsö to develop a new area for public services in the new Södra Källtorp district. The project comprises a nursing home with 120 beds, senior living with 60 places, a sports centre and a preschool for 72 children. A 25-year lease agreement was signed with the City of Västerås for the nursing home and preschool, and some co-housing units.



Visionary image of Södra Källtorp, Västerås



Visionary image of the new Stavsborg School, Nacka

### Stavsborg School, Nacka

**Property category:** Education

**Project type:** Newly constructed elementary school, 2-floor, plus sports centre

**Project area:** school 12,000 sqm, sports centre 2,800 sqm

**Construction start:** 2019

**Leased at start-up:** 100%

**Environmental certification:** SGBC, Silver

**Project description:** The number of students attending Stavsborg School is expected to increase, resulting in a feasibility study for potential new construction to double the size of the school. The existing school will then be demolished and replaced by a new, two-floor building. The new school will accommodate 1,200 students and is scheduled for completion by autumn 2021. The sports centre will have two full-size playing fields, stands and locker rooms. Nacka Municipality is planning to sign a long-term lease agreement.



## Sustainable business

Hemsö's mission is to sustainably own, manage and develop public properties. This involves being a long-term and responsible property owner that accounts for environmental and social sustainability aspects, as well as the company's profitability, in all areas of the company's operations.

### Sustainable governance

Sustainability is a high priority for Hemsö and key strategic sustainability issues have been addressed by the company's Sustainability Council since 2017. The Head of Sustainability is Chairman of the Council and other members are the CEO, CFO and Heads of HR, Finance, Development, Communication and Asset Management.

Sustainability management is based on our sustainability policy, which contains overall standpoints on how our operations should be developed in relation to environmental, social and economic sustainability. Sustain-

ability management is also governed by several other guidelines, procedures and instructions regarding, for example, the work environment, choice of materials and waste. The objective is that sustainability management is fully integrated with business management. Sustainability management is coordinated by the Heads of Sustainability and Asset Management, who are also responsible for sustainability at Group Management level. The Heads of Asset Management in Finland and Germany are responsible for property-related sustainability issues in their respective countries.

### Values

Hemsö's operations are conducted based on the value words accessible, progressive and reliable. These values are to permeate how the company's employees act both internally and in external contacts. We do not tolerate any form of corruption or unethical behaviour. Corresponding values and principles are also expected from suppliers, business partners and other partners. To prevent corruption, procedures for purchasing and authorisation have been developed. No incidents of corruption were reported in connection with Hemsö's operations in 2017. An internal Code of Conduct has



Grenverket, Sankt Larseparken, Lund

been introduced to clarify the most important standpoints in relation to business ethics. In 2018, all employees will undergo training in the new Code of Conduct.

A whistle-blowing function has also been available on hemso.se since 2016, enabling internal and external stakeholders to make anonymous reports of suspected unethical behaviour or irregularities in the company's operations.

### Materiality analysis

Our sustainability management is based on the most material sustainability aspects for the business and our stakeholders. A materiality analysis was previously conducted to identify the most material sustainability issues for the business. The sustainability aspects with the highest value both internally and for external stakeholders comprise Hemsö's material sustainability aspects. Both our day-to-day oper-

ations and stakeholder communication will maintain a focus on these issues. The focus for sustainability management is reviewed each year as part of Hemsö's business intelligence and strategy processes.

The material sustainability aspects can be summarised as follows:

- 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 sustainable financial growth in line with the profitability target

### GRESB Green Star

Hemsö has been reporting its sustainability performance in accor-

dance with the GRESB (Global Real Estate Sustainability Benchmark) since 2014. Hemsö's target for 2017, to achieve the highest GRESB benchmark – a Green Star – was already achieved by 2016. The improvements continued throughout 2017 and led to a total score of 60, five points higher than in 2016.

### Community engagement

As a long-term owner, property manager and developer of public properties, Hemsö has a strong commitment to sustainable social development. The company therefore participates in various partnerships and research projects.

In collaboration with other property companies and the Swedish University of Agricultural Sciences in Alnarp, we are involved in a Vinnova project focused on green outdoor environments and their significance for the workplace environment. The aim of the project is to develop a tool for



Visionary image of the new Stavsborg School, Nacka

assessing and developing qualitative outdoor environments, based on a model for rest and recovery in the work environment. The goal is to boost the well-being and productivity of students and employers. In 2017, development of the tool commenced with an inventory of the outdoor environments at schools and preschools in Nacka Municipality. The inventory will enable an assessment of how each property complies with the quality criteria. Several Hemsö properties will be included in the project, which will run for two years.

We are also exploring “multi-purpose” buildings, where different activities are housed under the same roof. Gathering different types of activities creates meeting places between generations and groups, so the buildings can be used for more hours of the day. Sharing spaces, such as a common room, meeting room and reception desk, helps to create a sense of security and improves resource efficiency.

Hemsö also participates in the City of Stockholm’s sustainable properties forum, with the 16 largest property owners and the City, to increase the industry’s focus on sustainable development. The forum is part of a research project with researchers from Mälardalen University, aimed at fostering collaboration between tenants and property owners to develop sustainable management. Hemsö is also involved in Future by Lund (an innovation platform for sustainable urban development) and is a member of the Swedish Green Building Council.

### Sponsorship

Hemsö prioritises sponsorship that aims to help vulnerable groups. Donations are made to activities and initiatives that create social benefit, and match the company’s values. Every year, the Hemsö Gift (Hemsögåvan) is awarded to students and residents in Hemsö’s properties. The aim of the Gift is to simplify and enrich their day and in 2017, was mainly presented to

residents of the company’s nursing homes. A petanque court and small putting course were built adjacent to two nursing homes, which promote both physical activity and social interaction.

### Hybrid vehicles

Hemsö has a number of promotional cars that are used by Swedish employees who need a car for their work. A new car policy was introduced in 2017 aimed at reducing environmental impacts. The goal is that all promotional cars will be plug-in hybrids within a few years.

### Climate-change strategy

In 2017, efforts to produce a strategy commenced to further reduce the company’s climate-change impacts. The strategy also includes management of other climate-change risks associated with the property portfolio, such as the risk of flooding and extreme weather conditions.

# Employees

Hemsö aims to own, manage and develop public properties, better than anyone else, and to create success for all of its stakeholders, from investors to tenants and their care users. Whether we succeed is totally dependent on the competence, commitment, care and professionalism of our employees.

## Attractive workplace

Hemsö is focused on creating an attractive workplace in order to attract new, and retain existing, employees. Values, culture and sustainability are becoming increasingly significant. The culture is therefore characterised by responsibility, teamwork and a passion for the social benefit that Hemsö helps to create.

Hemsö offers continuous competence development by giving employees broader and more advanced tasks, as well as training and seminars. During the year, several employees were recruited internally to new roles, reflecting the opportunities offered by the company for development.

To attract young talent, Hemsö meets students every year at the labour market event arranged by the Faculty of Engineering at Lund University. Hemsö also offers summer

jobs, internships and degree projects in urban planning and property management to young students. In 2017, Hemsö employed its third trainee and several young talents. Hemsö aims to employ people with different perspectives and experiences. This helps to broaden the company's knowledge base and create a more dynamic climate.

## Career Company of the Year – again!

For the second consecutive year, Hemsö was named Career Company of the Year – a genuine stamp of quality. It means that the jury rates Hemsö as one of the top 100 companies in Sweden when it comes to offering development and career opportunities to its employees.

## Valuable work placements

Hemsö has an earlier target of, every year, giving at least ten people who are less likely to enter the work-

force valuable work placements and experience. In 2017, Hemsö offered a number of work placements in various forms.

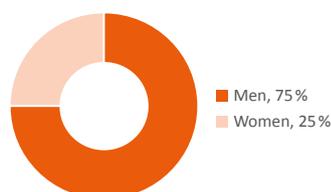
In 2018, Hemsö will participate in "Jobbsprånget," an employment programme for newly arrived engineers, architects, scientists and economists.

## Leadership development

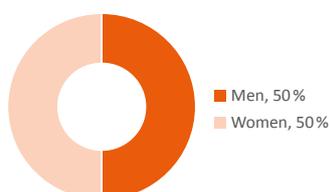
All managers completed Hemsö's leadership development programme in 2017, which will continue in the first half of 2018.

The programme includes self-awareness, communication training and group dynamics with a business focus. The programme was conducted in modules and also contained personal coaching with an external coach.

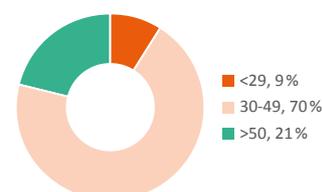
Gender balance, management



Gender balance total, %



Age balance





### **Long-term and strategic**

Hemsö's HR approach is long-term and goal-oriented. The Head of HR is a member of Group Management and responsible for overall HR strategies.

HR processes are based on Hemsö's strategic focus and business plan, and on employment policies.

### **Commitment**

All employees are able to influence their own role, as well as the business in general. This lays the foundation for committed and motivated employees. As a foundation for professional development, all employees establish an individual development plan at their annual performance review. The Hemsö School is a key element for building shared values. In the Hemsö School, all employees take part in practical and theoretical exercises to understand and learn Hemsö's value words – accessible, reliable and progressive. Hemsö Days is also held every year – an internal conference for all employees, focusing on key strategic

issues and any changes in the business environment that impact the operations.

The latest employee survey conducted in 2017 shows overall excellent results with high scores for commitment and leadership. In the first year, a psychosocial index also indicated a well-functioning psychosocial work environment. The measurement was also followed up by a pulse survey after the summer in the areas that could be improved, such as feedback and clarity. After the measurement, each department reviewed its results and created action plans to achieve improvements.

### **Knowledge sharing with high attendance**

Hemsö works systematically to ensure that all employees are developed in their roles, and provides training and competence development. In the latest employee survey, 77 per cent responded positively and 18 per cent neutrally to the question "Are you able to develop in your role?"

Many employees at Hemsö have unique expertise. The desire to know more about colleagues' knowledge and strengths – maybe even about themselves – led to the idea of the Social School (Samhällsskolan).

The school does not have a timetable, however. Whenever time allows, an hour is set aside for employees to describe their unique speciality and role. Attendance is high and anyone who is unable to come to the head office can follow the Social School via video link.

### **Diversity and equal opportunities**

Variation in terms of gender, age and background is important for Hemsö's development and competitiveness. Hemsö's view is that all people are equal, and that everyone should have the same opportunities for development regardless of gender, ethnic and cultural background or age.

Hemsö has zero tolerance for harassment and clear preventive measures. The company measures and



regularly monitors these issues in, for example, the employee survey. In 2017, salaries were reviewed and, as in previous years, there were no pay gaps between women and men. Creating a working environment based on diversity requires a long-term and comprehensive approach. It involves creating the conditions for taking advantage of every employee's abilities and assets, but also working actively to prevent discrimination, bullying and prejudice.

### **Health and balance**

Hemsö aims to be a health leader by taking a proactive approach to health and well-being at work. Hemsö promotes a work-life balance, opportunities for exercise and a long-term focus on health. All employees are offered physical activity subsidies and regular health checks. During the year, several training events were held to encourage all employees to take part in daily physical activity and exercise. In the long term, exercise is believed to have positive effects on physical and mental symptoms such as stress. In 2017,

Hemsö's employee attendance was 98.7 per cent (98.1). In 2017, there were no work-related accidents or fatalities.

## **Hi there...**



**... Pernilla Ljung, who began as a trainee at Hemsö in August.**

**Last summer, you graduated from Lund University with a Master of Science degree in Land Surveying, and a specialisation in Real Estate Economics. Why did you choose Hemsö?**

"I first 'discovered' Hemsö at the Industry Days event in Lund. Then I saw that they were looking for a trainee, so I applied. I saw it as an opportunity to try different specialities, while getting off to a good start in my career."

**And what did you try?**

"By the end of the year, I had tried property management, accounting, transactions and development. Then I worked in Berlin for a month."

**You probably had an image of Hemsö before you started. Has that now changed?**

My image of Hemsö from the Industry Days event was positive, and now that's even stronger. The employees are committed and very competent. Hemsö is continuously evolving as a company, and it's also inspiring to work with properties for public services.

**What has been most interesting and rewarding?**

"It's difficult to say. There's been so much, but probably gaining insight and in-depth knowledge in such a wide range of areas. Plus having so many great colleagues."

**And when your traineeship ends in February, you will become a property manager for Hemsö's Eastern Region. How does that feel?**

"Really great! I'm looking forward to having a 'real' job and being responsible for properties, tenants and operations."



# We can all learn from each other

The Public Properties School is a new initiative at Hemsö. It is an effective – but simple – form of further training, where the instructors and participants are Hemsö's own employees.

The basic idea is that many Hemsö employees have unique expertise in their own area. Sharing this knowledge internally increases commitment to Hemsö, and understanding for each other and the business.

Hi there ...



**... Anna Holmqvist, Head of Taxation at Hemsö, has participated in the Public Properties School as an instructor.**

#### What did you speak about?

"I explained VAT from a broader perspective. Many of Hemsö's tenants conduct operations that can limit our right to deduct input VAT. And it's important that we get it right."

#### Was there a lot of interest?

"Yes, I think so. I received a lot of good questions – even though it's a specialised area."

#### Have you noticed any difference since your session at the Public Properties School?

"Yes, I am still receiving questions from employees. With better overall knowledge, it's easier to know who and when to ask."

#### How would you rate the Public Properties School?

"A top score! I've also been a participant. It is great to learn more about what your colleagues are doing, and how that can affect me."

Hi there ...



**... Henrik Willborg, corporate lawyer at Hemsö, who has taken part in the Public Properties School.**

#### What's your view of the Public Properties School initiative?

"I think it's great! Our combined knowledge is a huge and partly untapped resource. When you think about it, it's such a natural thing to do, and you wonder why more workplaces don't have something similar."

#### Have you benefitted from the knowledge outside your own area of expertise?

"Absolutely. As a corporate lawyer, you are servicing the entire organisation, the actual business. The more knowledge and understanding we have of all aspects of the operations, the better our service can be. And some of the knowledge is also very general, and useful to have outside the workplace."

#### Will you also participate as an instructor?

"Yes, the legal department will be holding courses on, for example, the zoning and permitting process, and the Public Procurement Act (LOU). These will hopefully be of interest to everyone in the organisation."

77%

of employees are satisfied with competence development at Hemsö

# Directors' Report

The Board of Directors and Chief Executive Officer of Hemsö Fastighets AB, Corp. Reg. No. 556779-8169 hereby present the 2017 annual accounts for the Group and the Parent Company.

## About the operations

Hemsö is one of the largest private owners of public properties in Sweden and owns, manages and develops properties for nursing homes, education, health care and the justice system. The operations are characterised by a long-term and sustainable approach. 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 2017, Hemsö owned 346 properties with a market value of SEK 38.9 billion. The properties are located in Sweden, Germany and Finland. Tenants are mostly government, municipal and county council operators. Hemsö also has a large proportion of tenants that are private companies with taxpayer-funded operations. The Third Swedish National Pension Fund is the majority owner and holds, directly and indirectly, 85 per cent of Hemsö.

## Income

In 2017, rental income amounted to SEK 2,375 million (2,204), up 7.8 per cent. The increase was a result of implemented acquisitions, completed projects and investments in the existing portfolio. Rental income in the comparable portfolio rose SEK 25 million (8), representing 1.4 per cent (0.4). The economic occupancy rate increased to 98.3 per cent (97.5) and economic vacancies amounted to SEK 42 million (60). At period-end, contracted annual rent amounted to SEK 2,492 million (2,316). Hemsö's lease agreements typically include a Consumer Price Index (CPI) clause, enabling inflation-related adjustments.

## Profit from property management

SEK million	Jan-Dec 2017	Jan-Dec 2016	Δ%
Property income	2,375	2,204	7.8%
Property costs	-587	-552	6.3%
<b>Net operating income</b>	<b>1,788</b>	<b>1,652</b>	<b>8.2%</b>
Central administrative expenses	-130	-182	-28.6%
Profit/loss from associated companies	1	0	N/A
<b>Operating profit</b>	<b>1,659</b>	<b>1,470</b>	<b>12.9%</b>
Financial items	-345	-359	-4.1%
<b>Profit from property management</b>	<b>1,314</b>	<b>1,111</b>	<b>18.3%</b>
<b>Surplus ratio</b>	<b>75.3%</b>	<b>75.0%</b>	
<b>Operating margin</b>	<b>69.9%</b>	<b>66.7%</b>	

The rental duration increased to 9.2 years (8.1). 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 587 million (552), up SEK 35 million, representing 6.3 per cent. The increase was mainly attributable to a larger property portfolio and higher maintenance costs.

Costs in a comparable portfolio increased SEK 31 million, representing 7.3 per cent, due to the increased

cost of ongoing and planned maintenance.

## Net operating income

Net operating income rose SEK 136 million to SEK 1,788 million (1,652), up 8.2 per cent. The increase was mainly attributable to acquisitions and completed projects.

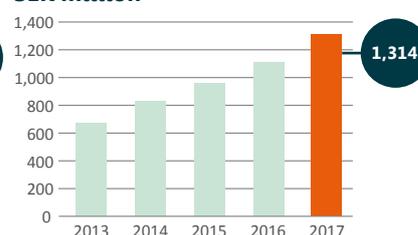
The surplus ratio improved to 75.3 per cent (75.0). The improvement was mainly due to property acquisitions in which the tenant is largely responsible for operation and maintenance, and to completed projects.

In 2017, net operating income in the comparable portfolio was SEK 1,322

Net operating income, SEK million



Profit from property management, SEK million



million, down 0.9 per cent year-on-year. The decline was mainly a result of higher maintenance costs.

### Net financial items

Net financial items amounted to an expense of SEK -345 million (-359), of which interest expense accounted for SEK -343 million (-342). Despite an increase in interest-bearing liabilities to SEK 25,575 million (22,483) and extended loan maturities and fixed-rate periods, interest expense remained largely unchanged. This was due to a lower average interest rate during the year. Remaining net financial items comprised other financial expenses of SEK -43 million (-39), interest income of SEK 2 million (2), other financial income of SEK 39 million (26) and exchange differences of SEK 0 million (-6).

### Profit from property management

Profit from property management totalled SEK 1,314 million (1,111), up 18.3 per cent. The increase was attributable to a larger property portfolio, lower central administrative expenses and improved net financial items.

### Change in value of properties

At the end of 2017, the market value of investment properties was SEK 38,883 million (33,629). During the period, the change in value of investment properties was SEK 1,682

million (2,072), of which realised change in value accounted for SEK 1,761 million (2,073) and unrealised change for SEK -79 million (-1). The value change was mainly due to lower yield requirements, and projects gains from completed projects.

### Tax

Recognised tax for the period amounted to SEK -540 million (-632), of which current tax comprised SEK -63 million (-49) and deferred tax SEK -477 million (-583). 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 for the year

Profit for the year before tax amounted to SEK 3,131 million (2,975), and profit for the year after tax to SEK 2,591 million (2,343), representing a year-on-year increase of 10.6 per cent. The strong result was mainly attributable to higher profit from property management, and a positive change in the value of properties.

### Profitability

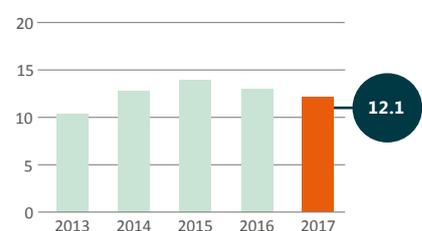
Return on equity was 26.6 per cent (30.4), of which return on profit from property management amounted to 12.1 per cent (13.0).

The total return was 9.8 per cent (12.8).

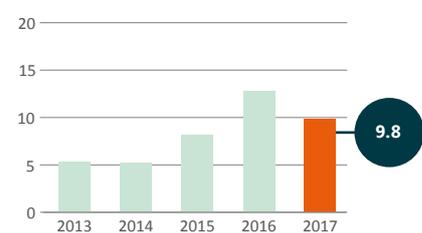
### Return on equity, %



### Return on profit from property management, %



### Total return, %



### Property portfolio development 2017

	SEK million	No.
<b>Opening value 2017</b>	<b>33,629</b>	<b>356</b>
Acquisitions	2,668	27
Investments in developments	2,190	
Less property through re-allotment	-	-1
Divestments	-1,587	-36
Write-offs	-6	
Exchange-rate fluctuations	228	
Unrealised changes in value	1,761	-
<b>Closing value 2017</b>	<b>38,883</b>	<b>346</b>

### Calculation of dividend yield

	SEK million
Net operating income according to income statement	1,788
Adjusted for 12-month holding period	27
Adjusted for project properties	-104
<b>Adjusted net operating income, 12-month holding period excluding project properties</b>	<b>1,711</b>
Carrying amount of properties according to balance sheet	38,883
Adjusted for project properties	-6,220
<b>Adjusted carrying amount of properties</b>	<b>32,663</b>
<b>Valuation yield</b>	<b>5.2%</b>

## Investments

Investments refers to investments in existing properties, new construction and acquisitions. During the year, Hemsö invested SEK 4,858 million (4,913), of which SEK 2,668 million (3,362) pertained to acquisitions and SEK 2,190 million (1,551) to new construction, extension and refurbishment. An amount of SEK 1,851 million (1,148) was invested in new construction, and SEK 339 million (403) in extensions and refurbishment. The remaining investment volume for all ongoing projects was SEK 3,687 million (2,910).

## Cash flow

Consolidated cash flow from operating activities was SEK 1,303 million (1,238). Investing activities had a negative impact of SEK -3,493 million (-4,878) on cash flow, while increased borrowing had a positive impact of SEK 2,406 million (4,435) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 216 million (795) during the period.

## Parent Company

Sales amounted to SEK 56 million (95) and consisted of fees for services performed on behalf of subsidiaries. Administrative expenses decreased to SEK -144 million (-182). Operating loss totalled SEK -89 million (-87) and loss after financial items was SEK -362 million (profit: 288).

## Employees

At period-end, Hemsö had 105 (109) employees, of whom 53 (46) were women. Of all employees, 98 (103) were employed in Sweden, four (four) in Germany and three (two) 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

The property market as a whole was characterised by concerns about a cooling housing market in the fourth quarter of 2017, but with no effects to date on the public properties market. Due to current market conditions and Hemsö's specialisation in public properties, the conditions for stable earnings in 2018 are favourable.

## Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No. of properties	172	103	62	9	346
Leasable area, tsqm	739	523	268	106	1,636
Rental duration, years	9.5	10.6	6.4	7.2	9.2
Property value, SEK million	16,412	12,620	6,796	3,055	38,883
Rental income, SEK million	988	774	393	208	2,363
Net operating income, SEK million	770	587	261	170	1,788
Economic occupancy rate, %	99.8	98.6	94.3	98.7	98.3
Valuation yield, %	5.1	5.1	5.7	5.5	5.2

## 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 2017, which were presented to the Annual Gen-

eral Meeting for approval on 26 April 2018, 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).

## Proposed appropriation of profits

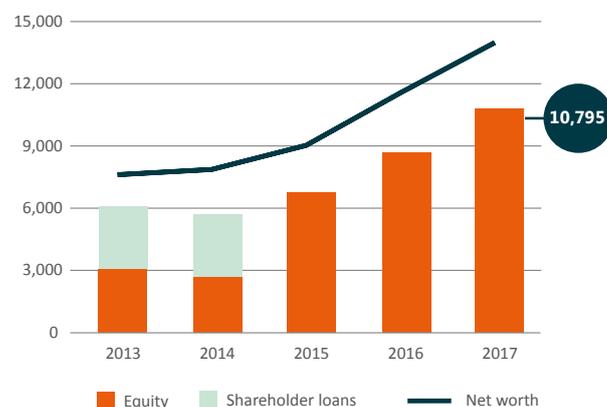
### Unappropriated earnings available for distribution by the Annual General Meeting, SEK:

Share premium reserve	3,000,000,000
Retained earnings	136,382,765
Profit for the year	107,810,221
<b>Total</b>	<b>3,244,192,986</b>

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

To shareholders	657,000,000
To be carried forward	2,587,192,986
<b>Total</b>	<b>3,244,192,986</b>

## Development equity, SEK million



## Balance sheet

SEK million	2017	2016	2015	2014	2013
Investment properties	38,883	33,629	26,502	24,668	22,637
Other assets	660	392	443	209	156
Cash and cash equivalents	1,134	932	157	107	13
<b>Total assets</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>	<b>22,806</b>
Equity	10,795	8,672	6,764	2,682	3,061
Deferred tax liabilities	2,591	2,103	1,518	1,289	1,416
Derivatives	544	723	679	826	66
Shareholder loans	–	–	–	3,000	3,000
Interest-bearing liabilities	25,575	22,483	17,454	16,507	14,699
Non-interest-bearing liabilities	1,172	972	687	680	564
<b>Total equity and liabilities</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>	<b>22,806</b>
<b>Payments to shareholders</b>					
Dividends paid	556	585	265	124	116
Interest paid on shareholder loans	–	–	53	210	210
<b>Total</b>	<b>556</b>	<b>585</b>	<b>318</b>	<b>334</b>	<b>326</b>
<b>Financial resilience</b>					
Equity and Shareholder loans	10,795	8,673	6,764	5,682	6,061
Equity ratio	26.5%	24.8%	25.0%	22.7%	26.6%
Net asset value	13,930	11,498	8,961	7,797	7,543

# Financing

Hemsö’s financing aims to maintain a stable capital structure and low financing costs. In 2017, Hemsö’s financing diversification continued, with a focus on unsecured loans from the capital market. Hemsö has worked actively to extend the company’s loan maturity and fixed-rate periods to reduce risks and secure stable cash flows.

### Debt management

Hemsö’s Treasury Department is responsible for ensuring the company’s long-term financing and for minimising costs in compliance with the financial policy. To achieve this goal, Hemsö works actively to broaden the company’s financing to reduce the need for single creditors and markets. Because Hemsö owns properties in Sweden, Germany and Finland, the company requires financing in both EUR and SEK.

### Historically low interest rates

In 2017, the fixed-income market was characterised by historically low interest rates and falling credit margins due to continued central bank stimulus. Despite positive growth, the inflation rate remained low in Europe and Sweden.

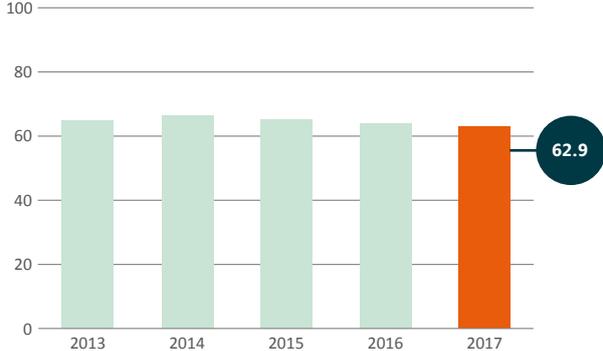
### Capital structure

At year-end, assets amounted to SEK 40,677 million (34,953). Hemsö financed its operations with equity of SEK 10,795 million (8,672), interest-bearing liabilities of SEK 25,575

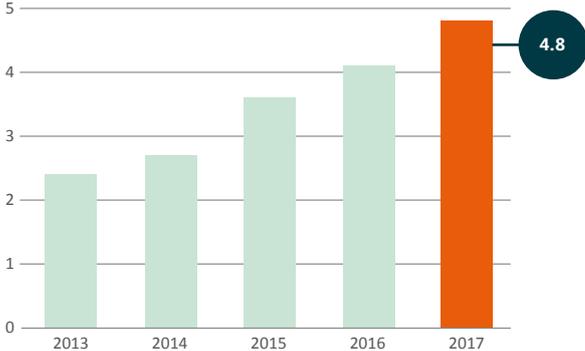
million (22,483), deferred tax liabilities of SEK 2,591 million (2,103) and other liabilities of SEK 1,716 million (1,692).

The interest-bearing liabilities comprised unsecured bonds of SEK 20,317 million (14,802), commercial papers of SEK 4,038 million (5,038) and secured loans of SEK 1,220 million (2,602). Loans from minority shareholders in joint ventures are repaid and amounted to SEK 0 million (41). At year-end, Hemsö’s loan-to-value ratio was 62.9 per cent (64.0).

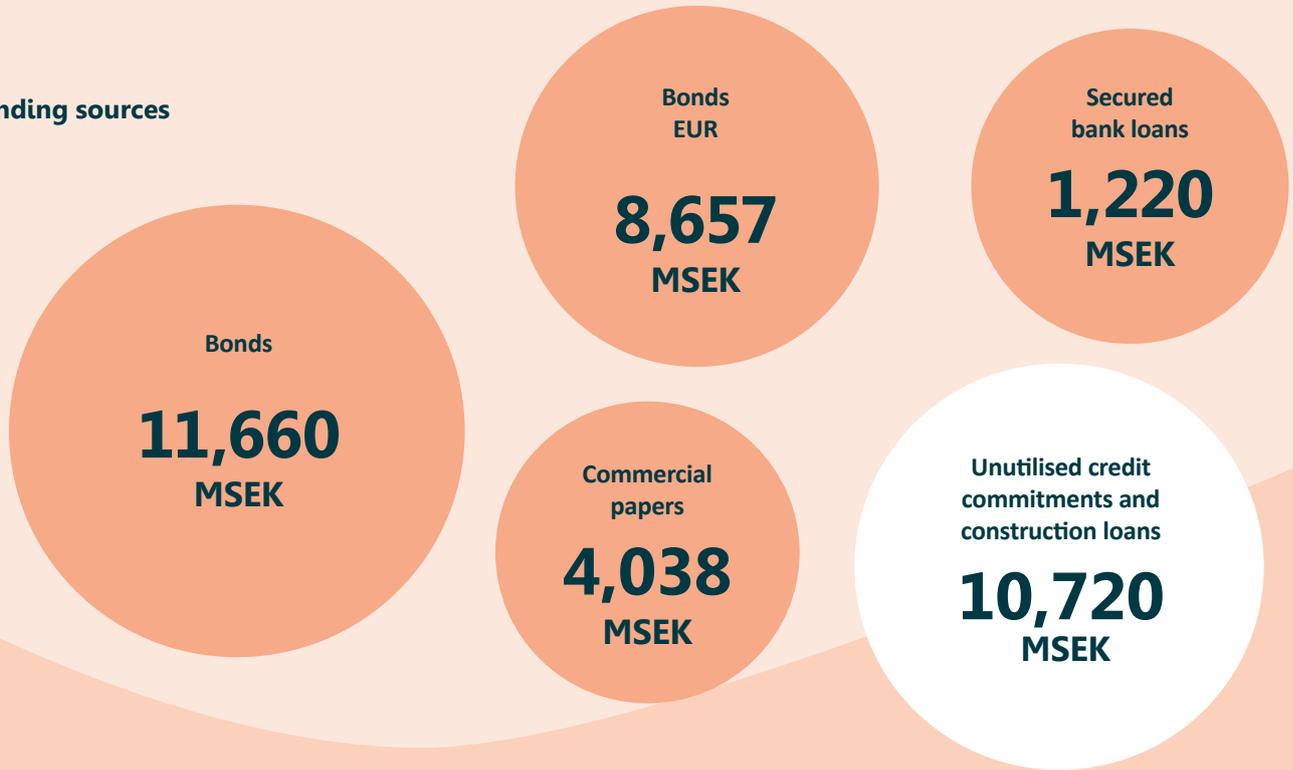
Loan-to-value ratio, %



Interest-coverage ratio



## Funding sources



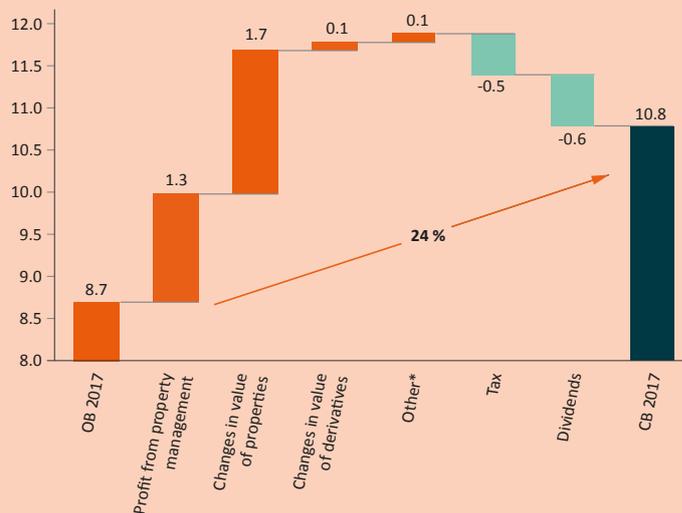
## Capital structure

Change in net debt, SEK billion



\*Working capital, currency effects and adjustment items

Change in equity, SEK billion



\*Contributions and translation difference

## S&P Global Ratings

### Secure borrower with a credit rating of A- from Standard & Poor's

Standard and Poor's has issued a credit rating for Hemsö since 2015. The rating has remained stable at A-. The rating means that more investors can buy the company's bonds and, most of all, has contributed to many new international investors.

### Diversified funding sources

Hemsö is an established issuer in the Swedish and European bond markets. At year-end, Hemsö had outstanding bonds of SEK 11,660 million in the Swedish capital market, making the company one of the largest issuers in Sweden. Since September 2016, Hemsö's total bond issuance in the European market is EUR 885 million, making Hemsö an established name among European investors. Issuing bonds in EUR has added approximately 200 new investors to Hemsö's investor base, including several major international fund managers, insurance companies and central banks.

### Focus on stable cash flows

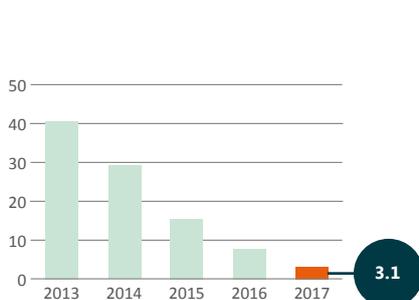
Hemsö works actively to secure stable and predictable cash flows for the company. Through access to the European capital market and

a calculated borrowing strategy, the company has extended its loan maturity to 5.0 years (4.1) and the fixed-rate period to 5.1 years (4.6) during the year. Despite a longer loan maturity and fixed-rate period, Hemsö's average interest rate at period-end remained unchanged at 1.5 per cent (1.5).

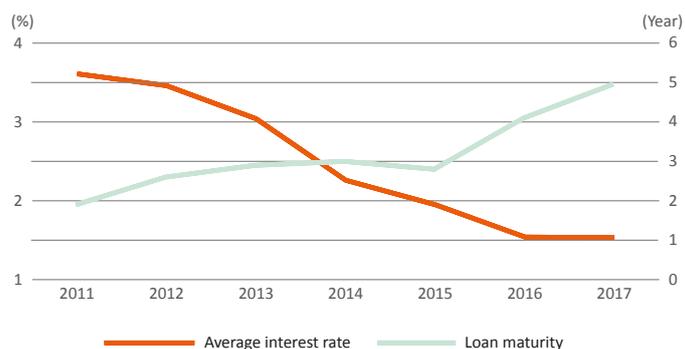
### Reduction of secured debt

Hemsö's strategy to focus on unsecured capital market financing will continue. During the year, the proportion of secured debt declined to 3 per cent (8). Reducing the amount of secured debt will lower the level of risk for Hemsö's bond and commercial paper holders.

Share of secured debt, %



Average interest rate and loan maturity





Grenverket, The International English School, Lund

### Interest-bearing liabilities

At year-end, Hemsö's interest-bearing liabilities amounted to SEK 25,575 million (22,483), representing a loan-to-value ratio of 62.9 (64.0). The loan-to-value ratio was lower year-on-year, mainly due to increases in property value.

Of Hemsö's interest-bearing liabilities, SEK 12,181 million has variable interest rates, and SEK 13,394 million fixed rates. The company uses interest-rate derivatives to adjust interest-rate risk. Taking this into consideration, 72 per cent of Hemsö's debt had a fixed-rate period of more than one year.

### Bonds

Hemsö has an EMTN programme of EUR 3,000 million, and an MTN programme of SEK 12,000 million.

In 2017, Hemsö's total bond issuance was SEK 7,600 million, of which SEK 3,800 million was placed in the European market. At 31 December 2017, the volume of bonds therefore amounted to SEK 20,317 million (14,802), of which a sustainable bond accounted for SEK 1,000 million (1,000). The MTN bonds are traded on Nasdaq Stockholm, and the EMTN bonds 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 of SEK 8,000 million. At 31 December 2017, Hemsö had outstanding commercial papers of SEK 4,038 million (5,038).

### Credit commitments and liquidity

Hemsö has committed credit facilities to reduce the company's liquidity and refinancing risk. Credit commitments can be used to finance bonds, commercial papers or other debt due. They can also be used to finance the operations. At 31 December 2017, Hemsö's credit commitments totalled SEK 11,940 million, comprising an underwriting commitment of SEK 4,000 million from the Third Swedish National Pension Fund, credit commitments of SEK 5,500 million from banks, construction credit of SEK 1,940 million and a credit facility of SEK 500 million. At year-end, SEK 10,720 million of Hemsö's total credit commitments was unused. At year-end, cash and cash equivalents amounted to SEK 1,134 million (932), bringing

available liquidity to SEK 11,854 million (12,774).

### Interest rate and foreign exchange derivatives

Hemsö uses currency and interest rate derivatives to manage interest and currency risk. Interest rate derivatives are used to manage the length of the fixed-rate period and thereby adjust the interest-rate risk to the desired level. Foreign exchange derivatives are used to manage and adjust the currency risk. At year-end, the deficit value of Hemsö's derivatives portfolio was SEK 544 million (723). The notional amount of outstanding interest-rate derivatives was SEK 8,250 million (8,039) and the notional amount of foreign exchange derivatives was SEK 640 million (-).

### Changes in value

Changes in value of financial instruments had a positive impact of SEK 135 million (-208) on profit.

Changes in value of interest-rate derivatives had a positive impact of SEK 144 million (-208) on profit, of which unrealised change in value amount-

ed to SEK 186 million (-44). At the same time, a previously recognised loss of SEK -42 million (-164) was realised in connection with Hemsö's early termination of interest rate derivatives.

The unrealised change in value of financial instruments was largely attributable to market rate increases during the period and a shorter maturity in the interest rate derivatives portfolio.

Foreign exchange derivatives raised during the year had a negative impact on profit, of which total unrealised value accounted for SEK -7 million (-) and realised value for SEK -2 million (-).

### Currency exposure

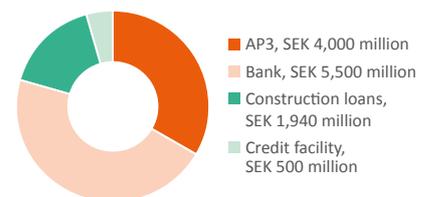
At 31 December 2017, Hemsö had investment properties in Germany and Finland with a market value of EUR 897 million, corresponding to SEK 8,663 million. The Group's interest-bearing liabilities in EUR amounted to EUR 879 million (633), corresponding to SEK 8,657 million (6,056) and cash and cash equivalents in EUR amounted to EUR 52

million (53), corresponding to SEK 515 million (507). Net exposure defined as property assets and cash, including currency hedging less interest-bearing liabilities, amounted to EUR 119 million, corresponding to SEK 1,169 million. The amount represents 10.8 per cent of the Group's equity.

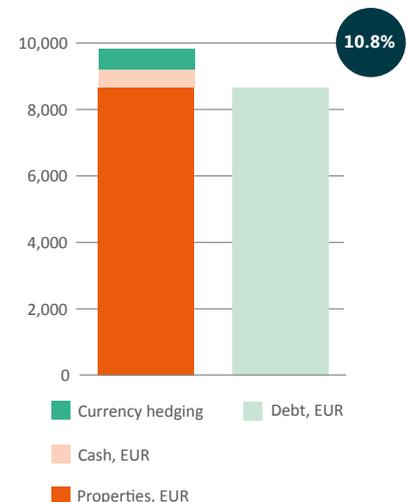
### Debt-coverage ratio, SEK million



### Credit commitments



### Currency exposure, SEK million



Medicinaren 23, Technology for Health, Huddinge, Stockholm

## Financial policy

Hemsö's financial policy is decided annually by the Board and provides frameworks for financing activities. The policy describes the company's approach to financial risk management by regulating the distribution of responsibilities and risk management mandates, and establishing reporting, monitoring and control principles. The overall objective is to secure a long-term stable capital structure and an optimal net financial position, within the defined constraints.

## Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 70%	62.9%
Average loan maturity	At least 2 years	5.0 years
Debt-coverage ratio	At least 110%	166%
Share of secured debt	Max. 20%	3%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 2.0	4.8
Fixed-rate period	3-8 years	5.1 years
Share of fixed-rate maturity	Min. 60% >1 year	72%
<b>Counterparty risk</b>		
Financial instruments	A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. 20%	11%



## Average loan maturities and fixed-rate periods

Maturity year	Average loan maturity			Fixed-rate period	
	Credit agreements, SEK million	Utilised, SEK million	Share, %	SEK million	Share, %
2018	2,653	2,653	12	7,030	28
2019	13,103	4,104	19	1,640	6
2020	5,439	3,719	17	1,347	5
2021	1,503	1,503	7	2,100	8
2022	400	400	2	1,300	5
2023	0	0	0	1,500	6
2024	500	500	2	2,000	8
2025	0	0	0	0	0
2026	4,896	4,896	23	4,896	19
>2026	3,762	3,762	18	3,762	15
<b>Total</b>	<b>32,256</b>	<b>21,537</b>	<b>100</b>	<b>25,575</b>	<b>100</b>
Commercial papers		4,038			
<b>Total</b>		<b>25,575</b>			

# Risk management

Hemsö is exposed to various risks that may affect the company's future operations, costs and results. Risks and opportunities are continuously identified and managed within the operations. The Board is ultimately responsible for the company's risk management.

Hemsö defines risk as a conceivable future event that could affect the company's achievement of its targets. Risks and uncertainties do not necessarily have a negative impact. They may also have the potential to become a business opportunity for Hemsö.

## Strategic risks



### Changes in value of properties

#### Risk

Hemsö recognises properties at fair value, which is equal to the market value of the properties. Changes in value impact Hemsö's income statement, financial position and loan-to-value ratio.

Changes in value may arise due to macroeconomic changes, but also for market or property-specific reasons. The value of properties is also affected by Hemsö's contract and tenant structure, and by Hemsö's ability to optimise and develop the properties. There is also a risk that individual properties are incorrectly valued.

#### Management

Hemsö's portfolio of public proper-

ties with stable cash flows are mainly concentrated to geographic markets with population growth, economic growth and a highly liquid market for transaction settlements. The property portfolio has a wide geographical spread in three markets, which balances the risk profile.

Hemsö performs continuous market analyses, and reviews of the property portfolio's value. 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 2017, 96 per cent of Hemsö's portfolio was valued externally.



### Income and vacancy risk

#### Risk

Risk factors for Hemsö's rental income and vacancy rate include cyclical fluctuations and the market's need for public properties (which, in turn, depends on the demographic trend).

#### Management

Most of Hemsö's tenants have high creditworthiness, long-term lease agreements and conduct operations that are directly or indirectly publicly funded. The income loss risk and vacancy risk are therefore considered

generally low. The risk of bad debt loss is limited because Hemsö always performs credit assessments before signing new lease agreements, and continuously monitors the creditworthiness of its tenants.

The occupancy rate is stable, with a positive trend. In 2017, the occupancy rate was more than 98 per cent. Hemsö's objective is that the average remaining lease term is at least five years. In 2017, it was more than nine years.



### Political and macroeconomic risk

#### Risk

Macroeconomic risks are risks related to overall economic demand, inflation and a general lack of access to financing. Political risk is risk associated with changed conditions due to policy decisions that affect Hemsö.

#### Management

Hemsö performs ongoing business intelligence and analysis to update the risk register. Hemsö also maintains ongoing dialogue with shareholders and other stakeholders. The monitoring of external factors, credit markets and Hemsö's other markets, as well as transactions, is performed through Hemsö's business council, and on a regular basis.



### Property portfolio composition

#### Risk

When acquiring existing properties or land on which Hemsö intends to construct new buildings (through development), there is a risk that the property is situated in a sub-market, city or location that may be unfavourable in relation to future growth and the need for premises. There is also a risk that Hemsö holds obsolete properties, meaning properties that do not meet technical standards, or customer requirements and expectations.

economies of scale and expertise in the provision of appropriate premises for the tenants in these property categories.

Hemsö works continuously with macroanalyses of the conditions in Hemsö's sub-markets, including demographic trends, the rental market and so forth. Hemsö regularly reviews the portfolio and its exposure in various sub-markets and segments. Hemsö also maintains regular contact and dialogue with stakeholders, including municipalities, and ongoing dialogue with customers to achieve a better understanding of their current and future needs.

#### Management

As one of the largest public property owners in Sweden, Hemsö obtains

## Operational risks



### Property costs

#### Risk

Hemsö's property costs are mainly derived from operating costs related to heating, electricity, maintenance, property tax and leasehold fees. If they cannot be offset by higher rental income, increased or unexpected costs could have a negative impact on Hemsö's earnings.

process and procurements in order to limit costs and seek economies of scale wherever possible.

Hemsö works continuously to reduce its energy consumption by conducting energy projects and operational optimisation. Hemsö hedges most of the electricity consumed. In most cases, tenants are charged for costs related to electricity and heating. Unforeseen damage and repairs could have a negative impact on earnings and are prevented through proactive and long-term maintenance.

#### Management

Hemsö works intentionally to reduce property costs by maintaining an efficient organisation with specialised expertise, a structured purchasing



### Liability risk

#### Risk

Liability risk is primarily risk related to damages on Hemsö's properties, and accidents or incidents that cause personal injury or damage to property for which Hemsö is found liable.

The risk is also reduced by including Hemsö's supplier requirements in all supplier contracts, performing supplier inspections and working preventively to avoid injuries.

#### Management

The risks are limited through Hemsö's full value insurance for all properties. Hemsö is also covered by property damage liability insurance.

Prior to acquisitions, and within the framework for due diligence, an environmental inventory is carried out to identify any interior or exterior environmental liability and, if necessary, to rectify environmental risks.

## Operational risks, cont.



### Property acquisitions

#### Risk

Risks associated with acquisitions mainly comprise misjudgements of market yield requirements, rental rates, vacancies, the ability of tenants to pay, the acquired company's obligations, environmental conditions and technical liability.

#### Management

Acquisition risk is reduced by quality-assured and standardised internal processes and tools. Hemsö always

performs a prior due diligence and analysis of the micro-market (such as the geographical location), economics, agreements and the property's technical conditions and appropriateness with the assistance of internal and external specialists. All acquisitions are carried out with the intention of long-term ownership and management. Completed acquisitions are always followed up after a period of one and three years.



### Tax

#### Risk

Changes in the rules for corporate tax, property tax and VAT could have either a positive or negative effect on Hemsö's earnings. One risk is that Hemsö does not comply with current tax legislation.

#### Management

To ensure that Hemsö manages tax in accordance with the applicable laws and regulations, Hemsö has procedures for effective internal control. Correct management is secured through internal quality as-

urance, external audits and regular training for employees.

Hemsö maintains a commercial approach to tax expense, but also applies the prudence concept in line with Hemsö's core values of acting sustainably and reliably. In the 2016 financial year, the Board adopted a tax policy that governs Hemsö's management of taxation. Hemsö continually monitors proposed legal and regulatory changes in order to respond early and adapt the operations. Hemsö is not currently subject to any material tax litigation.



### Project risk

#### Risk

New construction, extension and refurbishment entails a risk that customer needs and expectations are not met, that regulatory permits are not obtained, or that the cost of a project increases due to delays or project failure.

#### Management

The risks are limited by only investing in projects in markets where Hemsö has good market knowledge, and where demand is favourable for Hemsö's premises. Hemsö focuses on growth areas in all countries.

The risk is also limited by using turnkey contracts for most project development, and by not starting construction until the property is fully leased. The property is 100-per cent leased in most project development. Hemsö quality-assures its project development with standardised internal processes, a high level of internal project competence and creditworthy contractors and partners.

Hemsö has project development guidelines that are reviewed annually, and a project manual for Hemsö's project development.



### Crises

#### Risk

Crises are caused by external events including terrorist and cyber attacks, extreme weather conditions, environmental disasters, serious accidents and information leaks. Outages or errors in critical systems can have a negative impact on Hemsö, primarily in relation to business continuity and financial reporting.

#### Management

Hemsö works actively with crisis prevention. Hemsö has an established organisation and guidelines for crisis management, and a continuity plan for IT. Hemsö also works continuously to improve internal processes and procedures to prevent crises from arising. The risk is currently assessed as low.

## Operational risks, cont.



### Environment and climate

#### Risk

Environmental and climate-change risk is the risk of Hemsö's impact on the environment and the surrounding community. Hemsö's activities impact the environment when properties are being built, the ongoing operations of the properties and the activities conducted in them. Changed legislation or regulatory requirements for the environment and energy consumption, as well as growing customer demands on environmental management and environmental certifications, may entail a risk of higher costs and financial losses. There is a risk that climate change can impact Hemsö's operations due to higher costs for handling extreme weather events such as heavy rain and flooding.

#### Management

Hemsö works systematically with preventive measures to achieve good indoor environment quality, energy efficiency, sustainable material choices and the safe handling of chemicals and waste in the company's properties. Environmental and climate-change due diligence is carried out prior to acquisitions.

Hemsö has clear procedures for following the applicable regulations regarding property owner responsibility for environmental impact from operations and maintenance. All new construction holds at least Silver certification under the SGBC system, or an equivalent level under a similar system. For new construction, Hemsö chooses materials based on SundaHus Material Data assessments to protect human health and the environment.

Hemsö conducts systematic sustainability management, with a focus determined in agreement with stakeholders, and that undergoes annual revision to account for any changes in requirements or needs. Governance is based on a sustainability policy and sustainability guidelines that are revised annually, and by addressing strategic sustainability issues in Hemsö's Sustainability Council.

In 2017, no incidents were recorded that led to fines or other sanctions under environmental legislation.



### Employees

#### Risk

Employee risk mainly relates to Hemsö's inability to meet its own needs for competence, and the risks associated with employee health. If Hemsö is unable to attract competent and qualified staff, or if key employees leave Hemsö, this could have a negative impact on the operations. Risks related to employee health are problems associated with sick leave and health which, in addition to the problems these cause for individuals, may also cause problems with productivity and continuity.

#### Management

Hemsö has a structured method for working preventively with competence development and health. Hemsö works actively to be a reliable employer and strives for an open and transparent working environment based on Hemsö's values. Hemsö has an HR policy and a Workplace Handbook that govern how Hemsö works. An employee survey is conducted annually to

monitor the results. The survey score for 2017 was 82 (target: 77).

Hemsö works continuously to maintain a pipeline of talented employees through internal training programmes via Hemsö's Social School, and through trainee and work placement programmes. All managers at Hemsö undergo a leadership development programme. Succession planning is in place for key people and senior positions.

Hemsö work systematically with health and safety by setting targets that are monitored annually. Hemsö work preventively with employee wellness, including regular health checks and wellness activities for all employees. In 2017, employee attendance was 98.7 per cent.

In 2017, no workplace accidents were recorded for Hemsö's employees, or for Hemsö's sub-contractors. Any incidents are followed up and analysed.

## Changed regulations and regulatory compliance



### Changed regulations

#### Risk

Changes in laws, rules and regulations can impact Hemsö in the form of increased costs and the impairment of Hemsö's reputation and brand.

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 policy and regulatory requirements on property ownership, leasing, rent

levels and premise requirements. New or amended laws and regulations could have an adverse effect on Hemsö's operations and financial results.

#### Management

Hemsö continually monitors proposed legal and regulatory changes in order to respond early and adapt the operations. Hemsö participates actively in matters of public debate that affect Hemsö and in such cases, submits responses to proposed legislative changes.



### Regulatory compliance

#### Risk

Failure to comply with regulations, as well as fraud and corruption, could lead to economic loss and sanctions, as well as impairment of Hemsö's reputation and brand.

#### Management

Hemsö has effective, continuous internal control and quality assurance at several levels, and well-document-

ed processes. Third-party auditors perform annual audits. To reduce corruption risk, Hemsö has guidelines and procedures for purchasing and authorisation.

Hemsö has one internal Code of Conduct, and one for suppliers. Hemsö also has one whistle-blower function for internal use, and one for suppliers.

## Financial risks



### 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. A large proportion of Hemsö's capital is raised on capital markets, mainly supplied by bonds and commercial papers. As these loans mature, they must be repaid or refinanced.

#### Management

Hemsö has diversified sources of funding, a well-balanced maturity spread and a long-term loan maturity. At year-end, the loan maturity

was 5.0 years. The short-term financing is mainly supplied by commercial papers, but also by overdue bonds. To further reduce financing risk and manage its short-term debt, Hemsö has unused credit commitments. At 31 December 2017, these amounted to SEK 10,720 million and were provided by several Nordic banks and Hemsö's owner, the Third Swedish National Pension Fund.

Hemsö's financial policy regulates the distribution of responsibilities and risk mandates, and establishes principles for reporting, monitoring and internal control.



### Interest

#### Risk

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.

#### Management

To manage its interest-rate risk, Hemsö issues fixed-rate bonds or

extends variable-rate loans using interest-rate derivatives with different maturities. Hemsö's average fixed-rate period should range from three to eight years and no more than 40 per cent of the interest should be due within 12 months. At 31 December 2017, Hemsö's average fixed-rate period was 5.1 years and 28 per cent was due within 12 months.

## Financial risks, cont.



### Counterparty

#### Risk

Derivatives, long and short-term credit agreements and investments of temporary surplus liquidity entail the risk that a financial counterparty is unable to fulfil all or some of their obligations.

#### Management

Hemsö only enters into financial transactions with counterparties with high credit ratings. Derivatives are only contracted with banks with a minimum credit rating of A-/A3 (S&P/Moody's). Excess liquidity may only be invested in instruments considered investment grade, or a similar minimum rating.



### Currency

#### Risk

In addition to Hemsö's property portfolio in Sweden, Hemsö owns properties in Germany and Finland. Hemsö therefore has income, expenses, assets and liabilities in EUR. Hemsö is therefore exposed to the risk of exchange-rate fluctuations affecting Hemsö's income statement and balance sheet.

#### Management

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 2017, Hemsö's currency exposure was EUR 119 million, or 11 per cent of the Group's equity.



### Liquidity

#### Risk

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 and interest expense. Loan maturities account for the largest payment obligations.

#### Management

Hemsö's business model is based on a stable and predictable cash flow. Hemsö also engages in regular liquidity forecasting to increase predictability and ensure sufficient funds to meet loan maturities and other major payment obligations. Hemsö should also maintain an adequate liquidity buffer. The debt/equity ratio – available liquidity in relation to short-term debt – should be at least 110 per cent. At year-end, the ratio was 166 per cent.

## Sensitivity analysis

### Sensitivity analysis

	Change	Earnings effect before tax, SEK million
Rental income	+/- 1%	+/- 24
Economic occupancy rate	+/- 1 percentage point	+/- 25
Property costs	+/- 1%	+/- 6
Interest rates, market	+/- 1 percentage point	-18 / -11
Required yield, change in value of properties	+/- 0.1 percentage point	-815 / +851
EUR/SEK (effect on profit from property management)	+/- 10%	+/- 30



Pär Nuder, Chairman of the Board

## Gratifying trend

It is gratifying to see how Hemsö is continuing to develop, and delivering high returns for Swedish pensioners.

Hemsö's principal owner, the Third Swedish National Pension Fund, has been assigned to responsibly invest and manage more than SEK 340 billion to secure the national pension for current and future pensioners. Through its ownership of Hemsö, the Third Swedish National Pension Fund is receiving long-term stable and inflation-adjusted returns. At the same time, we are making a social contribution by developing the social infrastructure required for the provision of public services. Working with Hemsö is, therefore, particularly stimulating. Not only because it is a good investment for the Third Swedish National Pension Fund, but also because I can see how Hemsö is developing modern and sustainable schools that are improving learning environments for our children, and nursing homes that offer high-quality care in a comfortable environment for our elderly.

As a principal owner of Hemsö, the Third Swedish National Pension Fund plays an active role in formulating the company's long-term strategy. The Third Swedish National Pension Fund has been committed to sustainability for some time, and consciously invests and participates in partnerships and initiatives within the framework of environmental, social and corporate governance. Together with Hemsö's management and employees, the Third Swedish National Pension Fund is focused on these issues. They are particularly important for Hemsö, which operates in a public environment through both its principal owner and the company's business model, which focuses on government, municipal and county players.

We have seen a strong performance in the property market in recent years, driven by favourable economic conditions. But most of all, by good access to capital markets and very low borrowing costs. Anyone with experience will know that this

is not sustainable over time, and that we must be well-prepared for market changes. Due to Hemsö's long-term strategy to create predictable cash flows through long-term lease agreements with public-sector tenants, and active efforts over the past twelve months to extend the company's average loan maturity and fixed-rate period, Hemsö is well-equipped for tomorrow's challenges.

Hemsö's stability and strong shareholders are enabling the continued development of schools and nursing homes for the future, even in difficult market conditions. Hemsö has what it takes to be a long-term property partner to the public sector – in both good times and bad. The need for public services is essentially independent of economic trends and expected to rise significantly, given the population growth and demographic challenges ahead.

# Corporate governance

Corporate governance refers to the rules and structure established for effective and systematic control and management of a limited company's operations. Corporate governance in Hemsö is based on the Swedish Companies Act, the Articles of Association, the rule book for issuers of interest-bearing instruments in the marketplaces where Hemsö is listed, 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 was 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-per cent owned by both the Third Swedish National Pension Fund and AB Sagax.

## Annual General Meeting

The Annual General Meeting (AGM) 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 AGM 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.

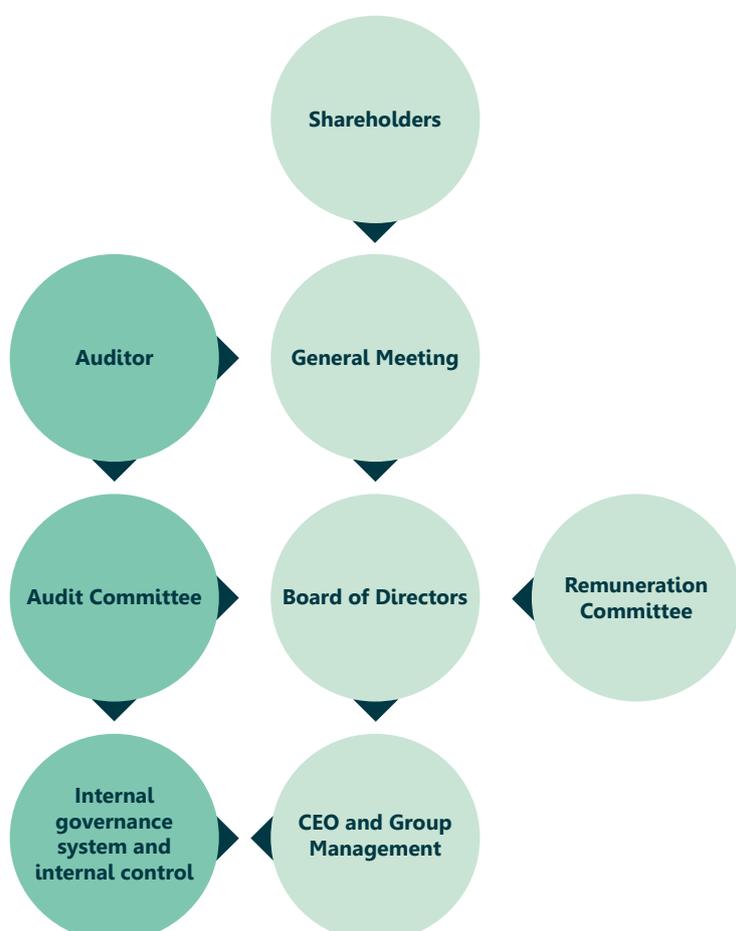
## 2017 Annual General Meeting

The 2017 AGM was held on 26 April 2017 in Stockholm. All shares were represented. The 2016 financial statements were adopted and the Board members and CEO were granted discharge from liability. Decisions were also made regarding the election of Board members, Chairman of the Board and auditors, the fees paid to Board and Committee members and auditors, and of changes to the Articles of Association.

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

## Extraordinary General Meetings

No Extraordinary General Meetings (EGM) were held in 2017.



## 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 instructions 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 2017, seven regular Board meetings were held, including the statutory Board meetings and five extra Board meetings.

## 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



## Composition of the Board

Name	Year of election	Independent of the company	Independent of major shareholders	Meeting attendance in 2017		
				Board of Directors	Audit Committee	Remuneration Committee
Pär Nuder	2013	Yes	No	11/12	–	2/2
Johan Thorell	2013	Yes	Yes	12/12	3/3	–
Eva Eriksson	2013	Yes	Yes	4/12	2/3	1/2
David Mindus	2009	Yes	No	12/12	3/3	1/2
Bengt Hellström	2009	Yes	No	12/12	3/3	–
Kerstin Hessius	2009	Yes	No	12/12	–	2/2
Åsa Bergström	2017	Yes	Yes	6/12	1/3	–

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 Åsa Bergström.

### 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), Kerstin Hessius and David Mindus.

### 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 2017 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. During the year, Eva Eriksson stepped down and Åsa Bergström joined the Board. The Board is presented on page 85.

### 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 2017 AGM resolved that fees of SEK 385,000 (unchanged) would be paid to the Board's Chairman, and SEK 170,000 (unchanged) 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.

### 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 Hemsö's operations, 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 86-87.

### 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. The company's auditor attended three Board meetings and all meetings with the Audit Committee.

### 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 105 employees in three countries. All personnel are employed by the Parent Company, except for nine people in Hemsö Development AB, five people in the jointly owned Vitartes companies, four people in Germany and three 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, Germany and Finland, 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, Nasdaq Stockholm's Rule Book for Issuers and the Irish stock exchange.

### 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 and budget and whether approved investments are progressing as planned.



Rutger Källén, Gustav Björkman, Nils Styf, Kerstin Hessius



Åsa Bergström, Bengt Hellström, Johan Thorell, David Mindus, Kerstin Hessius, Pär Nuder

## Board of Directors

### **Åsa Bergström** born 1964

Board member since 2017.  
Member of the Audit Committee.

#### **Education and professional experience:**

MBA. Senior Manager KPMG, CFO roles in several property companies, including Granit & Betong and Oskarsborg.

#### **Other current assignments:**

Vice President, CFO of Fabege AB.  
Board member of NP3 fastigheter AB.

### **Bengt Hellström** born 1959

Board member since 2009.  
Member of the Audit Committee.

#### **Education and professional experience:**

MBA. 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.

### **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 Gryning-skust Holding AB. Chairman of the Board of Fastighetsaktiebolaget Apicius, Kallebäck Property Invest AB, Hållsta Fastighetsutveckling AB, K2A Knaust & Andersson Fastigheter AB, and Gamefederation Svenska AB. Board member of AB Sagax, Oscar Properties Holding AB, Tagehus Holding AB, Delarka Holding AB and Nicoccino Holding AB.

### **David Mindus** born 1972

Board member since 2009.  
Chairman of the Audit Committee and member of the Remuneration 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 and Mindustri AB. Chairman of the Board of Hemsö Intressenter AB.

**Holding:** David Mindus with companies owns 18.7 per cent of the share capital and 25.3 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.

### **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, Öresundsbro Konsortiet, Svensk-Danska Broförbindelsen SVEDAB 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, Skistar AB and Öbergs färghus. Board member of Beijerinvest AB, Cleanergy AB, Fabege AB, IP-Only Holding AB. Senior Counsellor at Albright Stonebridge Group.



Gustav Björkman, Anna Marand, Jens Nagel, Rikard Nyhrén

## Management

### 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.

### Anna Marand

Head of Project Development since 2017, at Hemsö since  
2009.

Born 1980.

**Education:** Master of Science degree, Land Surveying, Royal  
Swedish Institute of Technology.

**Most recent position:** Property economist, Kungsleden.

### Jens Nagel

Head of Region, Germany, since 2011.

Born 1971.

**Education:** Property economist,  
Chamber of Commerce and Industry, Berlin.

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

### Rikard Nyhrén

Head of Asset Management, Sweden, since 2016, at Hemsö  
since 2014.

Born 1981.

**Education:** Studies in Civil Engineering Construction,  
Mälardalen University.

**Most recent position:** Business Area Manager, Stockholm,  
Dalkia Sverige.



Ulrika Frisk, Nils Styf, Jarkko Leinonen, Rutger Källén

### **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 Sverige.

### **Nils Styf**

President and CEO since 2016.  
Born 1976.

**Education:** MBA, Stockholm School of Economics.

**Most recent position:** Chief Investment Officer, Citycon Oyj.

### **Jarkko Leinonen**

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

**Education:** Construction engineer, Helsinki University of Technology.

**Most recent position:** Property Manager, Aalto University.

### **Rutger Källén**

CFO since 2016, at Hemsö since 2009.  
Born 1972

**Education:** Economics, Uppsala University.

**Most recent position:** Head of Finance, Kungsleden.



## Multi-year overview

Amounts in SEK million	2017	2016	2015	2014	2013	2012	2011	2010
<b>Income statement</b>								
Property income	2,375	2,204	2,000	2,063	1,887	1,899	1,671	1,396
Property costs	-587	-552	-524	-577	-547	-535	-469	-407
<b>Net operating income</b>	<b>1,788</b>	<b>1,652</b>	<b>1,476</b>	<b>1,486</b>	<b>1,340</b>	<b>1,364</b>	<b>1,202</b>	<b>989</b>
Central administrative expenses	-130	-182	-154	-173	-173	-169	-150	-90
Profit from participations in associated companies	1	–	–	–	–	–	–	–
Financial items	-345	-359	-363	-480	-493	-521	-409	-124
Interest on shareholder loans	–	–	-53	-210	-210	-210	-210	-138
<b>Profit before changes in value</b>	<b>1,314</b>	<b>1,111</b>	<b>906</b>	<b>623</b>	<b>464</b>	<b>464</b>	<b>433</b>	<b>637</b>
<b>Profit from property management</b>	<b>1,314</b>	<b>1,111</b>	<b>959</b>	<b>833</b>	<b>674</b>	<b>674</b>	<b>643</b>	<b>847</b>
Change in value, properties	1,682	2,072	581	-261	-125	84	897	479
Change in value, financial instruments	135	-208	140	-760	297	-128	-235	–
Current tax	-63	-49	-46	-89	-9	-17	-19	-24
Deferred tax	-477	-583	-231	127	-99	178	-250	-162
<b>Profit for the year</b>	<b>2,591</b>	<b>2,343</b>	<b>1,350</b>	<b>-360</b>	<b>528</b>	<b>581</b>	<b>826</b>	<b>930</b>
Other comprehensive income	31	81	-50	42	16	-13	-3	–
<b>Comprehensive income for the year</b>	<b>2,622</b>	<b>2,424</b>	<b>1,300</b>	<b>-318</b>	<b>544</b>	<b>568</b>	<b>823</b>	<b>930</b>
<b>Balance sheet</b>								
Investment properties	38,883	33,629	26,502	24,668	22,637	22,951	20,858	18,518
Other assets	660	392	443	209	156	201	443	419
Cash and bank balances	1,134	932	157	107	13	70	265	353
<b>Total assets</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>	<b>22,806</b>	<b>23,222</b>	<b>21,566</b>	<b>19,290</b>
Equity	10,795	8,672	6,764	2,682	3,061	2,633	2,169	1,570
Deferred tax liabilities	2,591	2,103	1,518	1,289	1,416	1,325	1,502	1,254
Derivatives	544	723	679	826	66	363	235	–
Shareholder loans	–	–	–	3,000	3,000	3,000	3,000	3,000
Interest-bearing liabilities	25,575	22,483	17,454	16,507	14,699	15,085	13,445	11,085
Non-interest-bearing liabilities	1,172	972	687	680	564	816	1,215	2,381
<b>Total equity and liabilities</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>	<b>22,806</b>	<b>23,222</b>	<b>21,566</b>	<b>19,290</b>
<b>Key ratios</b>								
<b>Financial key ratios</b>								
Loan-to-value ratio, %	62.9	64.0	65.2	66.5	64.9	65.4	63.2	58.0
Interest-coverage ratio, times	4.8	4.1	3.6	2.7	2.4	2.3	2.6	7.3
Proportion of secured debt, %	3.1	7.7	15.4	29.2	40.6	62.5	64.5	59.9
Equity/assets ratio, %	26.5	24.8	25.0	22.7	26.6	24.3	24.0	23.7
Average interest rate, %	1.5	1.5	1.9	2.3	3.0	3.4	3.7	2.2
Return on profit from property management, %	12.1	13.0	13.9	12.8	10.4	11.2	11.9	16.0
Return on equity, %	26.6	30.4	22.4	-2.6	12.6	14.6	21.3	24.5
Total return, %	9.8	12.8	8.1	5.2	5.3	6.6	10.9	8.9
Net asset value, SEK million	13,930	11,498	8,961	7,797	7,543	7,321	6,906	5,824
<b>Property-related key ratios</b>								
Market value of investment properties, SEK million	38,883	33,629	26,502	24,668	22,637	22,951	20,858	18,518
Valuation yield, %	5.2	5.7	6.0	6.0	6.1	6.2	6.2	6.4
Surplus ratio, %	75.3	75.0	73.8	72.0	71.0	71.8	71.9	70.8
Economic occupancy rate, %	98.3	97.5	97.3	97.0	96.9	96.4	97.0	97.6
Property value, SEK/sqm	23,763	20,528	17,686	16,186	13,956	13,445	13,731	12,753
No. of properties	346	356	317	313	348	357	312	297
Leasable area, tsqm	1,636	1,638	1,499	1,524	1,622	1,707	1,519	1,452

## Consolidated statement of comprehensive income

Amounts in SEK million	Note	2017	2016
<b>Property income</b>			
Rental income		2,363	2,189
Other income		12	15
<b>Total property income</b>	3-4	<b>2,375</b>	<b>2,204</b>
<b>Property costs</b>			
Operating costs	5	-383	-378
Maintenance costs		-161	-141
Other property costs		-43	-33
<b>Total property costs</b>		<b>-587</b>	<b>-552</b>
<b>Net operating income</b>	3	<b>1,788</b>	<b>1,652</b>
Central administrative expenses	6-8	-130	-182
Profit from participations in associated companies		1	-
<b>Financial items</b>			
Interest income and similar profit items	10	41	28
Interest expense and similar loss items	10	-386	-387
<b>Total financial items</b>		<b>-345</b>	<b>-359</b>
<b>Profit from property management</b>		<b>1,314</b>	<b>1,111</b>
<b>Changes in value</b>			
Properties, realised		-79	-1
Properties, unrealised		1,761	2,073
Financial instruments, realised		-45	-164
Financial instruments, unrealised		180	-44
<b>Total changes in value</b>	11	<b>1,817</b>	<b>1,864</b>
<b>Profit before tax</b>		<b>3,131</b>	<b>2,975</b>
Current tax	12	-63	-49
Deferred tax	12	-477	-583
<b>PROFIT FOR THE YEAR</b>		<b>2,591</b>	<b>2,343</b>
<b>Other comprehensive income, items that may be reclassified to profit or loss</b>			
Translation difference for the year		31	81
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,622</b>	<b>2,424</b>
<b>Profit for the year attributable to</b>			
Parent Company shareholders		2,577	2,295
Non-controlling interests		14	48
<b>Comprehensive income for the year attributable to</b>			
Parent Company shareholders		2,608	2,376
Non-controlling interests		14	48
<b>Data per share</b> (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		25.9	23.4

Comments on the statement of comprehensive income are provided in the Directors' Report on pages 64-65.

## Consolidated statement of financial position

Amounts in SEK million	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development expenditure	13	5	3
<b>Total intangible assets</b>		<b>5</b>	<b>3</b>
<b>Tangible assets</b>			
Investment properties	14	38,883	33,629
Equipment	15	1	1
<b>Total tangible assets</b>		<b>38,884</b>	<b>33,630</b>
<b>Financial non-current assets</b>			
Participations in associated companies	17	101	–
Non-current receivables from associated companies		47	–
Other non-current receivables		26	65
<b>Total financial non-current assets</b>		<b>174</b>	<b>65</b>
<b>Total non-current assets</b>		<b>39,063</b>	<b>33,698</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Rent and accounts receivable	18	73	27
Tax assets		0	6
Other current receivables		294	207
Prepaid expenses and accrued income		113	83
<b>Total current receivables</b>	19, 23	<b>480</b>	<b>323</b>
Cash and cash equivalents		1,134	932
<b>Total current assets</b>		<b>1,614</b>	<b>1,255</b>
<b>TOTAL ASSETS</b>		<b>40,677</b>	<b>34,953</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1	1
Other capital contributions		6,856	6,856
Reserves		104	73
Retained earnings including profit for the year		3,546	1,525
<b>Equity attributable to Parent Company owners</b>		<b>10,506</b>	<b>8,455</b>
Non-controlling interests		289	217
<b>Total equity</b>		<b>10,795</b>	<b>8,672</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans from minority interests	22, 23, 27	–	41
Deferred tax liabilities	12	2,591	2,103
Derivatives	29	544	723
Interest-bearing liabilities	22, 23	18,884	15,126
<b>Total non-current liabilities</b>		<b>22,019</b>	<b>17,993</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	22, 23	6,691	7,316
Accounts payable		213	150
Current tax liabilities		46	32
Other current liabilities		107	60
Accrued expenses and deferred income	28	806	730
<b>Total current liabilities</b>	23	<b>7,863</b>	<b>8,288</b>
<b>Total liabilities</b>		<b>29,882</b>	<b>26,281</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>40,677</b>	<b>34,953</b>

Comments on the Statement of financial position are provided in the Directors' Report under Financing on pages 68-73.

## Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Share of equity from non-controlling interests	Total equity
Opening equity, 1 Jan 2016	1	6,835	-8	-164	100	6,764
Reclassification of capital contribution, 2016	-	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
<b>Closing equity, 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 equity, 1 Jan 2017	1	6,856	73	1,525	217	8,672
Dividends	-	-	-	-556	-	-556
Contribution from minority interests	-	-	-	-	57	57
Comprehensive income	-	-	31	2,577	14	2,622
<b>Closing equity, 31 Dec 2017</b>	<b>1</b>	<b>6,856</b>	<b>104</b>	<b>3,546</b>	<b>288</b>	<b>10,795</b>

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	2017	2016
<b>Operating activities</b>			
Profit from property management		1,314	1,111
Adjustment for non-cash items in profit from property management	26	0	2
Adjustment for non-cash items	26	-52	-65
Income tax paid		-42	-64
<b>Cash flow before changes in working capital</b>		<b>1,220</b>	<b>984</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		-164	110
Increase (+)/decrease (-) in operating liabilities		247	144
<b>Cash flow from operating activities</b>		<b>1,303</b>	<b>1,238</b>
<b>Investing activities</b>			
Acquisition of properties	26	-2,668	-3,362
Investments in new construction, extension and refurbishment	14	-2,190	-1,551
Property divestments	26	1,469	60
Investment in financial non-current assets		-102	-
Other non-current assets		-2	-25
<b>Cash flow from investing activities</b>		<b>-3,493</b>	<b>-4,878</b>
<b>Financing activities</b>			
Shareholder contributions received		-	74
Interest-bearing liabilities		8,470	11,468
Amortisation of interest-bearing liabilities		-5,565	-6,522
Contributions from non-controlling interests		57	-
Dividends paid		-556	-585
<b>Cash flow from financing activities</b>		<b>2,406</b>	<b>4,435</b>
Cash flow for the year		216	795
Opening cash and cash equivalents		932	157
Exchange-rate differences in cash and cash equivalents		-14	-20
<b>Closing cash and cash equivalents</b>		<b>1,134</b>	<b>932</b>

## Parent Company income statement

Amounts in SEK million	Note	2017	2016
Net sales		56	95
Central administrative expenses	7-8	-144	-182
Other operating income		168	6
<b>Operating profit/loss</b>		<b>80</b>	<b>-81</b>
<b>Income from financial items</b>			
Profit/loss from participations in Group companies	9	-165	726
Interest income and similar profit items	10	161	130
Interest expense and similar loss items	10	-393	-323
<b>Profit/loss after financial items</b>		<b>-317</b>	<b>452</b>
<b>Changes in value</b>			
Financial instruments, realised		-45	-164
<b>Profit/loss before changes in value</b>		<b>-362</b>	<b>288</b>
<b>Appropriations</b>			
Group contributions paid		-1	-
Group contributions received		535	380
Provision to tax allocation reserve		-36	20
<b>Profit before tax</b>		<b>136</b>	<b>688</b>
Current tax	12	-32	-4
Deferred tax	12	4	-2
<b>PROFIT FOR THE YEAR</b>		<b>108</b>	<b>682</b>

## Parent Company statement of comprehensive income

Amounts in SEK million	2017	2016
Profit for the year	108	682
Other comprehensive income	-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>108</b>	<b>682</b>

## Parent Company balance sheet

Amounts in SEK million	Note	31 Dec 2017	31 Dec 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Capitalised development expenditure	13	5	3
<b>Total intangible assets</b>		<b>5</b>	<b>3</b>
<b>Tangible assets</b>			
Equipment			
	15	1	1
<b>Total tangible assets</b>		<b>1</b>	<b>1</b>
<b>Financial non-current assets</b>			
Participations in Group companies			
	16	6,324	6,206
Other non-current receivables from Group companies	23	3,355	4,332
<b>Total financial non-current assets</b>		<b>9,679</b>	<b>10,538</b>
<b>Total non-current assets</b>		<b>9,685</b>	<b>10,542</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies			
		17,191	12,485
Other receivables	18	2	25
Prepaid expenses and accrued income		79	43
<b>Total current receivables</b>	23	<b>17,272</b>	<b>12,553</b>
Cash and cash equivalents			
		906	643
<b>Total current assets</b>		<b>18,178</b>	<b>13,196</b>
<b>TOTAL ASSETS</b>		<b>27,863</b>	<b>23,738</b>
<b>EQUITY AND LIABILITIES</b>			
	20		
<b>Equity</b>			
Share capital (100,001,000 at SEK 0.01)			
		1	1
Share premium reserve		3,000	3,000
Retained earnings		137	10
Profit for the year		107	682
<b>Total equity</b>		<b>3,245</b>	<b>3,693</b>
<b>Untaxed reserves</b>			
Tax allocation reserves			
	21	48	13
<b>Provisions</b>			
Deferred tax liabilities			
	12	25	29
<b>Total provisions</b>		<b>25</b>	<b>29</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities			
	22	17,663	14,802
<b>Total non-current liabilities</b>	23	<b>17,663</b>	<b>14,802</b>
<b>Current liabilities</b>			
Interest-bearing liabilities			
	22	6,691	5,038
Accounts payable		10	7
Tax liabilities		26	2
Other current liabilities		24	56
Accrued expenses and deferred income	28	131	98
<b>Total current liabilities</b>	23	<b>6,882</b>	<b>5,201</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,863</b>	<b>23,738</b>

## Parent Company statement of changes in equity

Amounts in SEK million	Restricted equity		Unrestricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings including profit for the year		
Opening equity, 1 Jan 2016	1	3,000	595		3,596
Dividends	–	–	-585		-585
Profit for the year	–	–	682		682
<b>Closing equity, 31 Dec 2016</b>	<b>1</b>	<b>3,000</b>	<b>692</b>		<b>3,693</b>
Opening equity, 1 Jan 2017	1	3,000	692		3,693
Dividends	–	–	-556		-556
Profit for the year	–	–	108		108
<b>Closing equity, 31 Dec 2017</b>	<b>1</b>	<b>3,000</b>	<b>244</b>		<b>3,245</b>

## Parent Company statement of cash flows

Amounts in SEK million	Note	2017	2016
<b>Operating activities</b>			
Profit/loss after financial items		-317	452
Adjustment for non-cash items	26	28	491
Income tax paid		-8	-3
<b>Cash flow from operations before change in working capital</b>		<b>-297</b>	<b>940</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		493	-25
Increase (+)/decrease (-) in operating liabilities		143	244
<b>Cash flow from operating activities</b>		<b>339</b>	<b>1,159</b>
<b>Investing activities</b>			
Acquisition of shares and participations in subsidiaries		-531	-478
Sales of shares and participations in subsidiaries		414	21
Acquisition of other non-current assets		-3	–
<b>Cash flow from investing activities</b>		<b>-120</b>	<b>-457</b>
<b>Financing activities</b>			
	26		
External borrowings		8,058	8,841
Repayment of external borrowings		-3,728	-2,730
Intra-Group loans		-3,730	-5,586
Dividends paid		-556	-585
<b>Cash flow from financing activities</b>		<b>44</b>	<b>-60</b>
Cash flow for the year		263	642
Opening cash and cash equivalents		643	1
<b>Closing cash and cash equivalents</b>		<b>906</b>	<b>643</b>

## 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 2016 Annual Report. Only minor amendments to IFRS became effective in 2017. The amendments in IAS 7 that came into effect in 2017 require that changes in liabilities attributable to financing activities be specified in the cash flow statement. Hemsö has supplemented the cash flow statement in accordance with the new IAS 7 requirements.

#### New and revised IFRS effective on or after 1 January 2018

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.

#### 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. This standard will apply for reporting periods beginning on or after 2018 and supersedes IAS 39 Financial Instruments. The recommendation requires that Hemsö make an assessment of expected credit loss. Since Hemsö's customers are predominantly from the public sector, are solvent and pose a 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 will apply for periods beginning on or after 2018 and specifies how to recognise revenue from contracts with customers as well as non-monetary exchanges between entities in the same line of business. Since Hemsö's revenue essentially consists of rental and leasing income not covered by IFRS 15 but by IFRS 16, the company does not expect the recommendation to have any material effect on the financial statements.

#### IFRS 16 Leases

This standard supersedes IAS 17 and will apply for annual reporting periods beginning on or after 1 January 2019. The recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most contracts (lease agreements) will be recognised in the balance sheet. For Hemsö, this will primarily affect the recognition of site leasehold agreements, which are to be recognised in the balance sheet and therefore increase total assets. In addition, leasehold fees will be recognised as interest expense and, therefore, no longer included in net operating income. Since Hemsö holds a limited number of site leaseholds, the expected impact on the financial statements is limited.

#### 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. All amounts, unless otherwise stated, are presented in millions of SEK, and cover the period 1 January to 31 December 2017 (2016) for income-statement items, and 31 December 2017 (2016) 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 share 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 Vitartes AB and its subsidiaries. Due to agreements on future acquisitions of additional participations, these companies are also included in the consolidated financial statements.

#### Associated companies

Holdings in associated companies are recognised in accordance with the equity method, which entails that the consolidated carrying amount of the holding is adjusted by Hemsö's share of profit for the year and by any dividends received. Accordingly, the owner company's income statement includes its share of the associated company's profit for the year.

#### 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, organisation 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 2017, 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 2017, 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 2017, 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 closing 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 payroll overheads, holidays and paid sick leave, 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 lease agreements 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 14. For considerations, 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. 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.

Accounts receivable 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 distributed 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 EUR attributable to the foreign operation. Changes in the fair value of the currency forwards are recognised as unrealised value changes through profit or loss.

### 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 differences relating to operating receivables and liabilities are recognised in operating profit, 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 profit or loss. 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.

### 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 Swedish National Pension Fund, Corp. Reg. No. 802014-4120, with its registered office in Stockholm, Sweden, and 15-per cent owned, indirectly, by Sagax AB, Corp. Reg. No. 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 14.

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 CEO primarily uses net operating income per segment for performance analysis. Central administrative expenses, financial income and expenses 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.

2017	East	West	North	South	Germany	Finland	Unallocated items	Group
Property income	688	283	590	309	275	218	–	2,363
Other income	4	3	3	1	–	1	–	12
Total income	692	286	593	310	275	219	–	2,375
Property costs	-170	-113	-156	-92	-15	-41	–	-587
<b>Net operating income</b>	<b>522</b>	<b>173</b>	<b>437</b>	<b>218</b>	<b>260</b>	<b>178</b>	–	<b>1,788</b>
Central administrative expenses	–	–	–	–	–	–	-130	-130
Profit from participations in associated companies	–	–	–	–	–	–	1	1
Net financial items	–	–	–	–	–	–	-345	-345
<b>Profit before changes in value</b>	<b>522</b>	<b>173</b>	<b>437</b>	<b>218</b>	<b>260</b>	<b>178</b>	<b>-474</b>	<b>1,314</b>
<b>Changes in value</b>								
Properties, realised	-20	-12	-26	-21	–	–	–	-79
Properties, unrealised	541	32	291	171	436	290	–	1,761
Financial instruments, realised	–	–	–	–	–	–	-45	-45
Financial instruments, unrealised	–	–	–	–	–	–	180	180
<b>Total changes in value</b>	<b>521</b>	<b>20</b>	<b>265</b>	<b>150</b>	<b>436</b>	<b>290</b>	<b>135</b>	<b>1,817</b>
Current tax	–	–	–	–	–	–	-63	-63
Deferred tax	–	–	–	–	–	–	-477	-477
<b>Profit/loss for the year</b>	<b>1,043</b>	<b>193</b>	<b>702</b>	<b>368</b>	<b>696</b>	<b>468</b>	<b>-879</b>	<b>2,591</b>
<b>Investment properties – investments, acquisitions, divestments per segment</b>								
Investments, new construction, extension and refurbishment	1,017	240	405	236	38	254	–	2,190
Acquisitions	382	22	312	157	1,011	784	–	2,668
Divestments	-92	-628	-183	-690	–	–	–	-1,593
<b>Total</b>	<b>1,307</b>	<b>-366</b>	<b>534</b>	<b>-297</b>	<b>1,049</b>	<b>1,038</b>	–	<b>3,265</b>
<b>Assets per segment at period-end</b>								
Investment properties	13,238	3,543	8,939	4,500	4,889	3,774	–	38,883
Unallocated corporate assets	–	–	–	–	–	–	1,794	1,794
<b>Total assets</b>	<b>13,238</b>	<b>3,543</b>	<b>8,939</b>	<b>4,500</b>	<b>4,889</b>	<b>3,774</b>	<b>1,794</b>	<b>40,677</b>
2016	East	West	North	South	Germany	Finland	Unallocated items	Group
Property income	613	335	567	320	214	140	–	2,189
Other income	3	2	3	1	1	5	–	15
Total income	616	337	570	321	215	145	–	2,204
Property costs	-146	-123	-146	-100	-8	-29	–	-552
<b>Net operating income</b>	<b>470</b>	<b>214</b>	<b>424</b>	<b>221</b>	<b>207</b>	<b>116</b>	–	<b>1,652</b>
Central administrative expenses	–	–	–	–	–	–	-182	-182
Net financial items	–	–	–	–	–	–	-359	-359
<b>Profit before changes in value</b>	<b>470</b>	<b>214</b>	<b>424</b>	<b>221</b>	<b>207</b>	<b>116</b>	<b>-541</b>	<b>1,111</b>
<b>Changes in value</b>								
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
<b>Total changes in value</b>	<b>641</b>	<b>125</b>	<b>597</b>	<b>384</b>	<b>305</b>	<b>20</b>	<b>-208</b>	<b>1,864</b>
Current tax	–	–	–	–	–	–	-49	-49
Deferred tax	–	–	–	–	–	–	-583	-583
<b>Profit/loss for the year</b>	<b>1,111</b>	<b>339</b>	<b>1,021</b>	<b>605</b>	<b>512</b>	<b>136</b>	<b>-1,381</b>	<b>2,343</b>
<b>Investment properties – investments, acquisitions, divestments per segment</b>								
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
<b>Total</b>	<b>2,444</b>	<b>183</b>	<b>264</b>	<b>380</b>	<b>630</b>	<b>951</b>	–	<b>4,852</b>
<b>Assets per segment at period-end</b>								
Investment properties	11,390	3,875	8,116	4,626	3,274	2,348	–	33,629
Unallocated corporate assets	–	–	–	–	–	–	1,324	1,324
<b>Total assets</b>	<b>11,390</b>	<b>3,875</b>	<b>8,116</b>	<b>4,626</b>	<b>3,274</b>	<b>2,348</b>	<b>1,324</b>	<b>34,953</b>

## Note 4 Operating leases

### Lessor

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

Group	31 Dec 2017	31 Dec 2016
Contracted income, payment within 1 year	2,499	2,178
Contracted income, payment within 1-5 years	8,489	6,623
Contracted income, payment later than 5 years	14,155	9,599
<b>Total</b>	<b>25,144</b>	<b>18,400</b>

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 and office equipment.

Group	31 Dec 2017	31 Dec 2016
Due within 1 year	20	10
Due within 1-5 years	57	29
Due later than 5 years	195	64
<b>Total</b>	<b>273</b>	<b>103</b>

## Note 5 Operating costs

Group	2017	2016
Media usage	209	214
Supervision	161	152
Other operating costs	13	12
<b>Total</b>	<b>383</b>	<b>378</b>

## Note 6 Central administrative expenses

Group	2017	2016
Personnel costs	135	142
Premises and office expenses	14	14
Services purchased	49	66
Depreciation and amortisation	1	2
Other operating expenses	6	9
Less re-invoicing	-75	-51
<b>Total</b>	<b>130</b>	<b>182</b>

## Note 7 Employees, personnel costs and remuneration of senior executives

Group	2017		2016	
	Total	of whom men	Total	of whom men
Average no. of employees	101	54	108	65
No. of Group Management	8	6	8	7
No. of Board of Directors	6	4	6	4

At year-end, Hemsö had 105 employees (109), of whom 84 (92) in the Parent Company, 9 (6) in Hemsö Development AB, 5 (5) in the jointly owned Vitartes companies, 4 (4) in Germany and 3 (2) in Finland.

Group	2017		2016	
	Salaries and remuneration, SEK 000s	Variable remuneration	Salaries and fees	Variable remuneration
Board	853	–	853	–
CEO	4,632	–	5,073	–
Deputy CEO	1,773	–	3,483	–
Other senior executives	5,803	118	5,981	–
Other employees	61,185	2,829	60,207	2,515
<b>Total Sweden</b>	<b>74,246</b>	<b>2,947</b>	<b>75,597</b>	<b>2,515</b>
Other senior executives	3,056	–	3,017	–
Other employees	3,159	128	1,529	12
<b>Total Foreign</b>	<b>6,215</b>	<b>128</b>	<b>4,546</b>	<b>12</b>
<b>Total Group</b>	<b>80,461</b>	<b>3,075</b>	<b>80,143</b>	<b>2,527</b>

Group	2017		2016	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	268	–	268	–
CEO	1,812	1,470	1,905	1,281
Deputy CEO	631	306	1,263	695
Other senior executives	2,233	1,536	2,250	1,527
Other employees	22,574	10,143	21,931	9,167
<b>Total Sweden</b>	<b>27,518</b>	<b>13,455</b>	<b>27,617</b>	<b>12,670</b>
Other senior executives	167	378	196	385
Other employees	246	365	193	156
<b>Total Foreign</b>	<b>412</b>	<b>743</b>	<b>389</b>	<b>541</b>
<b>Total Group</b>	<b>27,930</b>	<b>14,198</b>	<b>28,006</b>	<b>13,211</b>

Parent Company	2017		2016	
	Total	of whom men	Total	of whom men
Average no. of employees	82	42	100	58
No. of Group Management, 31 Dec	5	4	5	4
Board members, 31 Dec	6	4	6	4

Parent Company	2017		2016	
	Salaries and remuneration, SEK 000s	Variable remuneration	Salaries and fees	Variable remuneration
Board	853	–	853	–
CEO	4,632	–	5,073	–
Deputy CEO	1,773	–	3,483	–
Other senior executives	3,976	118	5,250	–
Other employees	48,097	2,552	51,352	2,515
<b>Total Sweden</b>	<b>59,331</b>	<b>2,670</b>	<b>66,011</b>	<b>2,515</b>
Other senior executives	–	–	–	–
Other employees	–	–	–	–
<b>Total Foreign</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Parent Company</b>	<b>59,331</b>	<b>2,670</b>	<b>66,011</b>	<b>2,515</b>

## Note 7 cont.

Parent Company	2017		2016	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	268	–	268	–
CEO	1,812	1,470	1,905	1,281
Deputy CEO	631	306	1,263	695
Other senior executives	1,542	1,056	1,974	1,338
Other employees	17,717	7,432	18,708	7,351
<b>Total Sweden</b>	<b>21,970</b>	<b>10,264</b>	<b>24,118</b>	<b>10,665</b>
Other senior executives	–	–	–	–
Other employees	–	–	–	–
<b>Total Foreign</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Parent Company</b>	<b>21,970</b>	<b>10,264</b>	<b>24,118</b>	<b>10,665</b>

## Remuneration of the Board

The Chairman and other members of the Board of Hemsö Fastigheter 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's Audit Committee is paid remuneration of SEK 60,000 and other members are paid an amount of SEK 35,000. The Chairman's Remuneration Committee is paid remuneration of SEK 35,000 and other members are paid an amount of SEK 22,000. Members of the Board who are employed by the owners receive no remuneration.

## Variable remuneration

Hemsö's variable remuneration scheme for 2017 includes all permanent employees except for senior executives. The reported variable remuneration for senior executives relates to one person and the period before this person was included in the category of senior executives. Under the scheme, most employees can receive up to one monthly salary in variable remuneration, while a smaller number of employees can receive up to 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.

61 employees (68) 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 5,800,000 (4,752,000). Alecta's surplus can be distributed to the policyholders and/or insured. At December 2017, Alecta's surplus in the form of the collective funding ratio was 154 per cent (December 2016: 149 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	
	2017	2016	2017	2016
Audit engagement				
Ernst & Young	2	2	1	1
Audit activities in addition to the audit engagement	–	–	–	–
Tax consultancy	–	–	–	–
Other assignments	1	1	1	1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>

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. 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	2017	2016
Dividends	–	1,255
Profit from unlimited and limited partnerships	23	41
Impairment	-188	-570
<b>Total</b>	<b>-165</b>	<b>726</b>

Some of the subsidiaries received shareholder contributions during the year since their equity had been utilised. These shareholder contributions were recognised in the Parent Company as an increase in the value of the shares in the subsidiaries, which was not matched by an equally large increase in the value of the shares. This explains the majority of the impairment recognised for the year.

## Note 10 Income from financial items

Group	2017	2016
<b>Net financial items</b>		
<i>Interest income, loans and accounts receivable</i>		
Interest income	2	2
<b>Total</b>	<b>2</b>	<b>2</b>
<i>Other financial income</i>		
Remuneration for guarantee commitments	27	26
Other financial income	12	–
<b>Total</b>	<b>39</b>	<b>26</b>
<i>Interest expense, other financial liabilities</i>		
Interest expense	-343	-342
Interest expense, Third Swedish National Pension Fund	–	–
<b>Total</b>	<b>-343</b>	<b>-342</b>
<i>Other financial expenses</i>		
Commitment fees	-22	-21
Other financial expenses*	-21	-18
Exchange-rate fluctuations	–	-6
<b>Total</b>	<b>-43</b>	<b>-45</b>
<b>Total</b>	<b>-345</b>	<b>-359</b>

\* Other financial expenses also include origination fees for loans

All interest income and expenses are attributable to financial assets and liabilities not measured at fair value through profit and loss.

Parent Company	2017	2016
<b>Interest income and similar profit items</b>		
Interest income, Group companies	161	100
Interest income, other	0	30
<b>Total</b>	<b>161</b>	<b>130</b>

Parent Company	2017	2016
<b>Interest expense and similar loss items</b>		
Interest expense, Group companies	0	0
Interest expense, other	-338	-325
Other	-55	2
<b>Total</b>	<b>-393</b>	<b>-323</b>

## Note 11 Changes in value

### Investment properties

The value changes attributable to investment properties amounted to SEK 1,682 million (2,072). The value changes were SEK -79 million (-1) in realised changes and SEK 1,761 million (2,073) in unrealised changes.

The realised change in value was mainly attributable to sales of properties in 2017.

Unrealised changes in value were mainly related to a reduction in the market's yield requirements. The largest reduction in yield requirement was found in the metropolitan areas and expansive locations as well as in the categories of Nursing homes and Education. However, reductions were made in all categories throughout Sweden. The unrealised changes in value were also due to revised estimates of net operating income as a result of new leases, terminated leases and renegotiations. The dividend yield on the entire property portfolio, excluding project properties, was 5.2 per cent (5.7).

Unrealised changes in value, SEK million	2017	2016
Property management and project-related change in value	518	486
General market value change	517	1,262
<b>Subtotal Sweden</b>	<b>1,035</b>	<b>1,748</b>
Property management and project-related change in value	65	-55
General market value change	661	380
<b>Subtotal Foreign</b>	<b>726</b>	<b>325</b>
<b>Total unrealised changes in value</b>	<b>1,761</b>	<b>2,073</b>

### Change in value of derivatives

Hemsö uses interest-rate derivatives to manage and adjust the Group's interest-rate risk and foreign exchange derivatives to manage and adjust the Group's currency 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. If the agreed exchange rate deviates from the market rate, a surplus or deficit value arises on the foreign exchange derivatives.

At period-end, the nominal value of the interest rate derivatives portfolio was SEK 8,250 million (8,039) and the foreign exchange derivatives portfolio was SEK 640 million (-). The negative value of the interest-rate derivatives was SEK 537 million (723) and the foreign exchange derivatives was SEK 7 million (-).

Changes in value of financial instruments had a positive impact of SEK 135 million (-208) on profit.

Changes in value of interest-rate derivatives had a positive impact of SEK 144 million (-208) on profit, of which unrealised change in value amounted to SEK 186 million (-44). At the same time, a previously recognised loss of SEK -42 million (-164) was realised in connection with Hemsö's early termination of an interest-rate derivative.

The unrealised change in value of financial instruments was largely attributable to market rate increases during the period and a shorter maturity in the interest rate derivatives portfolio.

Foreign exchange derivatives raised during the year had a negative impact on profit, of which total unrealised value accounted for SEK -7 million (-) and realised value for SEK -2 million (-).

At period-end, the average duration of the interest-rate derivatives was 4.0 years. At year-end, the 10-year swap rate was 1.20 per cent (1.10).

## Note 12 Tax

Tax expense in the income statement	Group		Parent Company	
	2017	2016	2017	2016
Current tax	-63	-49	-32	-4
Deferred tax	-477	-583	4	-2
<b>Total</b>	<b>-540</b>	<b>-632</b>	<b>-28</b>	<b>-6</b>
	Group		Parent Company	
	2017	2016	2017	2016
Actual tax expense	-63	-49	-32	-4
Expected tax expense at current rate	-626	-654	-30	-152
<b>Difference</b>	<b>-563</b>	<b>-605</b>	<b>2</b>	<b>-148</b>

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 impairment of SEK -190 million on participations in financial assets, utilisation of deficits and non-taxable income of SEK 180 million related to the sale of participations held for business purposes.

The Group's tax in the income statement	2017		2016	
	Current tax	Deferred tax	Current tax	Deferred tax
Profit before tax	3,131		2,975	
Tax-deductible depreciation and amortisation	-857	857	-746	746
Non-taxable changes in value, properties	-1,761	1,761	-2,073	2,073
Non-taxable changes in value, derivatives	-179	179	44	-44
Effect of company and property sales	79	-79	1	-1
Non-deductible expenses	3	-	5	-
<b>Total income from operations</b>	<b>416</b>	<b>2,718</b>	<b>206</b>	<b>2,773</b>
Adjustment for effects of properties sold	2	-464	-	-
Adjustment for change in tax allocation reserve	-37	37	-13	13
Utilisation of accumulated deficit	-31	4	-33	18
New deficits	42	-42	38	-38
Other provisions	-63	20	32	-13
<b>Total taxable income</b>	<b>329</b>	<b>2,274</b>	<b>230</b>	<b>2,753</b>
Estimated tax	-65	-475	-47	-583
Adjustment of tax expense in previous years	2	-2	-2	-
<b>Total tax</b>	<b>-63</b>	<b>-477</b>	<b>-49</b>	<b>-583</b>

Tax expense accounts for 17 per cent (17) 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.

The Group's tax in the balance sheet	2017		2016	
	Tax base	Deferred tax	Tax base	Deferred tax
<b>Deferred tax assets</b>				
Deficit, opening balance	77	15	53	10
Change in loss carryforwards	38	8	24	5
<b>Deferred tax deficit, closing balance</b>	<b>115</b>	<b>23</b>	<b>77</b>	<b>15</b>
Derivatives, opening balance	723	159	679	149
Change in derivatives	-179	-39	44	10
<b>Deferred tax on derivatives, closing balance</b>	<b>544</b>	<b>119</b>	<b>723</b>	<b>159</b>
<b>Deferred tax assets, closing balance</b>	<b>659</b>	<b>142</b>	<b>800</b>	<b>174</b>

Note 12, cont.

The Group's tax in the balance sheet	2017		2016	
	Tax base	Deferred tax	Tax base	Deferred tax
<b>Deferred tax liabilities</b>				
Investment properties, opening balance	-10,569	-2,252	-7,751	-1,655
Change in investment properties	-2,095	-449	-2,818	-597
<b>Deferred tax on investment properties, closing balance</b>	<b>-12,664</b>	<b>-2,701</b>	<b>-10,569</b>	<b>-2,252</b>
Tax allocation reserves, opening balance	-113	-25	-100	-22
Change in tax allocation reserves	-36	-8	-13	-3
<b>Deferred tax on tax allocation reserve, closing balance</b>	<b>-149</b>	<b>-33</b>	<b>-113</b>	<b>-25</b>
<b>Deferred tax liabilities, closing balance</b>	<b>-12,813</b>	<b>-2,734</b>	<b>-10,682</b>	<b>-2,277</b>

Parent Company's tax in the balance sheet	2017		2016	
	Tax base	Deferred tax	Tax base	Deferred tax
<b>Deferred tax assets</b>				
Deficit, opening balance	-	-	-	-
Change in loss carryforwards	-	-	-	-
<b>Deferred tax deficit, closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax assets, closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>				
Investment properties, opening balance	-132	-29	-123	-27
Change in investment properties	18	4	-9	-2
<b>Deferred tax on investment properties, closing balance</b>	<b>-114</b>	<b>-25</b>	<b>-132</b>	<b>-29</b>
<b>Deferred tax liabilities, closing balance</b>	<b>-114</b>	<b>-25</b>	<b>-132</b>	<b>-29</b>

Deferred tax assets related to deficits utilised after more than 12 months amounted to SEK 18 million (15) in the Group, and SEK - (-) in the Parent Company. Deferred tax liabilities utilised after more than 12 months amounted to SEK 2,734 million (2,276) in the Group, and SEK 25 million (29) in the Parent Company. Non-recognised receivables on deficits amounted to SEK 9 million (7), of which SEK 7 M of the deficits have an unlimited life. Of recognised closing deficits, an amount of SEK 16 million (15) has an unlimited life.

Note 13 Capitalised development expenditure

	Group		Parent Company	
	2017	2016	2017	2016
Accumulated cost, opening balance	5	5	5	5
Acquisitions	3	-	3	-
Divestments	-	-	-	-
<b>Total</b>	<b>8</b>	<b>5</b>	<b>8</b>	<b>5</b>
Accumulated amortisation, opening balance	-2	-1	-2	-1
Amortisation for the year	-1	-1	-1	-1
<b>Total</b>	<b>-3</b>	<b>-2</b>	<b>-3</b>	<b>-2</b>
<b>Carrying amount, closing balance</b>	<b>5</b>	<b>3</b>	<b>5</b>	<b>3</b>

Capitalised development expenditure was previously recognised as equipment line from 2017. The comparative figures for 2016 have therefore been restated, see also Note 15.

## Note 14 Investment properties

Group	31 Dec 2017	31 Dec 2016
Carrying amount, opening balance	33,629	26,502
Acquisitions	2,668	3,362
Investments in new construction, extension and refurbishment	2,190	1,551
Divestments	-1,587	-61
Disposals	-6	-1
Exchange-rate fluctuations	228	203
Unrealised changes in value	1,761	2,073
<b>Carrying amount, closing balance</b>	<b>38,883</b>	<b>33,629</b>
of which recognised in profit for the year	1,682	2,072

At 31 December 2017, the estimated market value, corresponding to the carrying amount, totalled SEK 38,883 million (33,629). Total increase in value amounted to SEK 5,254 million (7,127), corresponding to 15.7 per cent (26.9). The increase for comparable portfolios was 5.6 per cent (7.1). 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 three properties in Germany for SEK 1,057 million for which transfer is planned at year-end 2018 and two properties for SEK 312 million for which transfer is planned for the second quarter of 2019. In Sweden, Hemsö acquired three properties for SEK 244 million for which transfer took place in March 2018 and three properties for SEK 463 million to be transferred in the second quarter of 2018. Hemsö divested one portfolio of nine properties in Sweden for SEK 901 million, which was transferred in March 2018, one property for SEK 41 million to be transferred in the second quarter of 2018, and a property for SEK 84 million to be transferred in the second quarter of 2021. Hemsö also has an obligation to complete commenced projects, in which the remaining investment is SEK 3,687 million (2,910).

### Valuation method

Hemsö determines the value per asset by using an internal cash flow valuation tool. The valuation is made quarterly as an integral part of Hemsö's business process. 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. Market assumptions, such as long-term valuation yields, market rental rate and long-term vacancy are based on local market conditions. Each property is assessed by reflecting property-specific events, such as newly signed and renegotiated lease agreements, terminated leases and investments. The valuations include the best and maximum 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 2017, 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, with individual internal adjustments. 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 2017, SEK million

	Property value, SEK million	No. of properties	Rental value, SEK million	Occupancy rate, %	Leasable area, tsqm	Long-term valuation yield requirement, %	Long-term valuation average yield requirement, %
Nursing homes	2,812	19	157	99.8	104	4.25 - 5.75	4.66
Education	4,567	42	265	99.2	135	4.25 - 6.50	5.14
Health care	4,614	20	199	94.1	120	4.25 - 7.25	5.59
Justice system	1,245	1	80	94.5	35	5.00 - 5.00	5.00
<b>Sweden East</b>	<b>13,238</b>	<b>82</b>	<b>701</b>	<b>98.1</b>	<b>394</b>	<b>4.25 - 7.25</b>	<b>5.12</b>
Nursing homes	536	6	38	95.4	30	4.25 - 7.25	4.97
Education	1,459	12	100	97.0	82	5.00 - 7.10	5.68
Health care	1,548	33	148	89.7	119	4.75 - 8.50	6.53
Justice system	–	–	–	–	–	–	–
<b>Sweden West</b>	<b>3,543</b>	<b>51</b>	<b>286</b>	<b>91.9</b>	<b>231</b>	<b>4.25 - 8.50</b>	<b>6.17</b>
Nursing homes	4,720	52	311	99.5	251	4.30 - 6.50	5.18
Education	2,561	26	164	96.2	111	5.15 - 8.50	5.69
Health care	212	4	18	99.8	12	5.50 - 6.00	5.78
Justice system	1,446	4	101	99.2	56	4.80 - 5.90	5.43
<b>Sweden North</b>	<b>8,939</b>	<b>86</b>	<b>594</b>	<b>98.6</b>	<b>430</b>	<b>4.30 - 8.50</b>	<b>5.36</b>
Nursing homes	1,737	26	113	98.9	80	4.50 - 6.00	4.99
Education	2,420	17	166	94.5	125	5.10 - 7.50	5.80
Health care	90	2	8	95.4	6	5.75 - 6.25	6.00
Justice system	253	3	21	100.0	10	5.00 - 6.25	5.68
<b>Sweden South</b>	<b>4,500</b>	<b>48</b>	<b>308</b>	<b>97.2</b>	<b>221</b>	<b>4.50 - 7.50</b>	<b>5.36</b>
Nursing homes	4,795	42	292	100.0	212	4.90 - 7.05	5.50
Education	94	1	6	100.0	6	5.25 - 5.25	5.25
<b>Germany</b>	<b>4,889</b>	<b>43</b>	<b>298</b>	<b>100.0</b>	<b>218</b>	<b>4.90 - 7.05</b>	<b>5.50</b>
Nursing homes	1,812	27	99	100.0	62	5.00 - 7.00	5.71
Education	1,519	5	114	100.0	64	5.20 - 5.80	5.53
Health care	332	3	25	100.0	11	5.50 - 7.20	6.23
Justice system	111	1	10	100.0	5	6.30 - 6.30	6.30
<b>Finland</b>	<b>3,774</b>	<b>36</b>	<b>248</b>	<b>100.0</b>	<b>142</b>	<b>5.00 - 7.20</b>	<b>5.76</b>
Nursing homes	16,412	172	1,010	99.8	739	4.25 - 7.25	5.24
Education	12,620	103	815	98.6	523	4.25 - 8.50	5.46
Health care	6,796	62	398	94.3	268	4.25 - 8.50	6.17
Justice system	3,055	9	212	98.7	106	4.80 - 6.30	5.56
<b>Total</b>	<b>38,883</b>	<b>346</b>	<b>2,435</b>	<b>98.3</b>	<b>1,636</b>	<b>4.25 - 8.50</b>	<b>5.48</b>

### Valuation yield assumptions

The valuation yield is based on underlying assumptions of real interest rates, inflation and risk premiums. The valuation yield 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 valuation yield 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 valuation yield is used as basis to discount the estimated 20-year future cash flow. The residual value is discounted at discount rate taking into account inflation. The average valuation yield of Hemsö's internal valuations, excluding project properties, is year 1, 5.2 per cent (5.7).

### 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 2017, year 1

Rental value, SEK/sqm	1,488
Operating and maintenance costs, SEK/sqm	-327
Vacancy rate, %	-1.4%

### 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 values between the range of SEK 36,939 million and SEK 40,827 million (31,947 – 35,310). In the sensitivity analysis, net operating income has been adjusted +/- 5 per cent one to show how cash flow changes affect the overall value. Similarly, the yield requirement has been adjusted +/- 0.1 of a percentage point to show how the overall value is affected.

The sensitivity analysis provides a schematic view of the effect of input parameters on the value. One isolated parameter rarely changes so the various assumptions regarding cash flow and yield requirement are interconnected.

### Sensitivity analysis

	Change	Valuation effect, SEK million
Net operating income	+/- 5 per cent	+/- 1,944
Yield requirement	+/- 0.1 percentage point	-815 / +851

### External valuation

To quality-assure the internal valuation, 333 properties, comprising 43 properties in Germany and 31 in Finland, and corresponding to 96 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 Newsec the Finnish portfolio. A full valuation was performed on 135 of the 333 properties, including a physical inspection. A desktop valuation was performed on the remaining properties. During the year, 12 properties were acquired in Sweden, ten in Germany and five in Finland. External valuations had not been performed on the three of the acquisitions in Sweden, three of the acquisitions in Finland, and five projects in early stages, by year-end 2017.

According to the external valuations, the estimated market value totalled SEK 37,876 million. Hemsö's valuation of the same properties amounted to SEK 37,136 million. This represents a negative deviation of SEK -740 million, net, corresponding to a negative deviation of -1.95 per cent. The main reason for the deviation is that Hemsö applies a different methodology to valuations on ongoing projects and that Hemsö believes there to be greater maintenance requirements for certain properties. The deviation lies within the approved uncertainty range of +/- 5 per cent.

## Note 15 Equipment

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Accumulated cost, opening balance	9	9	7	7
Acquisitions	-	-	-	-
Divestments	-	-	-	-
<b>Total</b>	<b>9</b>	<b>9</b>	<b>7</b>	<b>7</b>
Accumulated depreciation, opening balance	-8	-7	-6	-6
Depreciation for the year	0	-1	0	-
<b>Total</b>	<b>-8</b>	<b>-8</b>	<b>-6</b>	<b>-6</b>
<b>Carrying amount, closing balance</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Capitalised development expenditure was previously recognised under equipment but is recognised on a separate line from 2017. The comparative figures for 2016 have therefore been restated: SEK 5 million in accumulated cost, and SEK -2 million in accumulated depreciation have been transferred to capitalised development expenditure, see also Note 13.

## Note 16 Participations in Group companies

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

Parent Company Subsidiary	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2017
				Direct	Indirect	
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 Draget Fastigheter AB	556340-0869	Stockholm	Sweden	100.0		43
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 Gransängaren 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		58
Hemsö Cullberg Holding AB	556932-8080	Stockholm	Sweden		100.0	–
Hemsö Båthöjden AB	559079-7642	Stockholm	Sweden		100.0	–
Hemsö Nackavillan AB	559079-7600	Stockholm	Sweden		100.0	–
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	99.0	1.0	3
Förvaltningsbolaget Krokslätt KB	969601-3839	Stockholm	Sweden	10.0	90.0	19
Förvaltningsbolaget Hanen 4 KB	969601-3862	Stockholm	Sweden	10.0	90.0	20
Bokbacken Fastigheter Fiskebäck KB	916850-4570	Stockholm	Sweden	10.0	90.0	37
Bokbacken Fastigheter Solskiftet KB	916434-5549	Stockholm	Sweden	10.0	90.0	33
KB S:t Jörgen Äldreboende	969673-1430	Stockholm	Sweden	10.0	90.0	18
FB Fair Fyrtiotre KB	916630-7455	Stockholm	Sweden	1.0	99.0	28
Bjölåhemmet KB	916849-3212	Stockholm	Sweden	1.0	99.0	14
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		29
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 Beckomberga Fastigheter AB	556617-6151	Stockholm	Sweden	100.0		1
Hemsö Development AB	556873-8529	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 Äldreboende KB	969781-6206	Stockholm	Sweden		100.0	–
Hemsö Norrbottenfastigheter KB	969780-9839	Stockholm	Sweden		100.0	–
Hemsö Tuna Fastigheter AB	556709-6820	Stockholm	Sweden	100.0		–
Hemsö Baggen AB	556709-6812	Stockholm	Sweden	100.0		27
Hemsö Vreten AB	559132-9775	Stockholm	Sweden		100.0	–
Hemsö Norrahammar AB	559132-9783	Stockholm	Sweden		100.0	–
Hemsö Jägaren AB	559132-9684	Stockholm	Sweden		100.0	–
Hemsö Idun AB	559132-9692	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		236
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		5
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		54
Hemsö Centrumhuset i Göteborg AB	556991-6249	Stockholm	Sweden	100.0		6
Alexander Holding 1 AB	556989-1491	Stockholm	Sweden	100.0		–
Hemsö Sandbypark 1 AB	559128-7122	Stockholm	Sweden	100.0		–
Hemsö Sandbypark 2 AB	559128-7130	Stockholm	Sweden	100.0		–
Blå Kruset 1 AB	556989-0014	Stockholm	Sweden	100.0		–
Hemsö Gävle Norrtull AB	559085-6943	Stockholm	Sweden	100.0		–
Hemsö Bänken AB	556856-8165	Stockholm	Sweden	100.0		–
Blå Kruset 17 AB	556992-5679	Stockholm	Sweden	100.0		–
Blå Kruset 9 AB	556989-0089	Stockholm	Sweden	100.0		–
Hemsö Verkmästaren Holding AB	559083-3926	Stockholm	Sweden	100.0		–
Hemsö Verkmästaren Fastigheter AB	559042-0534	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	100.0		316
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	–

Note 16, cont.

Parent Company	Subsidiary	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2017
					Direct	Indirect	
	Scandinavian Life Science AB	556761-5082	Stockholm	Sweden		50.0	–
	Scandinavian Life Science Två AB	559015-3531	Stockholm	Sweden		50.0	–
	Oslo Naeringseiendom AS	889,976,152	Hamar	Norway		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		42
	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		33
	Hemsö Kungshamn Fastigheter AB	556805-3085	Stockholm	Sweden	100.0		25
	Fastighetsutveckling Lindholmen AB	559011-5233	Stockholm	Sweden	100.0		67
	KV Mode Fastighetsutveckling AB	559029-6736	Stockholm	Sweden	100.0		21
	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		68
	Hemsö Holding AB	556920-8050	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 Lemmikkäisenkatu 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	–
	Kiinteistö Oy Louhelan Hoivakodit	2552379-9	Helsinki	Finland		100.0	–
	Kiinteistö Oy Kuparitie 2	2552080-3	Helsinki	Finland		100.0	–
	Kiinteistö Oy Espoon Kiltakallionrinne 1	2552077-4	Helsinki	Finland		100.0	–
	Kiinteistö Oy Kuopion Koiravedenkatu 10	2552078-2	Helsinki	Finland		100.0	–
	Kiinteistö Oy Espoon Kattilatankuhua 6	2552076-6	Helsinki	Finland		100.0	–
	Kiinteistö Oy Vaasan Huvilatie 2	2552091-8	Helsinki	Finland		100.0	–
	Kiinteistö Oy Pitkäniemen R15	2552085-4	Helsinki	Finland		100.0	–
	Kiinteistö Oy Arpentie 6B	2552075-8	Helsinki	Finland		100.0	–
	Kiinteistö Oy Kontinkankaan Kuntoutussairaala	2552100-5	Helsinki	Finland		100.0	–
	Kiinteistö Oy Hovakoti Villa Olavi	2552096-9	Helsinki	Finland		100.0	–
	Kiinteistö Oy Kununkaanaakson Hoivakoti	2552099-3	Helsinki	Finland		100.0	–
	Kiinteistö Oy Palvelutalo Untuva	2552094-2	Helsinki	Finland		100.0	–
	Kiinteistö Oy Hyvinkään Haavantie 4	2552097-7	Helsinki	Finland		100.0	–
	Kiinteistö Oy 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	–
	Kiinteistö Oy Helsingin Keskiyöntie 6	2536809-8	Helsinki	Finland		100.0	–
	Hemsö Finland Utbildningsfastigheter AB	559016-8950	Stockholm	Sweden		100.0	–
	Hemsö Finland Utbildningsfastigheter Oy	2699026-8	Helsinki	Finland		100.0	–
	Kiinteistö OY Porin Asema-Aukio	0165693-3	Helsinki	Finland		100.0	–
	Fastighets Ab Academill	1508596-7	Helsinki	Finland		100.0	–
	Kiinteistö Oy Helsingin Arkadiankatu 24	1487244-0	Helsinki	Finland		100.0	–
	Kiinteistö Oy Nervanderinkatu 13	2871086-4	Helsinki	Finland		100.0	–
	Kiinteistö Oy Pohjoisen Rautatiekatu 9	2871081-3	Helsinki	Finland		100.0	–
	Hemsö Finland Äldreboendefastigheter AB	559010-1688	Stockholm	Sweden		100.0	–
	Hemsö Finland Äldreboende 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 Lastenlinnantie	2751230-5	Helsinki	Finland		100.0	–
	Kiinteistö Oy Tampereen Niemenrannan Johannes	2400537-5	Helsinki	Finland		100.0	–
	Kiinteistö Oy Hämeenlinnan Turuntie 13	2729637-4	Helsinki	Finland		100.0	–
	Kiinteistö Oy Espoon Kivennavantie 15	2803647-8	Helsinki	Finland		100.0	–
	Kiinteistö Oy Avian Elämäntuokkakatut	1704871-3	Helsinki	Finland		100.0	–
	Hemsö Finland Äldreboendefastigheter II AB	559026-2068	Stockholm	Sweden		100.0	–
	Hemsö Finland Äldreboendefastigheter II Oy	2725168-6	Stockholm	Sweden		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	Helsinki	Finland		100.0	–
	Hemsö Storåker Finland OY	2734709-8	Stockholm	Sweden		100.0	–
	Kiinteistö Oy Espoon Suurpellon Punitokatu	2755679-7	Helsinki	Finland		100.0	–
	Kiinteistö Oy Raadelman Tupakkamaakari	0778825-9	Helsinki	Finland		100.0	–
	Kiinteistö Oy Espoon Suotie 4	2758356-8	Helsinki	Finland		100.0	–
	Hemsö Rättsväsendefastigheter Finland AB	559088-4267	Helsinki	Finland		100.0	–
	Hemsö Rättsväsendefastigheter Finland Oy	2730030-2	Stockholm	Sweden		100.0	–
	Karistonkulma Oy	0507064-9	Helsinki	Finland		100.0	–
	Hemsö Finland JV Holding AB	559122-5841	Helsinki	Finland		100.0	–
	Hemsö Tyskland AB	556843-9771	Stockholm	Sweden		100.0	–
	Hemsö Steglitz GmbH	HRB 201253	Stockholm	Sweden	100.0	100.0	10
	Hemsö Offenbach GmbH	HRB 205413	Munich	Germany		100.0	–
	Hemsö Dresden GmbH	HRB 156831	Munich	Germany		100.0	–
	Hemsö GmbH	HRB 169543	Munich	Germany		100.0	–
	Hemsö Asset Mgmt GmbH	HRB 165326	Munich	Germany		100.0	–
	Hemsö Vita GmbH	HRB 169542	Munich	Germany		94.9	–
	Hemsö Beteiligungs GmbH	HRB 170669	Munich	Germany		100.0	–
	Aveca GmbH & Co KG	HRA 39598 B	Munich	Germany		94.9	–
	Hemsö Wetter und Rositz GmbH	HRB 170964	Munich	Germany		94.9	–

Note 16, cont.

Parent Company Subsidiary	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2017
				Direct	Indirect	
Hemsö Barssel GmbH	HRB 171219	Munich	Germany		94.9	–
Hemsö Bocholt GmbH	HRB 172025	Munich	Germany		100.0	–
Hemsö Lauterbach GmbH	HRB 183667	Munich	Germany		100.0	–
Aveca Vermögensverwaltung	HRA 40144 B	Munich	Germany		100.0	–
Hemsö Germany Invest 10 GmbH	HRB 217922	Munich	Germany		100.0	–
Hemsö Germany Invest 11 GmbH	HRB 224222	Munich	Germany		100.0	–
Hemsö Germany Invest 12 GmbH	HRB 222515	Munich	Germany		100.0	–
Hemsö Germany Invest 15 GmbH	HRB 234193	Munich	Germany		100.0	–
Hemsö Germany Invest Duisburg 16 GmbH	HRB 234192	Munich	Germany		100.0	–
Hemsö Germany Invest Duisburg 17 GmbH	HRB 234213	Munich	Germany		100.0	–
Hemsö Asset Management Duisburg GmbH	HRB 234212	Munich	Germany		100.0	–
Hemsö Germany Invest 13 GmbH	HRB 235714	Munich	Germany		94.5	–
<b>Total</b>						<b>6,324</b>

Parent Company	31 Dec 2017	31 Dec 2016
Accumulated cost, opening balance	7,288	6,688
Acquisitions	351	477
Profit from participations in limited partnerships after dividend	23	41
Shareholder contributions	180	96
Divestments	-248	-14
<b>Total</b>	<b>7,594</b>	<b>7,288</b>
Accumulated impairment, opening balance	-1,082	-512
Impairment for the year	-188	-570
<b>Total</b>	<b>-1,270</b>	<b>-1,082</b>
<b>Total</b>	<b>6,324</b>	<b>6,206</b>

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 Norden 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.

Some of the subsidiaries received shareholder contributions during the year since their equity had been utilised. These shareholder contributions were recognised in the Parent Company as an increase in the value of the shares in the subsidiaries, which was not matched by an equally large increase in the value of the shares and thus meant that the shares were written down. This explains the majority of the impairment recognised for the year.

## Note 17 Participations in associated companies

Group	31 Dec 2017	31 Dec 2016
Opening balance	–	–
Settlement of share in profit	1	–
Capital contribution	100	–
<b>Closing balance</b>	<b>101</b>	<b>–</b>

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

Group Associated companies	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2017
				Direct	Indirect	
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	Sweden		50.0	101
<b>Total</b>						<b>101</b>

## Note 18 Accounts receivable

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Rent receivable	6	11	–	–
Accounts receivable	70	20	2	–
Reserve for doubtful receivables	-3	-4	–	–
<b>Total</b>	<b>73</b>	<b>27</b>	<b>2</b>	<b>–</b>

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

Provision for doubtful accounts receivable and rent receivables amounted to SEK 3 million (4), corresponding to 13 per cent (18) of the total rent and accounts receivable balance.

### Maturity analysis

	Not due		Due 1-30 days		Due 31-60 days		Due 61-90 days		Due >90 days		Total	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
<b>Group</b>												
Accounts receivable	62	16	1	3	–	–	–	–	–	1	63	20
Rent receivable	3	–	5	–	1	1	2	–	2	10	13	11
<b>Total</b>	<b>65</b>	<b>16</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>11</b>	<b>76</b>	<b>31</b>
<b>Parent Company</b>												
Accounts receivable	2	–	–	–	–	–	–	–	–	–	2	–
<b>Total</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>

## Note 19 Maturity structure of receivables

Group	31 Dec 2017	31 Dec 2016
<b>Current assets</b>		
Payment due within 1 year	480	323
<b>Non-current assets</b>		
Payment due 1–5 years	49	42
<b>Total</b>	<b>529</b>	<b>365</b>

## Note 21 Tax allocation reserves

Parent Company	31 Dec 2017	31 Dec 2016
Tax allocation reserve, set aside for taxation in 2018	48	–
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
Tax allocation reserve, set aside for taxation in 2011	–	–
<b>Total</b>	<b>48</b>	<b>13</b>

## Note 20 Guidelines for management of capital

### Summary of financial policy

Financing risk	Outcome, 31 December 2017
Loan-to-value ratio	Maximum 70% 62.9%
Loan maturity	At least 2 years 5.0 years
Debt-coverage ratio	At least 110% 166%
Secured loans	Max. 20% of the long-term property value 3%
<b>Interest-rate risk</b>	
Interest-coverage ratio	At least 2.0 times (rolling 12-month period) 4.8 times
Fixed-rate period	Hemsö's average fixed-rate period should range from 3-8 years 5.1 years
Fixed-rate maturity	Max. 40% of fixed-rate periods should mature within 12 months 28%
<b>Counterparty risk</b>	
Financial instruments	Bank with minimum credit rating of A- (S&P) Fulfilled
<b>Currency risk</b>	
Currency exposure	Max. 20% (in SEK) of the Group's equity without currency hedging. 11%

The Group's capital structure primarily consists of interest-bearing liabilities and equity attributable to Parent Company shareholders. Equity comprises share capital, other capital contributions and retained earnings. At 31 December 2017, the share capital was divided between 100,001,000 shares with a par value of SEK 0.01 per share.

### Dividend policy

Hemsö's dividend policy is that dividends should amount to half of the total profit from property management. 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 22 Interest-bearing liabilities

Group	Carrying amount 31 Dec 2017	Carrying amount 31 Dec 2016
<b>Statement of financial position</b>		
Interest-bearing liabilities		
Loans from minority interests	–	41
Bond loans	20,317	14,802
Commercial papers	4,038	5,038
Bank loans	1,220	2,602
<b>Total</b>	<b>25,575</b>	<b>22,483</b>
Amount, opening balance	22,483	17,454
Loans from credit institutions	8,470	11,429
Loans from minority interests	–	20
Loan repayment	-4,565	-6,522
Commercial papers	-1,000	38
Exchange-rate differences	187	64
<b>Liabilities, closing balance</b>	<b>25,575</b>	<b>22,483</b>

At period-end, Hemsö's external debt portfolio amounted to SEK 25,575 million (22,442). The external debt portfolio comprised unsecured bank loans of SEK 20,317 million (14,802), an outstanding commercial paper of SEK 4,038 million (5,038) and secured bond loans of SEK 1,220 million (2,602). Available liquidity amounted to SEK 11,854 million (12,774), of which unutilised credit commitments accounted for SEK 10,720 million (11,842) and bank deposits for SEK 1,134 million (932). In addition to the external liabilities, loans from minority interests amounted to SEK 0 million (41). At the closing date, Hemsö's average interest rate was 1.5 per cent (1.5).

Note 22, cont.

Liabilities	Group		Parent Company	
	2017	2016	2017	2016
Interest-bearing loans due within one year of the closing date	6,691	7,316	6,691	6,838
Other non-interest-bearing liabilities due within 1 year of the closing date	–	972	–	163
Interest-bearing loans due within 1-5 years of the closing date	9,726	9,855	8,506	8,246
Interest-bearing loans due later than 5 years after the closing date	9,158	5,312	9,158	4,755
<b>Total excluding deferred tax liabilities and interest-rate derivatives</b>	<b>25,575</b>	<b>23,455</b>	<b>24,355</b>	<b>20,002</b>

Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Utilised, SEK million	Share, %	SEK million	Share, %
2018	2,653	2,653	12.3	7,030	27.5
2019	13,103	4,104	19.1	1,640	6.4
2020	5,439	3,719	17.3	1,347	5.3
2021	1,503	1,503	7.0	2,100	8.2
2022	400	400	1.9	1,300	5.1
2023	0	0	0.0	1,500	5.9
2024	500	500	2.3	2,000	7.8
2025	0	0	0.0	0	0.0
2026	4,896	4,896	22.6	4,896	19.1
>2026	3,762	3,762	17.5	3,762	14.7
<b>Total</b>	<b>32,256</b>	<b>21,537</b>	<b>100.0</b>	<b>25,575</b>	<b>100.0</b>
Commercial papers		4,038			
<b>Total</b>		<b>25,575</b>			

Maturity structure, derivative instruments

Maturity year	Interest, %	SEK million	Interest at maturity Share, %
2019	-0.34	1,150	13.9
2020	1.90	1,200	14.5
2021	1.95	1,800	21.8
2022	2.56	1,100	13.3
2023	2.89	1,500	18.2
2024	2.82	1,500	18.2
<b>Total</b>	<b>2.03</b>	<b>8,250</b>	<b>100.0</b>

Sensitivity analysis, interest-rate fluctuations	Effect on net financial items (12 months), SEK million
The loan portfolio's average interest rate, +/-1 percentage point	256
Short-term market rate (≤ 3 months), +1 percentage point	-18
Short-term market rate (≤ 3 months), -1 percentage point	-11

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 loans on acceptable terms as they expire depend on the amount of credit available in the market, Hemsö's financial position and the market's risk premiums on those dates. Hemsö has credit agreements with several banks, a balanced maturity spread and good access to the Swedish and European capital market.

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 derivatives with a range of maturities to extend the loan portfolio's fixed-rate 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 derivatives, long and short-term credit agreements and the investment of temporary liquidity surpluses. 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 36 (31) properties in Finland and 43 (33) properties in Germany, entailing EUR exposure. The properties are financed with equity, intra-Group loans and external loans. On 31 December 2017, external interest-bearing liabilities in EUR corresponded to SEK 8,717 million (6,059 million).

At the same date, the market value of the properties in Finland and Germany was SEK 8,663 million (5,622). Hemsö's cash and cash equivalents in EUR amounted to a corresponding value of SEK 515 million. Net exposure on 31 December 2017 defined as property assets and cash including currency hedging less interest-bearing liabilities in EUR amounted to EUR 119 million, corresponding to SEK 1,169 million. The amount represents 10.8 per cent of the Group's equity.

Since Hemsö applies IAS 21, most of the company's exchange-rate effects are recognised directly in equity. Hemsö's EUR bonds of EUR 879 million under the EMTN programme were hedged against net investments in foreign subsidiaries. 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 23 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 accounts receivable 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.

Other financial liabilities are recognised at amortised cost. Derivatives are recognised at fair value and classified as Level 2 under IFRS 13. The loans and accounts receivable category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 553 million (388). Other financial liabilities consist of bond loans, commercial papers, liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 26,747 million (23,455). In addition to the external liabilities, loans from minority interests amounted to SEK 0 million (41).

Financial assets and liabilities measured at fair value through other comprehensive income consisted of derivatives and amounted to SEK 544 million (723).

### Parent Company

The loans and accounts receivable category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 20,628 million (16,885). Other financial liabilities consist of bond loans, commercial papers, liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 24,519 million (20,001).

## Note 24 Pledged assets

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Property mortgages	4,330	6,411		–
Participations in Group companies		0		0
Receivables from subsidiaries		–	2,604	3,000
<b>Total</b>	<b>4,330</b>	<b>6,411</b>	<b>2,604</b>	<b>3,000</b>

The assets are mainly pledged for construction credit and confirmed credit commitments. Loan agreements usually include obligations related to the interest-coverage ratio and loan volume in relation to the fair value of the properties. All commitments in Hemsö's loan agreements have been met.

## Note 25 Contingent liabilities

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Liability as partner in unlimited/limited partnerships	–	–	120	135
Guarantees on behalf of Group companies	–	–	3,599	3,722
<b>Total</b>	<b>–</b>	<b>–</b>	<b>3,719</b>	<b>3,857</b>

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. The assessment of any future amounts is not possible at this stage.

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. The assessment of any future amounts in relation to these disputes is not possible at present.

## Note 26 Supplemental disclosures of cash flow information

Group	2017	2016
No funds other than cash and bank balances are included in the cash and cash equivalents item		
<b>Cash flows</b>		
Interest received	2	2
Interest paid	310	396
<b>Acquisition of subsidiaries</b>		
<i>Acquired assets and liabilities</i>		
Investment properties	763	1,297
Financial receivables	3	–
Operating receivables	0	22
<b>Total assets</b>	<b>766</b>	<b>1,319</b>
Deferred tax liabilities	–	–
Operating liabilities	88	15
<b>Total liabilities</b>	<b>88</b>	<b>15</b>
Proceeds paid, shares	-564	-789
Proceeds paid, repayment of loans	-119	-533
Additional: Cash and cash equivalents in the acquired operations	5	19
<b>Effect on cash and cash equivalents – acquisition of properties via companies</b>	<b>-678</b>	<b>-1,303</b>
Effect on cash and cash equivalents – direct acquisition of properties	-4,179	-2,059
<b>Acquisition of properties</b>	<b>-4,857</b>	<b>-3,362</b>
<b>Divestment of subsidiaries</b>		
<i>Divested assets and liabilities</i>		
Investment properties	1,587	45
Financial receivables	–	–
Operating receivables	5	2
<b>Total assets</b>	<b>1,592</b>	<b>47</b>
Deferred tax liabilities	3	–
Operating liabilities	50	3
<b>Total liabilities</b>	<b>53</b>	<b>3</b>
Purchase price received, shares	780	34
Proceeds received, repayment of loan	690	14
Less: Cash and cash equivalents in the divested operation	0	0
<b>Effect on cash and cash equivalents – divestment of properties via companies</b>	<b>1,470</b>	<b>48</b>
Effect on cash and cash equivalents – direct divestment of properties	0	12
<b>Divestment of properties</b>	<b>1,470</b>	<b>60</b>
<b>Group</b>	<b>2017</b>	<b>2016</b>
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment	2	2
Exchange differences, unrealised	-134	-63
Capital gains/losses on divestment of properties	82	-2
Other	-2	–
<b>Total</b>	<b>-52</b>	<b>-63</b>

## Note 26, cont.

### Group

Specification of changes in liabilities attributable to financing activities	31 Dec 2016	Items affecting cash flow		Items not affecting cash flow	
		New loans	Loan repayment	Exchange-rate fluctuations	31 Dec 2017
Non-current interest-bearing liabilities	15,167	4,185	-655	187	18,884
Current interest-bearing liabilities	7,316	4,285	-4,910	–	6,691
<b>Total interest-bearing liabilities</b>	<b>22,483</b>	<b>8,470</b>	<b>-5,565</b>	<b>187</b>	<b>25,575</b>

### Parent Company

No funds other than cash and bank balances are included in the cash and cash equivalents item

#### Cash flows

	2017	2016
Interest received	161	120
Interest paid	334	346

### Parent Company

#### Adjustment for non-cash items

	2017	2016
Depreciation/amortisation and impairment	190	572
Loss from divestment of participations	-168	-6
Loss from participations in unlimited/limited partnerships	-23	-40
Other items	29	-56
<b>Total</b>	<b>28</b>	<b>470</b>

### Parent Company

Specification of changes in liabilities attributable to financing activities	31 Dec 2016	Items affecting cash flow		Items not affecting cash flow	
		New loans	Loan repayment	Exchange-rate fluctuations	31 Dec 2017
Non-current interest-bearing liabilities	14,802	2,677	–	184	17,663
Current interest-bearing liabilities	5,038	5,381	-3,728	–	6,691
<b>Total interest-bearing liabilities</b>	<b>19,840</b>	<b>8,058</b>	<b>-3,728</b>	<b>184</b>	<b>24,354</b>

## Note 27 Related-party transactions

### Parent Company

Dividends were not paid to the Parent Company during the year (preceding year SEK 1,255 million). 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 2017, dividends totalling SEK 556 million were paid to the Parent Company's owners – the Third Swedish National Pension Fund and Hemsö Intressenter AB. Hemsö has concluded an underwriting commitment of SEK 4,000 million from the Third Swedish National Pension Fund.

### 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 85.

### 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 86-87.

### Subsidiaries

Holdings are presented in Note 16.

### Associated companies

Holdings are presented in Note 17. Hemsö Holding issued a loan of SEK 47 million to the associated company Lanthem Samhällsfastigheter AB. The loan runs until further notice, with a 90-day STIBOR rate + 2 percentage points. The Group's profit from participations in associated companies amounted to SEK 1 million.

## Note 28 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Prepaid rental income	429	428	–	–
Accrued interest expense	146	94	114	81
Accrued personnel costs	15	15	12	12
Other items	216	193	5	5
<b>Total</b>	<b>806</b>	<b>730</b>	<b>131</b>	<b>98</b>

## Note 29 Supplementary information on financial assets and liabilities

### Derivative instruments in the consolidated and Parent Company balance sheet

Recognised as financial assets	2017	2016
Interest-rate derivatives	1	–
Foreign exchange derivatives	–	–
<b>Total</b>	<b>–</b>	<b>–</b>

Recognised as financial liabilities	2017	2016
Interest-rate derivatives	538	723
Foreign exchange derivatives	7	–
<b>Total</b>	<b>545</b>	<b>723</b>

<b>Net (debt) derivative instruments</b>	<b>544</b>	<b>723</b>
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### 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 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.

### Classification of the Group's financial instruments

	Derivatives that do not qualify for hedge accounting		Items subject to fair value hedging		Loans and accounts receivable		Total carrying amount	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Financial assets</b>								
Cash and cash equivalents	–	–	–	–	1,134	932	1,134	932
Derivative instruments	–	–	–	–	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,134</b>	<b>932</b>	<b>1,134</b>	<b>932</b>

	Derivatives that do not qualify for hedge accounting		Items subject to fair value hedging		Financial liabilities		Total carrying amount	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Financial assets</b>								
Bond loans	–	–	–	–	20,317	14,802	20,317	14,802
Bank loans	–	–	–	–	1,220	2,602	1,220	2,602
Commercial papers	–	–	–	–	4,038	5,038	4,038	5,038
Derivative instruments	544	723	–	–	–	–	544	723
Loans from minority interests	–	–	–	–	–	41	–	41
<b>Total</b>	<b>544</b>	<b>723</b>	<b>0</b>	<b>–</b>	<b>25,575</b>	<b>22,483</b>	<b>26,119</b>	<b>23,206</b>

## Note 30 Events after the closing date

After period-end, Hemsö:

Issued bonds in SEK and EUR of SEK 1,800 million and raised an eight-year SEK 800 million loan from the Nordic Investment Bank.

Acquired three university properties in central Helsinki. The tenant is the University of the Arts Helsinki, which consists of the Finnish Academy of Fine Arts, the Sibelius Academy, and the Theatre Academy. The University of the Arts has signed new long-term lease agreements. The total investment volume, including renovation, is SEK 800 million.

## Note 31 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 2017, which were presented to the Annual General Meeting for approval on 26 April 2018, 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 Annual General Meeting, SEK:

Share premium reserve	3,000,000,000
Retained earnings	136,382,765
Profit for the year	107,810,221
<b>Total</b>	<b>3,244,192,986</b>

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

To shareholders	657,000,000
To be carried forward	2,587,192,986
<b>Total</b>	<b>3,244,192,986</b>

## 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, 26 March 2018

**Pär Nuder**  
Chairman of the Board

**Åsa Bergström**  
Board member

**Bengt Hellström**  
Board member

**Kerstin Hessius**  
Board member

**David Mindus**  
Board member

**Johan Thorell**  
Board member

**Nils Styf**  
Chief Executive Officer

Our audit report was submitted on 26 March 2018.  
Ernst & Young AB

**Mikael Ikonen**  
Authorised Public Accountant

## Auditor's report

To the general meeting of the shareholders of Hemsö Fastighets AB (publ) corporate identity number 556779-8169

### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual accounts and consolidated accounts of Hemsö Fastighets AB (publ) except for the corporate governance statement on pages 81-84 for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 64-114 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 81-84. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

#### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in

forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Valuation of investment properties

##### Description

At 31 December 2017, the fair value for the Group's properties amounted to SEK 38,883 million, and value changes to SEK 1,682 million. Unrealized value changes amounted to SEK 1,761 million, and realized value changes to a negative amount of SEK 79 million. Valuation of the property holding and special considerations and judgements in this regard are described in Notes 2 and 14.

Hemsö uses internal valuations prepared quarterly to determine the property value. In Q4 an external valuation is also made. 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 analyzed 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.

##### How our audit addressed this key audit matter

In our audit, we have evaluated and tested the process used by management for property valuation by evaluating the external experts, 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.

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

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-63, 118-133. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hemsö fastighets AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 81-84 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Jakobsbergsgatan 24, 103 99 Stockholm, was appointed auditor of Hemsö Fastighets AB by the general meeting of the shareholders on the 26 April 2017 and has been the company's auditor since the 24 April 2012.

Stockholm 26 March, 2018  
Ernst & Young AB

Mikael Ikonen  
Authorized Public Accountant

## List of properties

### East

Nursing homes	Address	Municipality	Area, sqm							Total
			Nursing homes	Edu-cation	Health care	Justice system	Offices	Resi-dential	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	Örnövägen 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
Hallen 4	Lövgatan 39-43	Solna	4,244	355	1,095	–	144	–	–	5,838
Logfyrkanten 3	Signalistgatan 3	Solna	3,218	–	–	–	–	–	–	3,218
Flyghöjden 2	Skarpnäcks Torg 1	Stockholm	2,880	–	–	–	–	–	–	2,880
Sjöstöveln 3	Folkparksvägen 156	Stockholm	8,506	–	325	–	–	–	–	8,831
Tempelriddarorden 5	Vita Liljans väg 53	Stockholm	5,000	–	–	–	–	–	–	5,000
Blåvalen 1	Tallhöjdsvägen 1-3	Södertälje	4,734	–	2,444	–	–	–	–	7,178
Hantverkaren 2	Hantverkarsvägen 1	Södertälje	3,800	–	–	–	–	–	–	3,800
Krusmyntan 2	Basilikagränd 1	Tyresö	2,900	–	–	–	–	–	–	2,900
Krusmyntan 1	Basilikagränd 1	Tyresö	4,675	–	–	–	–	–	–	4,675
Marknaden 1	Esplanaden 9	Täby	11,963	–	6,683	–	53	–	892	19,591
Åkerby 13	Kemistvägen 8	Täby	564	–	–	–	1,260	–	83	1,907
		Upplands								
Hammarby 8:60	Hasselgatan 80 A-E	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
<b>Total East Nursing homes</b>			<b>89,921</b>	<b>355</b>	<b>10,547</b>	<b>–</b>	<b>1,757</b>	<b>–</b>	<b>975</b>	<b>103,555</b>

Education	Address	Municipality	Area, sqm							Total
			Nursing homes	Edu-cation	Health care	Justice system	Offices	Resi-dential	Other	
Markan 1	Kanslivägen 22-24	Botkyrka	–	2,932	–	–	–	–	–	2,932
Träkvista 3:282	Sanduddsvägen 12	Ekerö	–	938	–	–	–	–	–	938
Medicinaren 14	Diagnosvägen 8	Huddinge	–	1,003	965	–	168	–	–	2,136
Medicinaren 23	Hälsövägen 11	Huddinge	–	15,921	–	–	–	–	722	16,643
Erstavik 26:607	Krabbvägen 1	Nacka	–	764	–	–	–	–	–	764
Erstavik 27:1	Fisksättravägen 31	Nacka	–	775	–	–	–	–	–	775
Lännersta 1:1231	Sunnebovägen 2	Nacka	–	563	–	–	–	–	–	563
Mensätra 1:168	Boo Kyrkväg 7	Nacka	–	–	–	–	–	–	135	135
Mensätra 1:19	Boo Kyrkväg 3	Nacka	–	4,036	–	–	–	–	–	4,036
Mensätra 1:84	Gustavsviksvägen 10	Nacka	–	613	–	–	–	–	–	613
Mensätra 2:92	Sandholmshälsövägen 2	Nacka	–	775	–	–	–	–	–	775
Sicklaön 207:7	Bävervägen 4	Nacka	–	919	–	–	–	–	–	919
Sicklaön 351:1	Skogsstigen 40	Nacka	–	3,509	–	–	–	–	–	3,509
Sicklaön 39:4	Helgesons väg 10	Nacka	–	2,575	–	–	–	–	–	2,575
Tattby 2:24	Samskölevägen 2-6	Nacka	–	758	–	–	–	–	–	758
Älta 14:101	Almvägen 4	Nacka	–	–	–	–	–	–	3,395	3,395
Älta 14:97	Almvägen 2	Nacka	–	6,630	–	–	–	–	–	6,630
Älta 35:149	Anemonvägen 13	Nacka	–	736	–	–	–	–	–	736
Mensätra 2:91	Björkholmsvägen 235	Nacka	–	771	–	–	–	–	–	771
Älta 75:16	Ulvsvägen 17	Nacka	–	418	–	–	–	–	–	418
Märsta 1:242	Idrottssvägen 19B	Sigtuna	–	882	–	–	–	–	–	882
Sigtuna 2:227	Skolbacken 61	Sigtuna	–	1,629	–	–	–	–	–	1,629
Sjöberg 7:4	Lomvägen 100-102	Sollentuna	–	600	–	–	–	–	–	600
Träbjälken 16	Sofielundsvägen 12	Sollentuna	–	2,590	–	–	–	–	–	2,590
Träkolet 16	Turebergsvägen 3	Sollentuna	–	3,032	3,257	–	5,045	–	826	12,160
Befästningskullen 8	Anders Lundströms gata 3-5	Solna	–	3,388	–	–	–	–	–	3,388
Älgörten 1	Fridenborgsvägen 100	Solna	–	5,282	–	–	–	–	–	5,282
Gunnebo 15	Salagatan 42	Stockholm	–	4,206	–	–	–	–	–	4,206
Lau 1	Beckombergavägen, Hus 11	Stockholm	–	2,410	–	–	–	–	–	2,410
Lojsta 1	Beckombergavägen, Hus 12	Stockholm	–	2,300	–	–	–	–	–	2,300
Lummelunda 1	Beckombergavägen 299	Stockholm	–	1,484	–	–	–	–	–	1,484
Piloten 2	Gondolgatan 16	Stockholm	–	3,471	–	–	–	–	–	3,471
Sandbacken Mindre 42	Sandbacksgatan 10	Stockholm	–	8,000	–	–	–	–	16	8,016
Sproge 1	Beckombergavägen 314	Stockholm	–	1,470	–	–	–	–	–	1,470
Ponnyn 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
		Upplands								
Edsby 1:3	Eds Kyrkväg 6, 8	Väsby	–	630	–	–	–	–	–	630
		Upplands								
Odenslunda 1:592	Söderviksvägen 1	Väsby	–	5,915	–	–	–	–	–	5,915
		Upplands								
Vilunda 19:2	Industrivägen 20 B	Väsby	–	14,904	–	–	–	–	–	14,904
		Upplands								
Vilunda 6:55	Drabantvägen 3-5	Väsby	–	3,000	–	–	–	–	–	3,000
Bällsta 2:1087	Zetterlundsväg 140	Vallentuna	–	3,000	–	–	–	–	–	3,000
<b>Total East Education</b>			<b>–</b>	<b>120,494</b>	<b>4,222</b>	<b>–</b>	<b>5,213</b>	<b>–</b>	<b>5,094</b>	<b>135,023</b>

## List of properties

			Area, sqm							
Health care	Address	Municipality	Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	Total
Banslätt 1	Römossevägen 25	Botkyrka	–	2,230	4,184	–	1,446	–	759	8,619
Sjukhuset 7	Kevinge Strand 1B	Danderyd	–	–	3,183	–	–	–	–	3,183
Tappström 1:50	Bryggavägen 8	Ekerö	–	310	2,209	–	84	–	9	2,612
Ribby 1:451	Klockargatan 13-27	Haninge	319	1,856	2,747	–	90	–	1,939	6,951
Vendelsö 3:1716	Skomakarvägen 20	Haninge	–	–	1,525	–	–	–	–	1,525
Illern 9	Stuvsta Torg 4-6, 10-14	Huddinge	–	–	2,716	–	140	–	410	3,266
Medicinaren 19	Hälsövägen 7-9	Huddinge	–	–	29,261	–	5,124	–	4,385	38,770
Medicinaren 25	Hälsövägen 11	Huddinge	–	–	15,233	–	–	–	554	15,787
Kallhäll 1:32	Kopparvägen 2B	Järfälla	–	118	1,171	–	–	–	853	2,142
Erstavik 26:31	Fidravägen 6	Nacka	262	–	–	–	–	–	–	262
Sicklaön 162:5	Storängsvägen 6-8	Nacka	324	–	–	–	–	–	–	324
Vaktmästaren 4	Hemvägen 8	Norrtälje	–	–	–	–	–	–	1,200	1,200
Patienten 1	Testvägen 1	Solna	–	–	–	–	–	–	–	–
Akka 8	Tranebergsplan 1-3	Stockholm	–	–	3,734	–	–	–	231	3,965
Jullovet 1	Annebodavägen 4-6	Stockholm	–	–	1,310	–	–	–	23	1,333
Princeton 1	Testvägen 1	Stockholm	–	–	–	–	–	–	–	–
Träbron 1	Bergtällsvägen 10-12	Stockholm	3,093	2,137	11,882	–	148	–	45	17,305
Forellen 2	Bollmoravägen 14-20	Tyresö	–	585	5,009	–	277	–	602	6,473
Bylegård 37	Jarlabankes väg 46	Täby	–	–	1,549	–	–	–	–	1,549
Ösby 1:76	Skärgårdsvägen 7	Värmdö	–	1,517	2,448	–	232	–	671	4,868
<b>Total East Health care</b>			<b>3,998</b>	<b>8,753</b>	<b>88,161</b>	<b>–</b>	<b>7,541</b>	<b>–</b>	<b>11,681</b>	<b>120,134</b>

			Area, sqm							
Justice system	Address	Municipality	Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	Total
Tegen 6	Sundbybergsvägen 7-15	Solna	–	278	–	27,410	5,850	–	1,930	35,468
<b>Total East Justice system</b>			<b>–</b>	<b>278</b>	<b>–</b>	<b>27,410</b>	<b>5,850</b>	<b>–</b>	<b>1,930</b>	<b>35,468</b>
<b>Total East</b>			<b>93,919</b>	<b>129,880</b>	<b>102,930</b>	<b>27,410</b>	<b>20,361</b>	<b>–</b>	<b>19,680</b>	<b>394,180</b>

## West

			Area, sqm							
Nursing homes	Address	Municipality	Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	Total
Backa 243:52	S:t Jörgens väg 22	Gothenburg	4,441	–	–	–	–	605	–	5,046
Fiskebäck 8:7	Hällefundregatan 20	Gothenburg	6,444	–	–	–	–	1,341	–	7,785
Krokslätt 147:2	Fridkullagatan 18 G	Gothenburg	3,088	–	–	–	150	–	–	3,238
Näset 130:1	Bjölavägen 1	Gothenburg	3,701	–	–	–	–	–	–	3,701
Rud 5:2	Positivgatan 15	Gothenburg	6,027	–	–	–	–	–	–	6,027
Sörby 17:1	Törnrosatan 8-22	Vänersborg	3,363	–	826	–	155	–	208	4,552
<b>Total West Nursing homes</b>			<b>27,064</b>	<b>–</b>	<b>826</b>	<b>–</b>	<b>305</b>	<b>1,946</b>	<b>208</b>	<b>30,349</b>

			Area, sqm							
Education	Address	Municipality	Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	Total
Samariten 11	Klinikvägen 48	Borås	–	11,660	–	–	–	–	–	11,660
Backa 245:1	Sankt Jörgens Väg 14-20	Gothenburg	–	6,548	–	–	228	–	228	7,004
Göteborg Lindholmen 1:12	Karlavagnsgatan 9	Gothenburg	–	–	–	–	785	110	792	1,687
Göteborg Sandarna 26:2	Karl Johansgatan 158	Gothenburg	–	–	–	–	–	–	–	–
Krokslätt 35:14	Ebbe Lieberathsgatan 19	Gothenburg	–	3,921	–	–	2,447	–	475	6,843
Omsorgen 1	Samsetgatan 60	Jönköping	–	2,752	–	–	–	–	–	2,752
Vingen 10	Huskvarnavägen 42	Jönköping	–	2,484	–	–	–	–	–	2,484
Bångsbo 1:29	Bångsbovägen 13	Kungsbacka	–	3,910	–	–	–	–	–	3,910
Dona 1:38	Rinkenäsgatan 2-4	Lysekil	–	9,000	–	–	–	–	–	9,000
Mode 4	Stationsgatan 3	Skövde	–	–	–	–	–	–	–	–
Källstorpsbacken 1	Strömsviksvägen 50-54	Trollhättan	–	445	–	–	–	–	–	445
Halla-Stenbacken 1:88	Västgötavägen 30	Uddevalla	–	16,508	945	–	6,172	1,902	10,537	36,064
<b>Total West Education</b>			<b>–</b>	<b>57,228</b>	<b>945</b>	<b>–</b>	<b>9,632</b>	<b>2,012</b>	<b>12,032</b>	<b>81,849</b>

## List of properties

Health care	Address	Municipality	Area, sqm							Total
			Nursing homes	Edu-cation	Health care	Justice system	Offices	Resi-dential	Other	
Apelsinen 1	Säterigatan 122	Alingsås	–	730	1,948	–	–	–	480	3,158
Ångaboskolan 2	Sundsbergsvägen 7	Alingsås	–	–	1,488	–	–	–	–	1,488
Fonden 49	Sörmarks-gatan 199-205	Borås	1,134	–	1,778	–	93	–	1,289	4,294
Milstolpen 8	Smörhulegatan 2	Borås	–	–	2,232	–	225	–	103	2,560
Rydboholm 1:477	Hagkälllevägen 2	Borås	–	–	2,065	–	–	–	96	2,161
Sandhults-Rydet 1:256	Strandvägen 11	Borås	–	–	1,563	–	–	–	60	1,623
Sik 1:183	Tärnavägen 6	Borås	–	319	2,180	–	–	–	154	2,653
Stenhuggaren 1	Kindsgatan 1	Borås	–	–	1,393	–	53	–	–	1,446
Brämregården 80:1	Borstbindaregatan 6	Gothenburg	–	–	3,160	–	–	–	195	3,355
Lindholmen 36:1	Vintergatan 1A	Gothenburg	803	–	1,845	–	1,052	–	554	4,254
Kindbogården 1:124	Ekdalavägen 2	Härryda	–	–	5,639	–	–	–	357	5,996
Hälsan 3	Fabriks-gatan 17-19	Jönköping	–	–	5,780	–	–	–	–	5,780
Norra-hammar 28:108	Postgatan 1-9	Jönköping	–	–	2,439	–	–	–	178	2,617
Vårdträdet 7	Hävdevägen 31	Jönköping	–	–	1,517	–	–	–	129	1,646
Hjällsnäs 3:63	Lundbyvägen 35	Lerum	–	–	1,948	–	–	–	94	2,042
Torp 2:19	Göteborgsvägen 9	Lerum	–	–	3,641	–	–	–	327	3,968
Kullen 18	Järnvägsgatan 8	Lilla Edet	–	–	4,176	–	4,636	–	454	9,266
Slätten 15:7	Lasarettsgatan 1	Lysekil	5,325	102	8,869	–	284	–	1,223	15,803
Murmeldjuret 4	Fredåsgatan 13	Mölndal	–	–	6,432	–	387	–	295	7,114
Klockstapel 4	Knoppaliden 3	Skövde	688	–	–	–	–	–	–	688
Gravarne 3:139	Hvitfeldts-gatan 23	Sotenäs	–	–	2,339	–	–	–	172	2,511
Stenung 2:238	Södra vägen 18	Stenungsund	175	–	–	–	–	–	–	175
Tändstickan 1	Västra Drottningvägen 11	Tidaholm	–	220	3,543	–	301	–	325	4,389
Skår 1:69	Syster Ebbas väg 1	Tjörn	–	–	1,910	–	12	–	–	1,922
Gladan 1	Slättbergsvägen 56	Trollhättan	–	–	1,402	–	–	–	–	1,402
Kuratorn 3	Lasarettsvägen 2	Trollhättan	–	–	808	–	–	–	–	808
Källstorpslyckan 1	Strömsviksvägen 16	Trollhättan	–	–	1,536	–	–	–	–	1,536
Linkärven 5	Lingatan 12	Uddevalla	–	–	968	–	–	–	–	968
Svalan 7	Nygatan 7	Ulricehamn	2,014	–	4,920	–	134	–	258	7,326
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
<b>Total West Health care</b>			<b>13,805</b>	<b>4,062</b>	<b>84,535</b>	<b>–</b>	<b>8,147</b>	<b>129</b>	<b>8,337</b>	<b>119,015</b>
<b>Total Sweden West</b>			<b>40,869</b>	<b>61,290</b>	<b>86,306</b>	<b>–</b>	<b>18,084</b>	<b>4,087</b>	<b>20,577</b>	<b>231,213</b>

## List of properties

### North

Nursing homes	Address	Municipality	Area, sqm							Total
			Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	
Kungsljuset 13	Ringargatan 61	Borlänge	3,415	–	–	–	–	–	–	3,415
Vinkelhaken 7	Märkargatan 19	Borlänge	352	–	–	–	–	–	–	352
Enköping Romberga 23:54	Frejas allé 2	Enköping	–	–	–	–	–	–	–	–
Eskulapen 1	Ekebyvägen 1-3	Eskilstuna	3,917	–	1,917	–	–	–	–	5,834
Bunge Stucks 1:297	Strandvägen 51	Gotland	3,031	–	–	–	–	–	–	3,031
Hemse Blåkråkan 15	Parkgatan 16-18	Gotland	2,310	–	–	–	–	–	–	2,310
Hemse Fasanen 10	Hagagatan 30	Gotland	11,678	–	–	–	–	–	322	12,000
Klinte Ävalle 2:27	Skolgatan 7-9	Gotland	2,802	–	–	–	–	1,056	43	3,901
Othem Kiläkern 2	Apoteksgatan 3	Gotland	5,552	–	–	–	–	–	–	5,552
Roma Kloster 1:37	Björkstigen 10	Gotland	3,519	–	–	–	–	–	–	3,519
Visby Pjäsen 11	Lännavägen 21-43	Gotland	1,113	–	–	–	–	308	–	1,421
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 20a-b	Gävle	12,346	–	2,349	–	965	–	204	15,864
Strömsbro 4:2	Sanatorievägen 17	Gävle	6,451	–	–	–	–	–	–	6,451
Södertull 13:14	Flemminggatan 11-17	Gävle	14,767	–	–	–	–	–	–	14,767
Vallbacken 24:3	Vallbacksgatan 8	Gävle	4,937	–	–	–	–	–	–	4,937
Varva 2:20	Norra Prästvägen 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
Lillgårdsskolan 11	Ridhusgatan 2A	Linköping	1,510	–	–	–	–	157	11	1,678
Ostbiten 1	Rydsvägen 9C	Linköping	1,254	–	–	–	–	–	–	1,254
Riket 22	Järdalavägen 52C	Linköping	1,605	–	–	–	–	–	–	1,605
Trähästen 2	Skogslycegatan 11F	Linköping	1,045	–	–	–	–	–	–	1,045
Valbyrån 5	Kärnavägen 3-11	Linköping	2,656	–	–	–	–	94	–	2,750
Vetebullen 2	Kärna Centrum 1	Linköping	2,145	–	–	–	–	–	–	2,145
Alvik 2:26 (part)	Danelvägen 11	Luleå	1,578	–	–	–	–	–	–	1,578
Bergnäset 2:665	Stengatan 123	Luleå	2,129	–	–	–	–	–	–	2,129
Kalkällan 13	Lingonstigen 253	Luleå	3,906	–	–	–	–	–	–	3,906
Stadsön 1:124	Älvsborgsvägen 20	Luleå	4,572	–	–	–	–	–	–	4,572
Motala Munken 5	Båtmansgatan	Motala	3,678	–	–	–	–	–	–	3,678
Diademet 3	Gamla Övägen 27	Norrköping	3,625	–	–	–	–	–	–	3,625
Gångjärnet 1	Plåtslagaregatan 8	Norrköping	5,386	–	–	–	–	–	–	5,386
Järven 6	Bergslagsgatan	Norrköping	4,054	–	–	–	766	–	439	5,259
Konstantinopel 6	Skomakaregatan 11	Norrköping	3,183	–	–	–	–	–	–	3,183
Sandbyhov 30	Sandbyhovsgatan 21	Norrköping	22,401	1,550	4,973	–	1,199	–	268	30,391
Skörden 3	Axvägen 7-9	Sundsvall	8,026	–	–	–	–	–	–	8,026
Dragarbrunn 9:4	S:t Olofsgatan 44 B	Uppsala	4,020	–	–	–	–	–	–	4,020
Kvarngärdet 14:5	Torkelsgatan 42	Uppsala	3,585	–	–	–	–	–	–	3,585
Luthagen 81:1	Norrlandsgatan 2	Uppsala	2,740	–	–	–	–	–	–	2,740
Rickomberga 9:14	Geijersgatan 61	Uppsala	3,200	–	–	–	–	–	–	3,200
Valsåtra 3:10	Bernadottevägen 1P	Uppsala	6,065	–	–	–	–	–	–	6,065
Birka 1	Fortnidsgatan 4	Västerås	3,016	–	–	–	–	–	–	3,016
Hanen 4	Hagalidsvägen 2	Västerås	2,740	–	–	–	–	–	–	2,740
Klockarkärleken 3	Rönnbergastigen 7	Västerås	3,937	–	–	–	–	–	–	3,937
Kolaren 5	Tråddragargatan 31	Västerås	1,052	–	–	–	–	–	–	1,052
Lövhagen 32	Pilfinksgatan 2	Västerås	4,589	–	–	–	–	–	–	4,589
Skjutfältet 9	Hästhovsgatan 27	Västerås	5,914	–	–	–	–	–	–	5,914
Skogsduvan 1	Skogsduvevägen 11	Västerås	1,107	–	–	–	–	–	–	1,107
Vedbo 61	Hörntorpsvägen 20	Västerås	7,479	4,000	–	–	–	–	–	11,479
Ängsklockan 1	Vårlöksgatan 6	Västerås	3,198	–	–	–	–	–	–	3,198
Östra Daggrosen 1	Daggrosngatan 1	Västerås	3,507	–	–	–	–	–	–	3,507
<b>Total North Nursing homes</b>			<b>229,131</b>	<b>5,550</b>	<b>9,846</b>	<b>–</b>	<b>2,930</b>	<b>1,615</b>	<b>1,528</b>	<b>250,600</b>

## List of properties

			Area, sqm							
Education	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Verkmästaren 6	Hamngatan 17	Eskilstuna	–	–	–	–	–	–	–	–
Verkmästaren 7	Hamngatan 15	Eskilstuna	–	–	–	–	–	–	–	–
Forskaren 2	Svengrensgränd 9	Eskilstuna	–	4,157	–	–	–	–	–	4,157
Nyfors 1:24	Tunavallsgränden 5	Eskilstuna	–	1,427	–	–	–	–	–	1,427
Askeby 4:54	Andreas Linbloms väg 7	Linköping	–	425	–	–	–	–	–	425
Askeby 4:55	Andreas Linbloms väg 5	Linköping	–	–	–	–	–	–	–	–
Gällstad 1:291	Sävsångarevägen 61	Linköping	–	661	–	–	–	–	–	661
Isskåpet 1	Tröskaregatan 73-75	Linköping	–	2,735	–	–	–	–	–	2,735
Laddstaken 2	Knektgatan 1A-B	Linköping	–	750	–	–	–	–	–	750
Nyponkärnan 1	Kvinnebyvägen 91	Linköping	–	970	–	–	–	–	–	970
Nässelodlingen 1	Nybrovägen 1	Linköping	–	4,252	–	–	–	–	–	4,252
Ordensringen 2	Ellen Keys gata 4	Linköping	–	917	–	–	–	–	–	917
Ostduken 2	Björnkärrsgatan 14-16	Linköping	–	1,492	–	–	–	–	–	1,492
Rystads-Gärstad 8:41	Gurkvägen 2-4	Linköping	–	661	–	–	–	–	–	661
Drag 4	Dragsgatan 7	Norrköping	–	9,878	–	–	–	–	–	9,878
Drag 5	Dragsgatan 7	Norrköping	–	–	–	–	–	–	–	–
Järven 5	Bergslagsgatan 11	Norrköping	–	3,011	–	–	–	–	1,500	4,511
Borgaren 18	Stora torget 3	Nyköping	–	10,257	–	–	968	–	1,072	12,297
Idun 1	Sundbyvägen 14	Strängnäs	–	3,580	–	–	–	–	–	3,580
Umeå Hugin 3	Nygatan 47	Umeå	–	7,730	–	–	–	–	–	7,730
Barkaröby 15:308	Lövängsgatan 2	Västerås	–	1,570	–	–	–	–	–	1,570
Gustavsborg 2	Vasagatan 44	Västerås	–	18,062	–	–	–	–	–	18,062
Rosenhill 1	Gurksaltargatan 9	Västerås	–	22,362	–	–	–	–	–	22,362
Rosenhill 12	Eriksborgsgatan 11	Västerås	–	6,758	–	–	–	340	–	7,098
Västerås 1:250	Ångkraftsvägen 1 A-C	Västerås	–	3,412	–	–	–	–	–	3,412
Medora 168:115	Klamparvägen 1A	Älvkarleby	–	2,500	–	–	–	–	–	2,500
<b>Total North Education</b>			<b>–</b>	<b>107,567</b>	<b>–</b>	<b>–</b>	<b>968</b>	<b>340</b>	<b>2,572</b>	<b>111,447</b>

			Area, sqm							
Health care	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Norrull 31:2	Stallgatan 4	Gävle	2,295	–	–	–	–	–	–	2,295
Mjölkudden 3:11	Mjölkuddsvägen 79C	Luleå	–	–	1,175	–	2,011	–	241	3,427
Gränby 12:6	Gränby Bilgata 2	Uppsala	–	265	2,479	–	–	–	15	2,759
Sävja 56:1	Västgötaresan 60	Uppsala	–	956	1,130	–	842	–	255	3,183
<b>Total North Health care</b>			<b>2,295</b>	<b>1,221</b>	<b>4,784</b>	<b>–</b>	<b>2,853</b>	<b>–</b>	<b>511</b>	<b>11,664</b>

			Area, sqm							
Justice system	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Reparatören 5	Ringvägen 88	Köping	–	–	–	2,650	–	–	–	2,650
Stinsen 1	Stockholmsvägen 4-6	Norrköping	–	–	–	18,296	–	–	–	18,296
Brädgården 2	Folkungavägen 2	Nyköping	–	–	–	11,476	1,047	–	26	12,549
Stigbygeln 5	Ridvägen 10	Umeå	–	–	–	21,274	855	–	–	22,129
<b>Total North Justice system</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>53,696</b>	<b>1,902</b>	<b>–</b>	<b>26</b>	<b>55,624</b>
<b>Total North</b>			<b>231,426</b>	<b>114,338</b>	<b>14,630</b>	<b>53,696</b>	<b>8,653</b>	<b>1,955</b>	<b>4,637</b>	<b>429,335</b>

## South

			Area, sqm							
Nursing homes	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Brandvakten 3	Södra Vägen 4	Halmstad	3,815	–	–	–	–	–	–	3,815
Halmstad 10:35	Frennarpsvägen 131	Halmstad	3,312	–	–	–	–	–	–	3,312
Norra Sjukhuset 1	Skansvägen 5	Lund	8,991	1,431	–	–	1,029	–	2,715	14,166
Anten 3	Eddagatan 1	Malmö	3,040	–	–	–	–	–	–	3,040
Byrådirektören 4	von Troils väg 2-8	Malmö	5,820	2,666	1,400	–	884	4,720	395	15,885
Cykeln 12	Palmgatan 17	Malmö	2,980	–	–	–	–	–	–	2,980
Koljan 10	Tegnérsgatan 68	Malmö	355	–	–	–	–	–	–	355
Limhamn 152:371	-	Malmö	–	–	–	–	–	–	–	–
Nattskärren 7	Järnvägsgatan 29	Malmö	1,918	–	–	–	–	–	–	1,918
Nicktisteln 2	Ernst Jakobssons gata 7	Malmö	2,250	–	–	–	–	–	–	2,250
Rosenbuketten 8	Höjagatan 21	Malmö	–	–	1,493	–	–	–	–	1,493
Slätvaren 40 and 51	Sarvgränd 2C	Malmö	450	–	–	–	–	–	–	450
Solskiftet 1	Oshögavägen 2	Malmö	6,825	–	–	–	–	–	–	6,825
Stengodset 1	Stengodsvägen 4	Malmö	1,850	–	–	–	–	–	–	1,850
Storskarven 12	Norra vägen 7	Malmö	1,900	–	–	–	–	–	–	1,900

## List of properties

			Area, sqm							
Nursing homes	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Storskarven 13	Norra vägen 1	Malmö	2,313	–	–	–	–	–	–	2,313
Storskarven 9	Brunandsvägen 32	Malmö	442	–	–	–	–	–	–	442
Styckmästaren 8	Jöns Risbergsgatan 4	Malmö	1,211	–	–	–	–	177	–	1,388
Styrkan 23	Spånehusvägen 91	Malmö	978	–	–	–	–	–	–	978
Sädesårilan 6	Linnégatan 18	Malmö	–	–	472	–	–	–	305	777
Torsten 12	Major Nilssonsgatan 13	Malmö	2,400	–	–	–	–	–	–	2,400
Virket 8	Sigtunagatan 13	Malmö	2,455	–	–	–	–	1,779	319	4,553
Stanstorp 5:368	Vikhems bygata	Staffanstorp	–	–	–	–	–	–	–	–
Växjö Dörren 5	Vikaholmsallén 52	Växjö	4,087	–	–	–	–	–	–	4,087
Växjö Korpen 9	Korpvägen	Växjö	–	–	–	–	–	–	–	–
Tonsättaren 2	Schottisgatan 2-6	Ystad	2,892	–	65	–	–	–	–	2,957
<b>Total South Nursing homes</b>			<b>60,284</b>	<b>4,097</b>	<b>3,430</b>	<b>–</b>	<b>1,913</b>	<b>6,676</b>	<b>3,734</b>	<b>80,134</b>

			Area, sqm							
Education	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	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	Lasarettboulevardens 22	Kristianstad	–	2,415	–	–	–	–	–	2,415
Landskrona Borstahuset 1:8	Löpargatan	Landskrona	–	–	–	–	–	–	2,245	2,245
Landskrona Borstahuset 1:9	Löpargatan	Landskrona	–	5,700	–	–	–	–	–	5,700
Silverängen 4	Silvergården 1	Landskrona	4,897	9,856	–	–	–	–	–	14,753
Benzelius 1	Dag Hammarskjölds Väg 2	Lund	–	4,666	–	–	1,070	–	703	6,439
Klostergården 2:9	S:t Lars väg 1-38, S:t Lars väg 70-90	Lund	3,680	29,398	7,664	–	3,754	158	6,380	51,034
Predikanten 2	Landgillevägen 55	Lund	–	750	–	–	–	–	–	750
Gullriset 4	Monicavägen 18-22	Malmö	–	648	–	–	–	–	–	648
Spillepengsmarken 7	Strömgatan 13	Malmö	–	4,670	–	–	–	–	–	4,670
Hjärup 4:290	Heimdallsvägen 2	Staffanstorp	–	652	–	–	–	–	–	652
Stora Uppåkra 12:302	Parkallén 4	Staffanstorp	–	–	–	–	–	–	–	–
Stora Uppåkra 12:303	Stora Uppåkravägen	Staffanstorp	–	7,694	–	–	–	–	–	7,694
Jägaren 11	Vallgatan 12E	Växjö	–	7,373	–	–	1,552	4,147	3,968	17,040
Liv 1	Björnstjernetgatan 1 A-C	Ystad	–	4,084	–	–	2,566	–	36	6,686
<b>Total South Education</b>			<b>8,577</b>	<b>81,776</b>	<b>7,664</b>	<b>–</b>	<b>8,942</b>	<b>4,305</b>	<b>14,032</b>	<b>125,296</b>

			Area, sqm							
Health care	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Kopparormen 4	Vikhemsvägen 9	Eslöv	–	–	2,570	–	–	–	–	2,570
Grönsakshandlaren 5	Jägersrovägen 80	Malmö	–	–	3,003	–	–	–	–	3,003
<b>Total South Health care</b>			<b>–</b>	<b>–</b>	<b>5,573</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,573</b>

			Area, sqm							
Justice system	Address	Municipality	Nursing homes	Education	Health care	Justice system	Offices	Residential	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
<b>Total South Justice system</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>10,402</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,402</b>
<b>Total South</b>			<b>68,861</b>	<b>85,873</b>	<b>16,667</b>	<b>10,402</b>	<b>10,855</b>	<b>10,981</b>	<b>17,766</b>	<b>221,405</b>

## List of properties

### Foreign, Germany

			Area, sqm							
Nursing homes	Address	City	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Aachen Laurensberg	An der Schurzelter Brücke 1	Aachen	4,950	–	–	–	–	–	–	4,950
Barßel	Mühlenweg 11	Barßel	4,550	–	–	–	–	–	–	4,550
Bensheim	Eifelstrasse 21 bis 25	Bensheim	7,036	–	–	–	–	–	–	7,036
Berlin Ullsteinstrasse	Ullsteinstrasse 159	Berlin	8,656	–	–	–	–	–	–	8,656
Lichterfelde	Hindenburgdamm 36	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
Rheinalle 78	Rheinalle 78	Bonn	4,363	–	–	–	–	–	–	4,363
Bremen-Findorff	Hemmstrasse 345- Findorff	Bremen	1,809	–	562	–	–	–	200	2,571
Bremen-Gröpeligen	Gnesener Strasse 6-Gröeligen	Bremen	2,621	–	–	–	–	–	–	2,621
Ricarda-Huch Strasse 1	Ricarda-Huch Strasse 1	Bremen	8,915	–	–	–	–	–	–	8,915
Butzbach	Johann-Seb.-Bach-Strasse 26	Butzbach	3,951	–	–	–	–	–	–	3,951
Darmstadt	Kassinostrasse 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	Prellerstrasse 16	Dresden	3,704	–	–	–	–	–	–	3,704
Duisburg Brauerstrasse	Brauerstrasse 43	Duisburg	4,331	–	–	–	–	–	–	4,331
Duisburg Fuchsstrasse	Fuchstrasse 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
Bahnhofstrasse 12	Bahnhofstrasse 12	Elsenfeld	4,450	–	–	–	–	–	–	4,450
Emden	Rotdorring 1	Emden	3,351	–	–	–	–	–	–	3,351
Lichtenstein	Martin-Götze-Strasse 14	Glauchau	5,993	–	–	–	–	–	–	5,993
Hadamar	Hammelburg 18	Hadmar	6,432	–	–	–	–	–	–	6,432
Herdestrasse 85	Herdestrasse 85	Heusenstamm	6,280	–	–	–	–	–	–	6,280
Hünxe	Bensumskamp 27	Hünxe	3,800	–	–	–	–	–	–	3,800
Pickerstrasse 36	Pickerstrasse 36	Kiel	3,261	–	–	–	–	–	–	3,261
Köln Neusserstrasse	Neusser Strasse 402-406	Cologne	7,681	–	–	–	–	–	–	7,681
Langenfeld	Langförter Strasse 1-3	Langenfeld	4,073	–	–	–	–	–	–	4,073
Lauterbach	Bilsteinweg 1	Lauterbach	5,684	–	–	–	–	–	–	5,684
Leipzig Saxoniastrasse	Saxoniastrasse 32	Leipzig	4,558	–	–	–	–	–	–	4,558
Liederbach	Im Grossen Garten	Liederbach	4,800	–	–	–	–	–	–	4,800
Mülheim an der Ruhr	Saarerstrasse 415	Mülheim an der Ruhr	5,098	–	–	–	–	–	–	5,098
Brucker Strasse 7	Brucker Strasse 7	Nittenau	4,131	–	–	–	–	–	–	4,131
Offenbach Am Hainbach	Spessarting 22	Offenbach am Main	9,569	–	–	–	–	–	–	9,569
Auestrasse 4	Auestrasse 4	Rehren	5,197	–	–	–	–	–	–	5,197
Taunusstein	Am alten Sportplatz 43	Taunusstein	8,513	–	–	–	–	–	–	8,513
Wetter	Steinstrasse 3	Wetter	4,004	–	–	–	–	–	–	4,004
Wiesbaden	Parkstrasse 21	Wiesbaden	5,371	–	–	–	–	–	1,190	6,561
Chattiloner Strasse	Chattiloner Strasse 81	Wächtersbach	2,196	–	–	–	–	–	–	2,196
An der Brotfabrik 1	An der Brotfabrik 1	Zossen	3,554	–	–	–	–	–	–	3,554
<b>Total Germany Nursing homes</b>			<b>210,269</b>	<b>–</b>	<b>562</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,477</b>	<b>212,308</b>

Education	Address	City	Nursing homes	Education	Health care	Justice system	Offices	Residential	Other	Total
Rheinische Strasse 69	Rheinische Strasse 69	Dortmund	–	4,700	–	–	–	–	800	5,500
<b>Total Germany Education</b>			<b>–</b>	<b>4,700</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>800</b>	<b>5,500</b>
<b>Total Foreign, Germany</b>			<b>210,269</b>	<b>4,700</b>	<b>562</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,277</b>	<b>217,808</b>

## List of properties

### Foreign, Finland

Nursing homes	Address	City	Area, sqm							Total
			Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	
Kappalaisenkuja 3	Kappalaisenkuja 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
Kivennavantie 15	Kivennavantie 15	Espoo	–	–	–	–	–	–	–	–
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
Turuntie 13	Turuntie 13	Hämeenlinna	5,731	–	–	–	–	–	–	5,731
Hotellitie 1	Hotellitie 1	Jämsä	1,432	–	–	–	–	–	–	1,432
Harjunsalontie 2	Harjunsalontie 2	Kangasala	2,040	–	–	–	–	–	–	2,040
Metsolantie 1	Metsolantie 1	Kerava	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	Lohja	2,574	–	–	–	–	–	–	2,574
Pitkäniementie	Pitkäniementie	Nokia	3,249	–	–	–	–	–	–	3,249
Viertolantie 3 and 5	Viertolantie 3 and 5	Nurmijärvi	2,345	–	–	–	–	–	–	2,345
Haapavedentie 20	Haapavedentie 20	Savonlinna	1,437	–	–	–	–	–	–	1,437
Lastenlinnantie	Lastenlinnantie	Pälkäne	1,573	–	–	–	–	–	–	1,573
Meesakatu 4	Meesakatu 4	Tampere	3,436	–	–	–	–	–	–	3,436
Tilkonmäenkatu 2	Tilkonmäenkatu 2	Tampere	1,130	–	–	–	–	–	–	1,130
Mielikintie 8	Mielikintie 8	Oulu	9,375	–	–	–	–	–	–	9,375
Perintökuja 14	Perintökuja 14	Vantaa	–	–	–	–	–	–	–	–
Huvilatie 2	Huvilatie 2	Vaasa	2,800	–	–	–	–	–	–	2,800
Asentajankatu 2	Asentajankatu 2	Turku	2,543	–	–	–	–	–	–	2,543
<b>Total Finland Nursing homes</b>			<b>56,177</b>	<b>313</b>	<b>2,037</b>	<b>–</b>	<b>–</b>	<b>1,833</b>	<b>1,443</b>	<b>61,803</b>

Education	Address	City	Area, sqm							Total
			Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	
Suotie 4	Suotie 4	Espoo	–	1,142	–	–	–	–	–	1,142
Arkadiankatu 24	Arkadiankatu 24	Helsinki	–	6,197	–	–	–	–	–	6,197
Satakunnankatu 23	Satakunnankatu 23	Pori	–	18,552	–	–	–	–	4,624	23,176
Strandgatan 2 905-2-3-30, 31	Strandgatan 2 905-2-3-30, 31	Vaasa	–	15,374	–	–	1,683	–	–	17,057
Turku University of Applied Sciences 853-21-2-26	Joukahainengatan 3 A	Turku	–	14,940	97	–	92	–	1,153	16,282
<b>Total Finland Education</b>			<b>–</b>	<b>56,205</b>	<b>97</b>	<b>–</b>	<b>1,775</b>	<b>–</b>	<b>5,777</b>	<b>63,854</b>

Health care	Address	City	Area, sqm							Total
			Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	
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
<b>Total Finland Health care</b>			<b>–</b>	<b>–</b>	<b>11,949</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,949</b>

Justice system	Address	City	Area, sqm							Total
			Nursing homes	Edu- cation	Health care	Justice system	Offices	Resi- dential	Other	
Arvi Kariston katu 5	Arvi Kariston katu 5	Hämeenlinna	–	–	–	4,715	–	–	–	4,715
<b>Total Finland Justice system</b>			<b>–</b>	<b>–</b>	<b>–</b>	<b>4,715</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,715</b>
<b>Total Foreign, Finland</b>			<b>56,177</b>	<b>56,518</b>	<b>14,083</b>	<b>4,715</b>	<b>1,775</b>	<b>1,833</b>	<b>7,220</b>	<b>142,321</b>

<b>Total Foreign</b>			<b>266,446</b>	<b>61,218</b>	<b>14,645</b>	<b>4,715</b>	<b>1,775</b>	<b>1,833</b>	<b>9,497</b>	<b>360,129</b>
<b>Total Sweden</b>			<b>435,074</b>	<b>391,381</b>	<b>220,533</b>	<b>91,508</b>	<b>57,953</b>	<b>17,159</b>	<b>62,525</b>	<b>1,276,133</b>
<b>Total portfolio</b>			<b>701,520</b>	<b>452,599</b>	<b>235,178</b>	<b>96,223</b>	<b>59,728</b>	<b>18,992</b>	<b>72,022</b>	<b>1,636,262</b>

# Hemsö's 2017 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 (GRI) standards. The report describes Hemsö's sustainability performance for 2017. The report has not been subject to external review. The contact person for the report and its contents is Head of Sustainability, Emma Weman (emma.weman@hemso.se).

A summary of the GRI topics 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.

### 102-41 Percentage of total employees covered by collective bargaining agreements

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

### 102-13 Memberships of associations 2017

Organisation	Role and purpose
Almega	Almega helps service companies develop positive relationships between employer and employees.
Mattecentrum	Mattecentrum. Offers homework help in maths for children and young people. Hemsö sponsor in 2017.
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 is part of a research project on restorative workplaces/ outdoor environments.
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.

### 201-1 Direct economic value generated and distributed

	SEK million 2016	SEK million 2017	Percentage
<b>Direct economic value generated</b>			
Income (rents and other income)	2,189	2,370	
<b>Economic value distributed</b>			
Employee salaries and benefits, social security contributions	-132	-129	6
Payments to providers of capital	-372	-345	17
Dividends to the owners	-585	-556	27
Payments to suppliers	-525	-549	24
Tax	-66	-66	3
<b>Economic value retained</b>	<b>509</b>	<b>725</b>	<b>23</b>

### 401-1 New employee hires and employee turnover

Employee turnover, %	2017	2016
Total	22.0	22.3
Men	18.2	24.3
Women	12.1	17.6

The number of new employees in 2017 was 23 (23). In 2016 and 2017, the employee turnover was higher than normal due to Hemsö's decision to outsource the operations.

### 302-1 Energy consumption within the organisation\*

	Total energy consumption, MWh
<b>Direct energy consumption per primary source</b>	<b>1,350</b>
Heating oil	1
Natural gas	1081
Diesel	268
<b>Indirect energy consumption per primary source</b>	<b>214,588</b>
Renewable electricity	73,526
Electricity (power grid Finland)	10,946
District heating	127,968
District cooling	2,147
<b>Total MWh</b>	<b>215,938</b>

### Greenhouse gas emissions\*\*

		Gross emissions, tCO <sub>2</sub> e
305-1	Direct emissions from own vehicles and fuel consumption (Scope 1)	290
305-2	Indirect emissions from purchased electricity, heating and cooling (Scope 2)	15,065
305-3	Other indirect emissions from business travel and the production of energy carriers (Scope 3)	1,754
<b>Total climate impact</b>		<b>17,109</b>

\*Energy consumption and emissions include data for Sweden and Finland. This data was reported only for Sweden last year.

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

### 103-1 - 103-2 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.

### 307-1, 419-1 Non-compliance with laws and regulations

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

### 405-1 Breakdown of Board and employees according to age group and gender

	Percentage of men/ women, %	< 29 years	30–49 years	> 50 years
<b>2017</b>				
Board of Directors	67/33	0	33	67
Management	75/25	0	100	0
All employees	50/50	9	72	23
<b>2016</b>				
Board of Directors	67/33	0	33	67
Management	87/13	0	87	13
All employees	56/44	9	59	32

\* Including the jointly owned company Virtartes

## GRI Content Index

General standard disclosures		Page	Comments
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102-3	Location of headquarters		Stockholm
102-4	Location of operations	1	
102-5	Ownership and legal form	81	
102-6	Markets served	1	
102-7	Scale of the organisation	2, 64	
102-8	Information on employees and other workers	66	
102-9	Supply chain	38	
102-10	Significant changes to the organisation		No major changes in 2017
102-11	Precautionary Principle or approach		Hemsö applies the precautionary principle through systematic property management, which prevents problems associated with the indoor environment. The precautionary principle is also applied when using new materials and products.
102-12	Externally developed regulations, standards, principles to which the organisation subscribes/endorsees	38, 57	
102-13	Memberships of associations	126	
102-14	Statement from senior decision-maker	6-7	
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102-42	Identifying and selecting stakeholders	www.hemso.se	
102-43	Approach to stakeholder engagement	35.6 www.hemso.se	
102-44	Key topics and concerns raised	www.hemso.se	
102-45	Entities included in/not covered by the organisation's consolidated financial statements or equivalent documents		Employee-related data covers Sweden, Germany and Finland. The GRI report is largely based on Hemsö's Swedish operations, which includes most of Hemsö's properties (approx. 78 per cent). The aim is to eventually include data for Germany and Finland.
102-46	Defining report content and topic Boundaries	57	
102-46	Material topics	57, 127-129	
102-48	Restatements of information		No data was restated.
102-49	Changes in reporting		No significant changes from previous reporting periods were made
102-50	Reporting period		1 Jan 2017- 31 Dec 2017
102-51	Date of most recent report		17 March 2017
102-52	Reporting cycle		Calendar year
102-53	Contact point for questions regarding the report	126	
102-54	Claims of reporting in accordance with the GRI Standards Core/Comprehensive	126	
102-55	GRI Content Index	126	
102-56	External assurance	126	
<b>Material aspects, management approach and indicators</b>			
<b>Economic performance</b>			
103-1, 103-3, 103-3	Management Approach	14-15	
201-1	Direct economic value generated and distributed	126	
<b>Compliance</b>			
103-1, 103-3, 103-3	Management Approach	126	
307-1, 419-1	Non-compliance with laws and regulations	126	
<b>Anti-corruption</b>			
103-1, 103-2, 103-3	Management Approach	56-57	
205-2	Communication and training about anti-corruption policies and procedures	56	
205-3	Confirmed incidents of corruption and actions taken	56	

**Materials and chemicals**

103-1, 103-2, 103-3	Management Approach	50-51	
301-1	Materials used by weight or volume		The possibility of measuring materials used in projects will be investigated in 2018.
Hemsö-1	Materials in new construction that meet Hemsö's environmental and health requirements	51	

**Energy**

103-1, 103-2, 103-3	Management Approach	14, 36	
302-1	Energy consumption within the organisation	126	
302-4	Reduction of energy consumption	36	
CRE1	Building energy use intensity	36	

**Emissions**

103-1, 103-2, 103-3	Management Approach	36	
305-1	Direct (Scope 1) GHG emissions	126	
305-2	Energy indirect (Scope 2) GHG emissions	126	
305-3	Other indirect (Scope 3) GHG emissions	126	
305-4	GHG emissions intensity	36	

**Effluents and Waste**

103-1, 103-2, 103-3	Management Approach	38-39	
306-2	Waste by type and disposal method	39	Method for monitoring amount of waste in construction projects is to be investigated in 2018.

**Employment**

103-1, 103-2, 103-3	Management Approach	59-60	
401-1	New employee hires and employee turnover	126	

**Occupational health and safety**

103-1, 103-2, 103-3	Management Approach	61	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism	61	Partially reported.

**Training and education**

103-1, 103-2, 103-3	Management Approach	60	
404-1	Average hours of training per year per employee	60	Hemsö measures the percentage of employees who are satisfied with the skills-development opportunities available to them.
404-3	Percentage of employees receiving regular performance and career development reviews	60	

**Diversity and equal opportunity**

103-1, 103-2, 103-3	Management Approach	60-61	
405-1	Diversity of governance bodies and employees	59, 126	
405-2	Ratio of basic salary and remuneration of women to men	60	

**Supplier social assessment**

103-1, 103-2, 103-3	Management Approach	38	
308-1 414-1	New suppliers that were screened using social criteria	38	

#### Tenant health and safety

103-1, 103-2, 103-3	Management Approach	34-35,38-39
416-1	Assessment of the health and safety impacts of product and service categories	39
Hemsö-2	Reported accidents and incidents in Hemsö's properties during the reporting period	39

#### Product and service labelling

103-1, 103-2, 103-3	Management Approach	38
CRE8	Sustainability certifications and ranking of the property portfolio	36

#### Customer satisfaction

103-1, 103-2, 103-3	Management Approach	34-35
Hemsö 3	Results of customer satisfaction surveys	35

## Sustainability Report

In accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act, Hemsö has chosen to prepare its statutory Sustainability Report as a separate report to the legally required Annual Report. Sustainability is an integral part of Hemsö's operations and permeates both its business model and strategic direction. The pages of Hemsö's Annual Report referred to below present Hemsö's activities and performance in the areas of environment, social conditions and employees, respect for human rights and anti-corruption. This information comprises Hemsö's statutory Sustainability Report.

For a description of Hemsö's strategy and business model, refer to pages 9-13 of the Annual Report. Hemsö's material sustainability issues were identified by performing a materiality analysis, and are continuously validated by engaging in open dialogue with key stakeholders. Hemsö's material sustainability topics are summarised on page 57. Governance, management and performance indicators for the material sustainability topics are described in the following sections: Property management on pages 34-39, Human rights on page 38, Development on pages 46-53, Environment and Sustainable business on pages 56-58 and 77, Anti-corruption on pages 56-57 and 78, Social sustainability on pages 58-59, Employees on pages 59-63 and 77, and in Hemsö's 2017 Sustainability Report on page 126. Sustainability risks are described under Risks on pages 74-79.

Hemsö reports its 2017 sustainability performance in accordance with the Core option of the Global Reporting Initiative (GRI) Standards. For more information about where the various sustainability disclosures can be found, refer to the GRI index on pages 127-129.

## Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Hemsö Fastighets AB (publ)  
corporate identity number 556779-8169

### Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2017 as defined by the Board of Directors on this page and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A statutory sustainability statement has been prepared.

Stockholm 26 March 2018

Ernst & Young AB

Mikael Ikonen

Authorized Public Accountant

## Definitions\*

### Financial definitions

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide valuable supplemental information to investors and the company's management since they enable evaluation of the company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies. Detailed definitions and explanations of key ratios are also available at [hemso.se/en/financial-information/definitions/](https://hemso.se/en/financial-information/definitions/)

#### Share of secured debt

Interest-bearing secured debt in relation to the market value of investment properties.

#### Return on equity

Profit after tax 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.

#### Return on profit from property management

Profit from property management less 10 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.

#### Available liquidity

Cash and cash equivalents and short-term investments plus unutilised credit commitments

#### Profit from property management

Profit before changes in value and tax.

#### Average interest rate

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

#### Average loan maturity

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

#### Short-term borrowings

Loan maturities within 12 months.

#### MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

#### Operating cash flow

Profit from property management after reversal of depreciation and the proportion of associated companies' profit less income tax paid.

#### Interest-coverage ratio

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

#### Operating margin

Operating profit in relation to property income.

#### Operating profit/loss

Net operating income plus profit from participations in associated companies less central administrative expenses.

#### Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

#### Equity ratio

Equity as a percentage of total assets.

#### Net worth

Equity plus deferred tax and derivatives.

#### 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

#### Dividend 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 amount 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.

#### Rental income

Rental value less vacancies, discounts and rental losses.

#### Rental duration

The weighted average remaining lease term excluding garage/parking, storage and housing rented to private individuals.

#### Rental value

Annual contracted rental income plus vacancy rent.

#### Comparable portfolio

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

#### Contracted annual rent

Annual contracted rental income less discounts and rental losses.

#### 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 part 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 amounting to at least 20 per cent of its market value. A project property is reclassified to completed property on 1 January of the year after completion.

#### Properties for public use

A property that is predominantly used for taxpayer-funded operations and is dedicated to public services. Co-housing is also included under the public properties concept.

#### Major cities

The definition of major cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

#### Leasable area

The areas of the properties for which tenants can be debited rent 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/](https://hemso.se/en/financial-information/definitions/)



Jonas Rosengren, Emma Weman, Andreas Widinghoff

## Reporting – Sustainable bonds

Hemsö is the first issuer of sustainable bonds in the Nordic region. The issue amount is SEK 1,000 million.

### First in the Nordic region

On 30 May 2016, Hemsö became the first Nordic company to issue a sustainable bond. The issue amount was SEK 1,000 million. The proceeds were 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. In 2018, Hemsö's framework for sustainable bonds will be updated.

The proceeds from Hemsö's first sustainable bond were 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

According to Hemsö's framework for sustainable bonds, the proceeds from the issues are to 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](http://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](https://www.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 has 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 has 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 <sub>2</sub> / year	kgCO <sub>2</sub> /sqm
Category 1	Health and Technology	674.6	SGBC-certified, Silver rating	1,592,283	77.0	31.06	1.5
Category 1	Grenverket (Klostergården 2:9, byggnad 90)	300	SGBC-certified, Silver rating	1,586,977	80.5	25.01	1.27
<b>Total</b>		<b>974.6*</b>					

## 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
<b>Total</b>		<b>25,4*</b>				

\* 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>

