

Half-year report January-June 2016

Summary, January-June 2016

- » Rental income amounted to SEK 1,070 million (SEK 989 million corresponding period preceding year).
- » Profit from property management amounted to SEK 512 million (452).
- » Changes in value of properties amounted to SEK 245 million (170), and changes in value of derivatives amounted to SEK -410 million (142).
- » Profit after tax amounted to SEK 281 million (628).
- » Market value of investment properties amounted to SEK 28,763 million (24,606).
- » During the period, possession of 15 properties (five) was taken for a total purchase price of SEK 1,424 million (238) and three properties (16) were disposed at a total price of SEK 27 million (858).

Significant events during the quarter

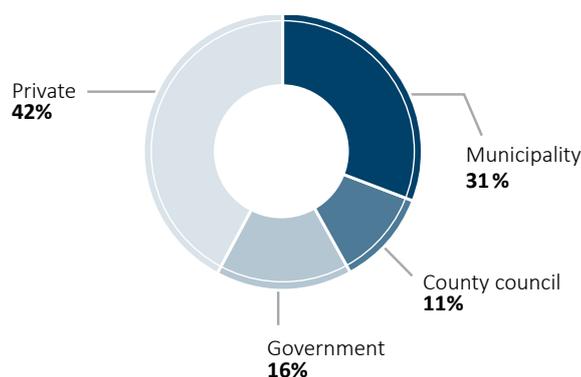
- » Hemsö's and SveaNor's jointly owned company Vitartes was given the contract to let the new S:t Eriks Ögonsjukhus (St. Erik Eye Hospital). Construction is scheduled to commence in the autumn of 2016 and the hospital will be completed around year-end 2019.
- » Hemsö acquired one nursing home under construction in Espoo, Finland. The tenant will be the operator Mainio Vire and the contract extends over a 15-year term. The investment totals SEK 272 million.
- » Hemsö was the first Nordic company to issue a sustainable bond. The amount issued was SEK 1,000 million.
- » Nils Styf was appointed new CEO and will assume his position in late autumn. Per Berggren will remain as CEO until such time.
- » Hemsö signed a framework agreement covering future acquisitions of nursing homes, sheltered housing units and preschools in Finland. The agreement comprises an estimated underlying property value of EUR 75 million.

Hemsö in summary*

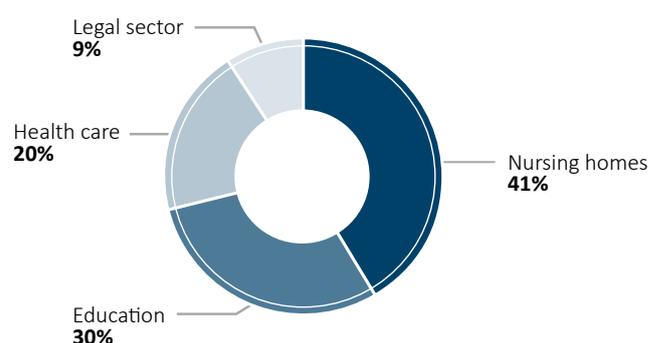
	Jan-Jun 2016	Jan-Jun 2015	Apr-Jun 2016	Apr-Jun 2015	Jul 2015-Jun 2016	Jan-Dec 2015
Rental income, SEK million	1,070	989	539	487	2,069	1,988
Net operating income, SEK million	785	728	408	365	1,533	1,476
Profit from property management, SEK million	512	452	266	235	1,018	959
Profit after tax, SEK million	281	628	247	506	1,003	1,350
Loan-to-value ratio, %	66.8	65.1	66.8	65.1	66.8	65.2
Secured debt in relation to property value, %	11.9	19.8	11.9	19.8	11.9	15.4
Interest-coverage ratio, times	3.9	3.3	3.8	3.4	4.0	3.6
Market value of investment properties, SEK million	28,763	24,606	28,763	24,606	28,763	26,502
Yield, %	6.0	6.1	6.0	6.1	6.0	6.0
Surplus ratio, %	73.0	73.2	75.6	74.5	73.7	73.8
Economic occupancy rate, %	97.0	96.0	97.2	95.9	96.6	96.2
Property value, SEK/sqm	18,335	16,839	18,335	16,839	18,335	17,686
No. of properties	330	302	330	302	330	317
Lettable area, tsqm	1,569	1,461	1,569	1,461	1,569	1,499

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

Contracted rental value per customer category, %



Contracted rental value per property category, %



CEO statement

Successful focus on life science

The stable growth delivered by Hemsö in recent years is continuing and is being boosted by the fact that we are active in several geographic markets. We completed two transactions in Finland during the quarter. The first of these involved a major framework agreement extending until 2018 allowing Hemsö to acquire a number of properties used as nursing homes, sheltered housing and preschools in the Greater Helsinki area and Tampere. The second transaction relates to a property under construction that will contain a nursing home and rental apartments in Espoo.

Hemsö continued its successful initiative aimed at developing properties for the life science industry. The first property adjacent to Karolinska University Hospital in Huddinge, in the Stockholm region, has been completed and the majority of the tenants have already moved in. The project involving the second property in the area is proceeding according to plan and is scheduled for completion in 2017. During the quarter, Hemsö's jointly owned company Vitartes was awarded the contract to let the new St. Erik Eye Hospital. The decision relates to a property under construction in the emerging city district surrounding Karolinska University Hospital in Solna. A contract was signed during the quarter with Arcona regarding the construction of the property. At the end of June, Vitartes signed a credit facility for nearly SEK 2 billion to finance the project. Due to the growing need for a greater number of more modern public properties, project development has become an increasingly integral part of Hemsö's operations. To reduce the degree of risk in projects, Hemsö always strives to achieve the highest possible letting rate prior to the launch of the project.



In May, Hemsö issued the first sustainable bond in the Nordic region. There are several green bonds already on the market, but we have chosen to go one step further with our sustainable bond. In addition to environmental and energy aspects, the content has been expanded to also include social sustainability, which is a new feature for the Nordic region. There was substantial interest in the market for Hemsö's sustainable bond, and the issue was heavily oversubscribed.

Hemsö is expanding its property portfolio outside Sweden's borders and activities to establish an EMTN programme have thus commenced. This will provide us with the opportunity to raise financing in the international capital market. Our aim is to have the program in place during the autumn.

Per Berggren, CEO

Vision

To be the best property company for community services.

Mission

To sustainably own, manage and develop properties for public use.

Financial objective

To achieve return on equity of 15 per cent.

About Hemsö

Hemsö is Sweden's leading private owner of properties for public use. The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the legal sector. Hemsö has properties in Sweden, Germany and Finland. Our vision is to be the best property company for community services. This involves generating added value for our customers and be-

ing the preferred property partner for municipalities, county councils and private operators. The hallmarks of Hemsö's business are long-term leases, stable tenants and strong ownership. The Third Swedish National Pension Fund is the majority owner. The total value of Hemsö's property portfolio is SEK 28.8 billion. Hemsö has a credit rating of A- from Standard & Poor's.

Income, costs and profit

Profit items pertain to the January-June 2016 period, and are compared with the preceding year. Balance-sheet items pertain to the period-end position, and are compared with the corresponding period-end of the preceding year. The quarter relates to the period from April to June.

Rental income

During the period, rental income amounted to SEK 1,070 million (989). The increase was attributable to completed acquisitions. Rental income in the comparable portfolio declined SEK 3 million, corresponding to 0.3 per cent. The decline is attributable to Germany and Finland and is mainly the result of currency effects.

During the period, vacancy fell SEK 1 million due to new leases. At period-end, the rental value of vacant premises amounted to SEK 58 million (74), down SEK 1 million compared with year-end 2015.

Contracted annual rent at period-end amounted to SEK 2,171 million (1,948), representing an economic occupancy rate of 97.0 per cent (96.0). The weighted average lease term increased to 7.8 years (7.6).

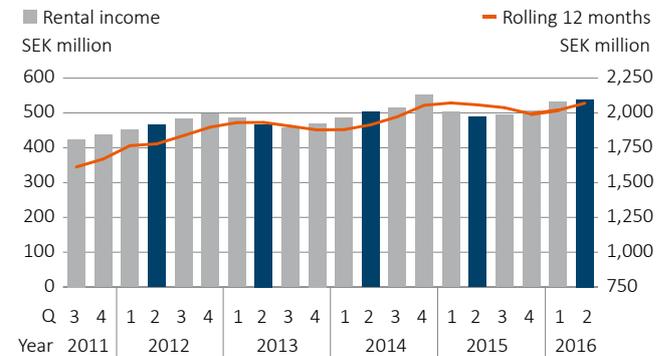
Property costs

Property costs increased SEK 23 million due to a larger property portfolio, and amounted to SEK 290 million (267). The increase was mainly due to expanded maintenance measures. Costs in the comparable portfolio increased SEK 14 million, or 5.8 per cent, due to higher costs for planned maintenance.

SEK 512 million

Profit from property management for the period

Rental income



Vacancy changes

Amounts in SEK million	Jan - Jun 2016
Vacancy at the beginning of the period	59
Terminated leases	9
New leases	-12
Acquired	2
Divested	-
Vacancy at the end of the period	58

Maturity structure of leases

Maturity year	No. of contracts	Area, tsqm	Annual rent, SEK million	Share of annual rent, %
2016	545	72	91	4.2
2017	368	116	165	7.6
2018	246	179	257	11.8
2019	184	168	228	10.5
2020	114	136	194	8.9
>2020	319	795	1,236	56.9
Total	1,776	1,466	2,171	100.0

Comparable portfolio

	30 Jun 2016	30 Jun 2015	Change %
No. of properties	282	282	-
Market value of investment properties, SEK million	23,205	22,665	2.4
Yield, %	5.9	6.1	-3.1
Economic occupancy rate, %	97.6	97.2	0.4
Amounts in SEK million	30 Jun 2016	30 Jun 2015	Change %
Rental income	932	935	-0.3
Other income	5	5	8.8
Operating costs	-189	-189	-0.1
Maintenance costs	-55	-39	42.5
Other property costs	-14	-16	-13.0
Net operating income	679	695	-2.4

Pertains to properties owned and held throughout the entire period, from 1 January 2015 until 30 June 2016.

Net operating income

Net operating income increased to SEK 785 million (728). The improvement in net operating income was mainly due to a changed portfolio, attributable to completed acquisitions. Net operating income in the comparable portfolio decreased SEK 17 million, corresponding to 2.4 per cent.

The surplus ratio declined from 73.2 per cent to 73.0 per cent.

Administration

Central administrative expenses for the period amounted to SEK 94 million (76), up SEK 18 million year-on-year. The increase is primarily due to higher personnel costs.

Financial items

Financial items amounted to SEK -179 million (-252), of which external interest expenses accounted for SEK 162 million (163). The external interest expenses for the period were in line with the preceding year, despite a larger loan volume, which was due to lower interest rates and declining margins. Other net financial items included other financial expenses in the amount of SEK 18 million (37), and interest income of SEK 1 million (1). The comparative period also included interest expenses on shareholder loans in an amount of SEK 53 million.

Change in value of investment properties

At period-end, changes in value of investment properties amounted to SEK 245 million (170), of which realised changes in value accounted for SEK 1 million (-40) and unrealised changes in value for SEK 244 million (210). Unrealised changes in value were a result of renegotiated leases, new leases and terminated leases in addition to changed assessments in respect of net operating income and exit yield.

The yield for the entire property portfolio, excluding development properties, was 6.0 per cent (6.1).

Unrealised changes in value

SEK million	Jan-Jun 2016
New leases/Renegotiations	131
Terminated leases/Renegotiations	-37
General market value	109
Subtotal Sweden	203
New leases/Renegotiations	23
Terminated leases/Renegotiations	-
General market value	18
Other	-
Subtotal Foreign	41
Total unrealised changes in value	244

Change in value of derivatives

Changes in value of derivatives had a negative impact of SEK 410 million (142) on profit, of which unrealised changes in value amounted to a negative SEK 395 million (142) and realised change in value to a negative SEK 15 million (0). The unrealised change in value had no impact on cash flow. At the end of their duration, the value of derivatives is always zero. The negative change in value was mainly due to a decline in long-term market rates since the beginning of the year.

Tax

Recognised tax for the period amounted to an expense of SEK 66 million (84), of which current tax comprised an expense of SEK 35 million (22) and deferred tax an expense of SEK 31 million (62).

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

At period-end, deferred tax assets amounted to SEK 245 million (159) and include temporary differences on the change in value of financial derivatives of SEK 236 million (150) and loss carry-forwards of SEK 8 million (9). Deferred tax liabilities amounted to SEK 1,794 million (1,508) and were largely attributable to temporary differences related to investment properties. The change in the deferred tax liability was due to changes in the market value of properties combined with depreciation for tax purposes. Deferred tax assets were netted against deferred tax liabilities for each country in the balance sheet.

Profit

Profit after tax for the period amounted to SEK 281 million (628), corresponding to a decrease of 55 per cent compared with the preceding year. The profit trend is a result of valuation adjustment of the properties in an amount of SEK 245 million (170), and valuation adjustment of financial instruments in a negative amount of SEK 410 million (142). The total return was 8.3 per cent (6.2).

Jointly owned companies

In addition to the Group's wholly owned property portfolio, Hemsö owns shares in three companies held jointly with other investors, all of which are consolidated in the company's consolidated financial statements. Hemsö owns half of the shares and the voting rights in the jointly owned companies TKV 2 Fastighets AB and Vitartes AB and their subsidiaries. The remaining shares are owned by SveaNor Holding AB. On 1 June

2016, Hemsö acquired the remaining 50 per cent of the shares in the formerly jointly owned company TKV Fastighets AB. The TKV companies conduct projects related to the construction of a medical training and research centre at Karolinska University Hospital in Huddinge. Vitartes is also a project development company focused on life science properties. In addition to this, Hemsö jointly owns, Hemsö Norden KB, in partnership with the Third Swedish National Pension Fund. Hemsö Norden KB currently owns four investment properties through limited partnerships.

Segment information

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

Segment information

Amounts in SEK million	Profit items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	30 Jun 2016	30 Jun 2015
Sweden East	296	271	221	207	9,132	7,542
Sweden West	167	173	102	109	3,657	3,390
Sweden North	283	269	209	201	7,378	6,902
Sweden South	155	142	100	91	4,008	3,480
Germany	102	78	99	74	2,831	2,061
Finland	67	56	54	46	1,757	1,231
Total	1,070	989	785	728	28,763	24,606

Cash flow

Hemsö's cash flow from operating activities before changes in working capital amounted to SEK 442 million (275). Changes in working capital had an impact of SEK 181 million (135) on cash flow. Investing activities had a negative impact of SEK 1,929 million (98) on cash flow, while increased borrowing had an impact of SEK 1,766 million (-3) on cash flow from financing activities. During the period, the overall change in cash and cash equivalents was SEK 460 million (505).

Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties through ownership of shares in the property-owning subsidiaries. Parent Company sales amounted to SEK 52 million (23) and consisted of fees for services to the subsidiaries. Administrative expenses increased to SEK 91 million (83). Financial items included dividends from subsidiaries of SEK 1,255 and an improvement in net financial items, mainly due to lower interest rates. Total comprehensive income for the period increased to SEK 1,114 million (-220).

Property portfolio

At 30 June 2016, the value of Hemsö's property portfolio was SEK 28,763 million (24,606). The increase is primarily due to acquisitions. The portfolio comprised 330 properties (302), with a total contracted annual rent of SEK 2,171 million (1,948) and a total lettable area of 1,569 tsqm (1,461).

At period-end, Hemsö was present in 78 municipalities in Sweden, 27 cities in Germany and 15 cities in Finland. The largest proportion of the market value of investment properties, 47.4 per cent (47), was attributable to properties located in the three metropolitan areas of Sweden – Stockholm, Gothenburg and Malmö. The German portfolio accounted for 9.8 per cent (8.4), and the Finnish portfolio for 6.1 per cent (5.0), of the total market value of investment properties.

In Sweden, Hemsö owns properties for nursing homes, education, health care and the legal sector. The properties in Germany are exclusively nursing homes. All property categories are represented in Finland, except for premises for the legal sector.

The development of the property portfolio during the period is presented below.

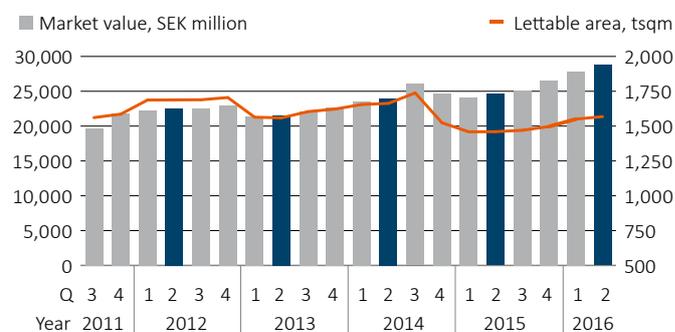
Changes in value of property portfolio

	SEK million	Number
Carrying value at beginning of the year	26,502	317
Acquisitions	1,424	15
Additional property through re-allotment	–	1
Investments in new construction, extension and refurbishment	524	
Divestments	-27	-3
Exchange-rate fluctuations	96	
Unrealised changes in value	244	
Carrying value at period-end	28,763	330

SEK 28,763 million

Market value of investment properties

Market value and area of investment properties



Property transactions

During the period, possession of 15 properties (5) was taken for a total purchase price of SEK 1,424 million (238). During the period, three properties (16) were disposed at a total price of SEK 27 million (858).

Properties acquired and divested

Quarter	Number	Property value, SEK million	Lettable area, sqm
Acquisitions			
Q1	10	1,088	53,961
Q2	5	336	5,192
Divestments			
Q1	–	–	–
Q2	3	27	2,611

Properties acquired and divested, Q2

Property designation	Municipality, country	Category	Lettable area, sqm
Acquisitions			
Tilkonmäenkatu 2 ¹	Tampere, Finland	Nursing home	
Puistokatu A ¹	Espoo, Finland	Nursing home	
Puistokatu B ¹	Espoo, Finland	Nursing home	
Findorff	Bremen, Germany	Nursing home	2,571
Groeplingen	Bremen, Germany	Nursing home	2,621
Medicinaren 23 ²	Huddinge, Sweden	Education	
Divestments			
Flatö 3	Uddevalla, Sweden	Health care	629
Förgasaren 4	Täby, Sweden	Education	880
Fuxen 6	Täby, Sweden	Health care	1,102

¹ Relates to land acquisitions and buildings under construction, and the area is thus not yet available.

² Formerly partly owned (50 per cent), possession of 100 per cent taken on 1 June 2016. However, 100 per cent of the area was previously reported and there is thus no additional area to report.

Hemsö's five largest ongoing projects

Municipality	Property	Property category	Lettable area of property, sqm	Project area, sqm	Estimated investment, SEK million	Remaining investment, SEK million	Increase in rental value after project, SEK million	Occupancy rate, %	Estimated year of completion
Huddinge	Medicinaren 25	Health care	20,000	20,000	829	562	64	79	2017
Huddinge	Medicinaren 23	Education	17,100	17,100	574	88	45	97	2016
Lund	Klostergården 2:9	Education	54,463	12,297	301	19	26	90	2016
Staffanstorps	Stora Uppåkra 12:303	Education	5,700	5,700	226	23	16	100	2016
Landskrona	Borstahuseten 1:9	Education	5,700	5,700	172	147	14	100	2017
Total			102,963	60,797	2,102	839	165	89	

Hemsö's property categories

	Nursing homes	Education	Health care	Legal sector	Total
Number of properties	158	89	74	9	330
Lettable area, tsqm	657	475	331	106	1,569
Average lease length, years	9.1	8.1	4.2	8.4	7.8
Property value, SEK million	12,120	8,944	4,992	2,707	28,763
Rental income, SEK million	448	310	214	98	1,070
Net operating income, SEK million	335	232	138	80	785
Economic occupancy rate, %	98.9	96.3	94.9	95.8	97.0
Yield, %	5.9	5.9	6.2	5.8	6.0

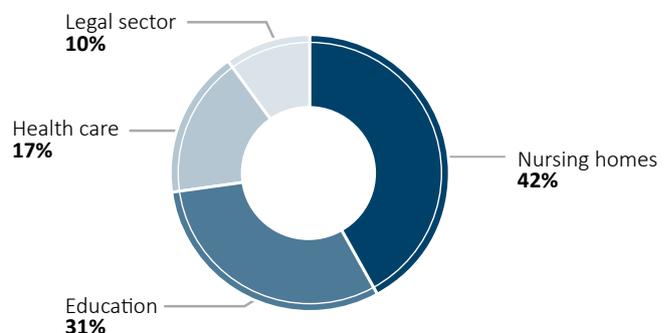
Investments

Investments include both investments in existing properties and new construction. Investments in existing properties often take place in conjunction with new leases, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, investments amounted to SEK 524 million (453). Of this amount, SEK 400 million (189) was invested in new production, and SEK 124 million (264) in maintenance and tenants improvements in connection with new leases. A total of 273 projects (152) are ongoing and the remaining investment totalled SEK 1,948 million (960).

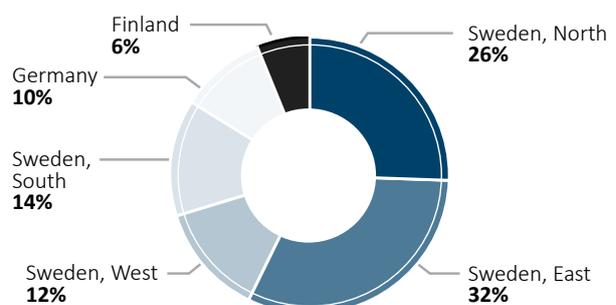
Property value

Hemsö recognises its investment properties in Sweden at an estimated fair value in accordance with IAS 40, and at 30 June 2016, the value of all Swedish properties had been internally assessed. Property valuations are conducted quarterly and are an integral part of Hemsö's business process. The property value of Hemsö's portfolios in Germany and Finland is determined using external valuations. The valuation method complies with Level 3 of the fair value hierarchy in IFRS 13. At period-end, the property value was SEK 28,763 million (24,606).

Market value of investment properties per property category, %



Market value of investment properties per segment, %



Financing

Hemsö aims to have a balanced financial risk profile, entailing a loan-to-value ratio that does not exceed 70 per cent over time, and an interest-coverage ratio of at least 2.0 times. At period-end, the loan-to-value ratio was 66.8 per cent (65.1) and the interest-coverage ratio was 3.9 times (3.3).

At 30 June 2016, Hemsö's total assets totaled SEK 29,727 million (25,502), of which the value of Hemsö's properties amounted to SEK 28,763 million (24,606), cash and cash equivalents to SEK 606 million (620) and other assets to SEK 358 million (276). The assets were financed with equity of SEK 6,494 million (6,156), deferred tax liabilities of SEK 1,549 million (1,349), interest-bearing liabilities of SEK 19,853 million (16,643), including loans from minority shareholders of SEK 39 million (0), and other liabilities of SEK 1,831 million (1,509).

Liabilities

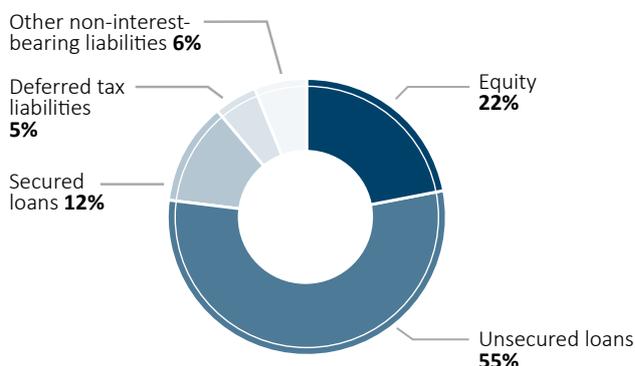
At period-end, Hemsö's external debt portfolio amounted to SEK 19,814 million (16,643). The external debt portfolio comprised secured bank loans of SEK 3,416 million (4,868), outstanding commercial paper of SEK 5,001 million (4,325) and unsecured bonds of SEK 11,397 million (7,450). Available liquidity amounted to SEK 10,082 million (9,760), comprising bank deposits of SEK 606 million (620) and unutilised credit facilities of SEK 9,476 million (9,140) (of which unutilised construction loans amounted to SEK 375 million).

The external debt portfolio increased SEK 3,171 million due to new investments and acquisitions. At period-end, Hemsö's average interest rate was 1.9 per cent (2.7). The average duration of debt was 2.6 years (2.8), and the average fixed-interest period was 3.6 years (3.6).

SEK 19,814 million

External liabilities

Capital structure at 30 June 2016



Financial ratios at 30 June 2016

Loan-to-value ratio, %	66.8
Outstanding secured bank loans, % of the market value of investment properties	11.9
Interest-coverage ratio, times	3.9
Fixed-interest period, years	3.6
Average duration of debt, years	2.6

Loan maturity and fixed-interest period

Maturity year	Loan maturity			Fixed-interest period	
	Credit agreements, SEK million	Utilised, SEK million	Share, %	SEK million	Share, %
2016	1,370	1,370	9.2	6,020	30.4
2017	10,401	3,924	26.5	800	4.0
2018	6,418	3,418	23.1	1,066	5.4
2019	2,161	2,161	14.6	3,074	15.5
2020	1,897	1,897	12.8	1,347	6.8
2021	1,300	1,300	8.8	2,100	10.6
2022	200	200	1.4	1,567	7.9
2023	0	0	0.0	1,500	7.6
2024	0	0	0.0	1,500	7.6
>2024	543	543	3.7	840	4.2
Total	24,290	14,813	100.0	19,814	100.0
Outstanding certificates		5,001			
Total		19,814			

Interest-rate derivatives

Hemsö uses interest-rate derivatives to reduce the company's interest-rate risk. These financial instruments are recognised at fair value in the statement of financial position under non-interest-bearing liabilities, and their changes in value are recognised in the statement of comprehensive income. Derivatives are measured using valuation techniques based on observable market data, in accordance with Level 2 of the fair value hierarchy set out in IFRS 13. Hemsö assesses that there is no significant difference between the fair value and carrying value of financial assets and liabilities.

Netting contracts allow debts between the same counterparties to be offset against each other. At period-end, the nominal value of the derivatives portfolio was SEK 12,355 million (11,773). The value of the financial derivatives was SEK -1,074 million (685).

Summary of Financial Policy at 30 June 2016

Financing risk		
Loan-to-value ratio	Max. 70% in the long term	66.8%
Loan maturity	At least 2 years	2.6 years
Secured loans	Max. 20% of the property value in the long term	11.9%
Supply of capital	At least three lenders	Fulfilled
Interest-rate risk		
Interest-coverage ratio	At least 2.0 times (rolling 12-month period)	4.0
Fixed-interest period	At least 60% of the loan portfolio will have fixed-rate periods ranging from one-ten years, with a favourable diversification of maturities.	70%
Liquidity		
Liquidity ratio	At least 110%	120%
Counterparty risk		
Financial instruments	Bank with at least A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Maximum value in SEK of 20% of the Group's risk-bearing capital without currency hedging.	Fulfilled

Condensed Group statement of comprehensive income

Amounts in SEK million	Jan-Jun 2016	Jan-Jun 2015	Apr-Jun 2016	Apr-Jun 2015	Jul 2015-Jun 2016	Jan-Dec 2015
Rental income	1,070	989	539	487	2,069	1,988
Other income	5	6	1	3	11	12
Operating costs	-213	-218	-94	-101	-359	-364
Maintenance costs	-62	-32	-35	-18	-151	-121
Other property costs	-15	-17	-3	-6	-37	-39
Net operating income	785	728	408	365	1,533	1,476
Central administrative expenses	-94	-76	-48	-33	-172	-154
Financial items	-179	-252	-94	-97	-343	-416
Profit before changes in value	512	400	266	235	1,018	906
of which, profit from property management	512	452	266	235	1,018	959
Changes in value						
Investment properties	245	170	189	159	656	581
Derivatives	-410	142	-154	267	-412	140
Profit before tax	347	712	301	661	1,262	1,627
Current tax	-35	-22	-18	-16	-59	-46
Deferred tax	-31	-62	-36	-139	-200	-231
Profit for the period	281	628	247	506	1,003	1,350
Profit for the period attributable to						
Parent Company shareholders	267	624	236	503	987	1,344
Non-controlling interests	14	4	11	3	16	6
Other comprehensive income						
Profit for the period	281	628	247	506	1,003	1,350
Translation difference	39	-15	20	-9	4	-50
Comprehensive income for the period	320	613	267	497	1,007	1,300
Comprehensive income for the period attributable to						
Parent Company shareholders	306	609	256	494	991	1,294
Non-controlling interests	14	4	11	3	16	6

Condensed Group statement of financial position

Amounts in SEK million	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS			
Investment properties	28,763	24,606	26,502
Other non-current assets	51	8	49
Other current receivables	307	268	394
Cash and cash equivalents	606	620	157
TOTAL ASSETS	29,727	25,502	27,102
EQUITY AND LIABILITIES			
Equity	6,494	6,156	6,764
Deferred tax liabilities	1,549	1,349	1,518
Interest-bearing liabilities	12,282	10,268	10,082
Non-interest-bearing liabilities	1,074	683	671
Total non-current liabilities	14,905	12,300	12,271
Interest-bearing liabilities	7,571	6,375	7,372
Non-interest-bearing liabilities	757	671	695
Total current liabilities	8,328	7,046	8,067
TOTAL EQUITY AND LIABILITIES	29,727	25,502	27,102

Condensed Group statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Proportion from non-controlling interests	Total equity
Opening equity, 1 Jan 2015	1	3,835	42	-1,236	40	2,682
Transfer of capital contributions from non-controlling interests, 2014	-	-	-	-29	29	-
New share issue	-	3,000	-	-	-	3,000
Shareholders' contributions	-	-	-	21	-	21
Dividends	-	-	-	-264	-	-264
Capital contributions from non-controlling interests	-	-	-	-	25	25
Comprehensive income	-	-	-50	1,344	6	1,300
Closing equity, 31 Dec 2015	1	6,835	-8	-164	100	6,764
Opening equity, 1 Jan 2016	1	6,835	-8	-164	100	6,764
Dividends	-	-	-	-585	-	-585
Acquisition of minority share	-	-	-	-	-5	-5
Comprehensive income	-	-	39	267	14	320
Closing equity, 31 June 2016	1	6,835	31	-482	109	6,494

Condensed Group statement of cash flows

Amounts in SEK million	Jan-Jun 2016	Jan-Jun 2015	Apr-Jun 2016	Apr-Jun 2015	Jul 2015-Jun 2016	Jan-Dec 2015
Operating activities						
Profit before tax	347	712	301	661	1,262	1,627
Unrealised changes in value	151	-351	-39	-472	-271	-773
Adjustment for non-cash items	-16	-79	-26	-20	93	30
Income tax paid	-40	-7	-6	-23	-47	-14
Cash flow before changes in working capital	442	275	230	146	1,037	870
Increase (+)/decrease (-) in working capital	181	135	21	140	-30	-76
Cash flow from operating activities	623	410	251	286	1,007	794
Investing activities						
Property acquisitions	-1,424	-238	-336	-84	-2,409	-1,223
Investments in new construction, extension and refurbishment	-522	-453	-311	-256	-1,128	-1,059
Divestment of properties	28	822	28	–	-16	778
Other non-current assets	-11	-33	-10	-34	-18	-40
Cash flow from investing activities	-1,929	98	-629	-374	-3,571	-1,544
Financing activities						
Shareholders' contributions received	–	21	–	21	–	21
Borrowing in interest-bearing liabilities	5,670	3,900	3,049	1,976	8,974	7,204
Amortisation in interest-bearing liabilities	-3,319	-3,764	-1,766	-1,190	-5,747	-6,192
Contributions from non-controlling interests	–	–	–	–	25	25
Dividends paid	-585	-160	-533	-160	-689	-264
Cash flow from financing activities	1,766	-3	750	647	2,563	794
Cash flow for the period	460	505	372	559	-1	44
Opening cash and cash equivalents	157	107	247	53	620	107
Exchange-rate differences in cash and cash equivalents	-11	8	-13	8	-13	6
Closing cash and cash equivalents	606	620	606	620	606	157

Parent Company statement of income in summary

Amounts in SEK million	Jan-Jun 2016	Jan-Jun 2015	Apr-Jun 2016	Apr-Jun 2015
Operating income	52	23	25	17
Central administration expenses	-91	-83	-47	-21
Operating loss	-39	-60	-22	-4
Financial items	1,153	-160	1,206	-34
Profit/loss before tax	1,114	-220	1,184	-38
Recognised tax	-	-	-	-
Profit/loss for the period	1,114	-220	1,184	-38
Other comprehensive income				
Other comprehensive income	-	-	-	-
Comprehensive income/loss for the period	1,114	-220	1,184	-38

Parent Company balance sheet in summary

Amounts in SEK million	30 Jun 2016	30 Jun 2015
ASSETS		
Non-current assets		
Equipment	5	7
Shares and participations in Group companies	6,544	5,840
Non-current receivables	4,855	4,016
Total non-current assets	11,404	9,863
Current assets		
Current receivables	8,920	5,904
Cash and cash equivalents	441	511
Total current assets	9,361	6,415
TOTAL ASSETS	20,765	16,278
EQUITY AND LIABILITIES		
Equity	4,126	3,487
Untaxed reserves		
Tax allocation reserve	33	43
Liabilities		
Deferred tax liabilities	27	27
Interest-bearing liabilities	11,797	7,867
Non-interest-bearing liabilities	4,782	4,854
Total liabilities	16,606	12,748
TOTAL EQUITY AND LIABILITIES	20,765	16,278

Other information

Events after period-end

On 7 July, Hemsö signed an agreement with the elderly care company Vardaga concerning the construction of a new nursing home in Enköping, Sweden.

The nursing home will comprise 54 apartments covering a total of 4,100 square meters and a 16-year lease has been signed. The total investment is expected to amount to approximately SEK 100 million.

Employees

At period-end, Hemsö had 110 employees, of whom 43 were women. 55 employees worked with property management, and five with project development. Other employees were active in administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. All personnel were employed in the Parent Company, except for five people employed in the jointly owned Vitartes companies, three people employed in Germany and two people employed in Finland.

Risks and uncertainties

No changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 36-38 of the 2015 Annual Report.

Related-party transactions

Hemsö's related-party transactions are set out in Note 24 of Hemsö's 2015 Annual Report. No related-party transactions of any significance were conducted during the period.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB).

The consolidated financial statements have also been prepared in accordance with Swedish law, and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups.

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

No new or amended standards or interpretations from IASB have had any impact on the interim report, and the accounting policies applied are those presented in Note 1 of Hemsö's 2015 Annual Report.

Stockholm, 13 July 2016

Per Berggren

Chief Executive Officer

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

Signing of the report

The Board of Directors and Chief Executive Officer hereby certify that this half-year report provides a true and fair overview of the development of the Parent Company and Group's operations, position and earnings and describes significant risks and uncertainties faced by the company and Group companies.

Stockholm, 13 July 2016

Pär Nuder
Chairman of the Board

Eva Eriksson
Board member

Bengt Hellström
Board member

Kerstin Hessius
Board member

David Mindus
Board member

Johan Thorell
Board member

Per Berggren
CEO

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

Definitions*

Financial definitions

Return on equity

Profit after tax adjusted for interest rates on shareholder loans for the period as a percentage of average risk-bearing capital. Average risk-bearing capital calculated as the total of the opening and closing balance, divided by two.

Loan-to-value ratio

Interest-bearing net debt, excluding shareholder loans, as a percentage of the carrying value of the properties.

Average loan maturity

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

Average interest rate

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

Liquidity ratio

Estimated operating profit over the next 12 months, cash and available credit facilities in relation to loans falling due within 12 months, estimated net financial items and project investments over the next 12 months.

MTN program

Medium Term Note programme, a bond programme.

Risk-bearing capital

Equity and shareholder loans.

Interest coverage ratio

Net operating income less administrative expenses in relation to net financial items, excluding interest on shareholder loans.

Operating profit

Net operating income less central administrative expenses.

Total return

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

Property-related definitions

Yield

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

Net operating income

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

Economic occupancy rate

Rental income in relation to rental value.

Profit from property management

Profit before changes in value, excluding interest on shareholder loans.

Rental income

Rental value less vacancies, discounts and rental losses.

Comparable portfolio

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

Net investments

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

Project property

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

Property for public use

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

Lettable area

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

Occupancy rate, area

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

Vacancy rent

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

Rent based on vacancy rate

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

Vacancy rate, area

Vacant area in relation to total lettable area.

Surplus ratio

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

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

Questions and more information

For more information, please contact:

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CFO, Eva Bång, phone +46 (0)8-501 170 55

Financial statements and press releases are available on Hemsö's website: hemso.se

Financial calendar

Interim report, January-September 2016 26 October 2016

Publication

This is the type of information that Hemsö Fastighets AB is obligated to disclose pursuant to the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 13 July, 2016 at 12:00 p.m.

HEMSÖ

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