

## Nordic specialist in community service properties

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### THE QUARTER: OCTOBER - DECEMBER 2015

- Rental income amounted to MSEK 624 (422)
- Profit from property management totaled MSEK 405 (179), corresponding to SEK 2.88 per ordinary share (1.52)\*
- Profit after tax amounted to MSEK 573 (552), corresponding to SEK 4.13 per ordinary share (4.12)\*
- Cash flow from operating activities was MSEK 455 (247), corresponding to SEK 3.25 per ordinary share (1.80)\*

\* Key figures have been retroactively restated due to a 2:1 share split implemented in May 2015 and a voluntary change of accounting policy, which became effective in 2015.

### FULL-YEAR JANUARY-DECEMBER 2015

- Rental income amounted to MSEK 2,443 (1,612)
- Profit from property management totaled MSEK 1,363 (821), corresponding to SEK 9.55 per ordinary share (7.36)\*
- Profit after tax amounted to MSEK 2,339 (1,124), corresponding to SEK 16.86 per ordinary share (10.13)\*
- Recognized property value of SEK 29.6 billion (24.7) includes 411 (353) directly owned properties
- Net asset value (EPRA NAV) per ordinary share was SEK 76.63 (74.49)\*
- Cash flow from operating activities was MSEK 1,172 (627), corresponding to SEK 8.10 per ordinary share (5.59)\*
- The Board proposes a dividend of SEK 4,20 per ordinary share with a quarterly payment of SEK 1,05, as well as a dividend of SEK 10,00 per preference share with a quarterly payment of SEK 2,50 per preference share.

### SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- Hemfosa completed its first property acquisition in Finland, comprising two community service properties in Helsinki at an underlying property value of approximately MSEK 500.
- Hemfosa continued to acquire community service properties in Sweden through the acquisition of 43 care properties at an underlying property value of MSEK 258.
- Streamlining of the property portfolio continued through agreements concerning the divestment of five residential properties in Gävle at an underlying property value of MSEK 170 and four logistics properties at an underlying property value of MSEK 335. Takeover of the properties occurred following the end of the quarter.
- Hemfosa's joint venture, Gardermoen Campus Utvikling AS, signed an agreement to construct a new local medical center, which is already fully leased, for approximately MSEK 200.
- After the end of the quarter, Hemfosa acquired nine community service properties in Norway through the acquisition of Statens Park in the municipality of Tønsberg at an underlying property value approximately MSEK 420.
- After the end of the quarter, Hemfosa acquired an additional three community service properties in Finland at an underlying property value of approximately MSEK 500.
- After the end of the quarter, Hemfosa signed a ten-year lease with If Skadeförsäkring for 11,000 square meters of previously vacant floor space in the Södra Porten area of Mölndal.

# Comments from the CEO

From Hemfosa's standpoint, the pace of activity at the end of 2015 was just as fast as when the year started. Through our first acquisitions in Finland in December 2015 and an additional transaction in January this year, we have broadened our business to become a Nordic specialist in community service properties with operations in three countries. During the fourth quarter, we also reported strong profit from property management and a continued increase in earnings capacity.

## A NORDIC PLAYER WITH BREADTH

With the aim of continuing to grow in community service properties, we worked actively in 2015 to broaden the operations to additional markets and to streamline the portfolio with a focus on the community service area. At the beginning of the year, we took our first steps into Norway and, during the fourth quarter, following a meticulous market analysis, we completed our first acquisition in Finland, of two community service properties in Helsinki, for SEK 0.5 billion, followed by an equally large transaction after year-end. We view this geographic expansion as a strategically important, and logical, progression for Hemfosa. The Finnish and Norwegian markets both have distinct similarities with our Swedish core market, in terms of both function and development, and Hemfosa sees great potential for a large and specialized operator in the community service market. With a presence in three countries and a growing share of community service properties, we have also decided, as of this report, to switch to a segment division based primarily on the different markets and secondarily on the type of properties, which we hope will provide a clearer picture of the property portfolio and the Group's progress.

First acquisitions in Finland

## TARGET-ORIENTED TRANSACTION ACTIVITY

In the "hot" market climate that currently prevails, a targeted approach is becoming more important than ever. Hemfosa has been extremely clear in its focus on community service properties that generate stable cash flows and we know when to turn down a transaction. During the year, we proved in the face of intense competition that we can implement transactions that are good for us, and I believe a key reason for our success is our position as a well-known and knowledgeable counterparty in the community service sector, where decisions made by property buyers are not solely based on monetary factors.

Investment in an additional Norwegian project

In Sweden during the fourth quarter, we were able to sell non-priority properties and simultaneously acquire 43 fully leased healthcare and personal care properties; a growing area in which we believe that Hemfosa is ideally suited as a property owner with its long-term approach and experience.

The pace of activity was also high in Norway, where Hemfosa built up a portfolio of community service properties worth approximately SEK 3 billion. In addition to one major acquisition, we initiated during the quarter our second large-scale joint venture at the Gardermoen Campus outside Oslo; a fully leased health and medical center close to the specialist hospital on which construction commenced in September. And we have identified good potential for additional attractive projects in this expansive area.

## STRONG TREND

Since its foundation, Hemfosa has worked actively and consistently to secure expertise and it is continuing to build up an organization based on skillful employees with the ability and the will to grow within the company. During the autumn and winter, a number of employees were hired in the Swedish organization and for the new team in Norway. We also strengthened Group Management by promoting several company employees.

Increased dividend proposed

When we summarize the year, we can report strong growth in profit from property management; up 66 percent compared with 2014, and cash flow from operating activities that rose from MSEK 627 to MSEK 1,172. In line with our business concept, in which stable and healthy earnings are the lodestars, we should and we can pay a high dividend to our shareholders and our policy is to distribute 60 percent of our distributable profit over time. The Board's proposal that the dividend per ordinary share for 2015 be SEK 4.20 represents an increase by 40 percent on 2014. We also aim to continue to pay quarterly dividends, something that benefits and is appreciated by our shareholders.

*Jens Engwall, CEO*

# Overview

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

	Full-year	
	2015	2014
Rental income	2,443	1,612
Property expenses including property administration	-773	-538
<b>Net operating income</b>	<b>1,670</b>	<b>1,074</b>
Central administration	-112	-74
Other operating income and expenses	0	62
Share in profit of joint ventures	255	239
Financial income and expenses	-450	-480
<b>Profit from property management</b>	<b>1,363</b>	<b>821</b>
Changes in value of properties	1,500	695
Changes in value of financial instruments	-42	-277
Current and deferred tax	-483	-115
<b>Profit for the year</b>	<b>2,339</b>	<b>1,124</b>
<b>Other comprehensive income</b>		
Exchange differences for the period from translation of foreign operations	-131	-
<b>Comprehensive income for the year</b>	<b>2,207</b>	<b>1,124</b>

## Consolidated statement of financial position, MSEK

	Dec 31	
	2015	2014
Investment properties	29,553	24,718
Shares in joint ventures	1,075	609
Derivatives and other fixed assets	7	10
Current receivables	82	94
Cash and cash equivalents	732	594
<b>Total assets</b>	<b>31,449</b>	<b>26,025</b>
Shareholders' equity	10,749	8,949
Interest-bearing liabilities	18,898	15,760
Derivatives	103	105
Deferred tax liabilities	701	492
Other liabilities	997	718
<b>Total equity and liabilities</b>	<b>31,449</b>	<b>26,025</b>

## Statement of cash flow for the Group, MSEK

	Full-year	
	2015	2014
Cash flow from operating activities	1,172	627
Cash flow from investing activities	-1,752	-2,499
Cash flow from financing activities	717	2,182
<b>Total cash flow</b>	<b>138</b>	<b>310</b>

# Key figures

## Key financial data

	Full-year	
	2015	2014
Return on equity, % <sup>4</sup>	23.7	19.7
Equity/assets ratio, % <sup>1,4</sup>	34.2	34.4
Loan-to-value ratio properties, % <sup>1,4</sup>	63.9	63.8
Debt/equity ratio, multiple <sup>1,4</sup>	1.8	1.8
Interest coverage ratio, multiple <sup>2,3,4</sup>	3.5	2.2

## Share-related key figures, ordinary shares

	Full-year	
	2015	2014
Profit from property management, SEK per ordinary share <sup>4</sup>	9.55	7.36
Profit after tax, SEK per ordinary share <sup>4</sup>	16.87	10.13
Equity, SEK per ordinary share <sup>1,4</sup>	68.06	55.63
Net asset value (EPRA NAV), SEK per ordinary share <sup>1,4</sup>	76.63	74.49
Cash flow from operating activities, SEK per ordinary share <sup>4</sup>	8.10	5.59
Dividend, SEK per ordinary share	3.00	-
Weighted average number of ordinary shares, 000s	131,440	109,954
Number of ordinary shares outstanding, 000s <sup>1</sup>	131,440	131,440

## Share-related key figures, preference shares

	Full-year	
	2015	2014
Dividend, SEK per preference share	10.00	1.25
Equity, SEK per preference share <sup>1</sup>	162.85	162.50
Number of preference shares outstanding, 000s <sup>1</sup>	11,000	10,000

## Property-related key figures

	Dec 31	
	2015	2014
Number of properties	411	353
Rental value, MSEK	2,768	2,520
Leasable area, 000s of square meters	2,607	2,516
Fair value of properties, MSEK	29,553	24,718
Property value, SEK per square meters	11,336	9,824
Economic leasing rate, %	90.4	90.7
Surplus ratio, %	68.4	66.6
Yield, %	5.8	6.1

1 At the end of the period.

2 Interest expenses for the Jan-Dec 2014 period include interest of MSEK 60 on shareholders' loans.

3 Share of profit/loss of joint ventures is not included in profit from property management when calculating the interest-coverage ratio.

4 Key figures have been retroactively restated due to the share split implemented in May 2015 and due to a voluntary change of accounting policy, which became effective in 2015.

# Operations

## Summary of earnings

MSEK	Oct-Dec		Full-year	
	2015	2014	2015	2014
Rental income	624	422	2,443	1,612
Property expenses including property administration	-187	-150	-773	-538
<b>Net operating income</b>	<b>437</b>	<b>272</b>	<b>1,670</b>	<b>1,074</b>
Central administration	-28	-24	-112	-74
Other operating income and expenses	1	12	0	62
Share in profit of joint ventures	114	15	255	239
Financial income and expenses	-118	-96	-450	-480
<b>Profit from property management</b>	<b>405</b>	<b>179</b>	<b>1,363</b>	<b>821</b>
Changes in value of investment properties	383	476	1,500	695
Changes in value of financial instruments	18	-69	-42	-277
<b>Profit before tax for the year</b>	<b>808</b>	<b>586</b>	<b>2,821</b>	<b>1,239</b>
Current tax	-4	-1	-5	-2
Deferred tax	-231	-33	-478	-113
<b>Profit for the year</b>	<b>573</b>	<b>552</b>	<b>2,339</b>	<b>1,124</b>
<b>Other comprehensive income</b>				
Translation differences during the period resulting from translation of foreign operations	-45	-	-131	-
<b>Comprehensive income for the period</b>	<b>528</b>	<b>552</b>	<b>2,207</b>	<b>1,124</b>

Hemfosa has changed its accounting policy for investment properties, whereby investment properties are recognized at fair value in the statement of financial position without deductions for acquired deferred tax; also refer to page 24.

## FOURTH QUARTER, OCTOBER-DECEMBER 2015

During the fourth quarter, Hemfosa implemented a number of transactions in line with the strategy of focusing the property portfolio on community service properties. In total, community service properties were acquired at a value of approximately MSEK 800. Hemfosa took its first step into the Finnish market through the December acquisition of two community service properties in Finland at a value of MSEK 500. Since the Finnish acquisition was completed at year-end, it had no impact on net operating income during the quarter. The remaining acquisitions comprised community service properties in Sweden at a value of approximately MSEK 300. Divestments of non-priority properties implemented during the quarter totaled approximately MSEK 170.

Profit from property management during the quarter was MSEK 405 (179). Changes in the value of investment properties and derivative instruments amounted to MSEK 401 (407) and current and deferred tax charges amounted to MSEK 235 (34). Due to the changed accounting policy for investment properties, unrealized changes in the value of properties were affected by MSEK 6 (207) and deferred tax charges by MSEK 1 (46).

Profit for the quarter amounted to MSEK 573 (552), corresponding to SEK 4.13 per ordinary share (4.12), after taking the pre-emptive rights of preference shares into account.

## FULL-YEAR 2015

Hemfosa continued to strengthen its position in community service properties during the year, through acquisitions of this type of property at an underlying property value totaling SEK 4.2 billion in Sweden, Norway and Finland. At the same time, the streamlining of the portfolio continued through divestments of non-priority properties that no longer fit in with the company's operations, such as a logistics portfolio and a residential area, including housing development rights. A number of disposals of individual properties were also implemented in non-priority property categories. Properties were divested during the year at a total value of SEK 1.4 billion.

### Net operating income

Rental income for the full-year amounted to MSEK 2,443 (1,612). At December 31, 2015, the leasable area of Hemfosa's total property portfolio totaled 2,607,000 square meters (2,516,000). The average rental income was SEK 1,290 (1,262) per square meter for community service properties and SEK 919 (867) per square meter for Other properties. The year-on-year change was due primarily to tenants moving into and vacating from properties, which changed the portfolio in terms of the geographic breakdown of properties and the breakdown into property categories. The leasing rate was 90.4 percent (90.7).

Property expenses amounted to MSEK 773 (538), corresponding to SEK 302 per square meter (254). Due to the rectification of undersized flooring in one of the properties, maintenance costs of MSEK 26 are included in the year's property expenses. Profit was charged with approximately MSEK 17 for the cost of major maintenance work at a property in Gävle. The surplus ratio was 68.4 percent (66.6) and the yield on the entire portfolio was 5.8 percent (6.1).

Net operating income amounted to MSEK 1,670 (1,074), up MSEK 596 or 55 percent.

### Profit from property management

Property management during the year generated profit from property management of MSEK 1,363 (821), up 66 percent compared with 2014. Profit from property management per ordinary share amounted to SEK 9.55 (7.36) after taking the pre-emptive rights of preference shares into account.

Central administration costs amounted to MSEK 112 (74). The increase was due to the larger property portfolio, which requires a larger organization. Other operating income mainly comprises compensation of MSEK 20 from a seller for a defect detected in a property when Hemfosa assumed occupancy, as well as MSEK 26 from a tenant as compensation for advance redemption of a lease.

Profit from shares in joint ventures totaled MSEK 255 (239), mainly generated by the holding in Söderport Holding AB, and comprised MSEK 131 (127) in profit from property management, MSEK 213 (188) in revaluations of properties and financial instruments and a loss of MSEK 88 (loss: 77) for taxes and other items.

Financial income and expenses were positively impacted by both lower interest rates and reduced margins on new borrowings. The average interest rate at December 31, 2015 was 2.03 percent (2.37). Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. Since certain loan agreements include a proviso concerning an interest-rate floor, Hemfosa is not able to fully capitalize on the lower interest rates in cases where STIBOR 3 months has been negative. The loan-to-value ratio was 63.9 percent (63.8).

### Changes in fair value

Rising demand in the property market reduced the required yield during the year. This also affected the valuation of the property portfolio, resulting in a positive value trend. During the year, Hemfosa's property portfolio experienced an unrealized change in value of MSEK 1,409 (548). MSEK 164 of the year's change in value was due to the changed accounting policy.

At December 31, 2015, interest-rate swaps and interest-rate caps had a negative fair value of MSEK 101 (neg: 102). The unrealized negative change in the value of interest-rate swaps and interest-rate caps amounted to MSEK 45 (202) during the year. Settlement of interest-rate swaps during the year resulted in a realized positive change in value of MSEK 3 (neg: 75).

### Tax

In 2015 the nominal corporate tax rate was 22 percent in Sweden, 27 percent in Norway and 20 percent in Finland. In the Statement of profit/loss and other comprehensive income, income tax is recognized in two items: current tax and deferred tax. Current tax is calculated on the basis of taxable profit for the year, which could be lower than recognized profit. The effective tax rate for Hemfosa was 17.1 percent (9.3). This is mainly due to the fact that consolidated profit includes shares in the profit of joint ventures, whereby the tax effect is already taken into account, and the fact that the capital gain on sales of shares in subsidiaries is not taxable.

The current tax expense amounted to MSEK 5 (2) and is attributable to companies acquired during the year, which do not qualify for group contributions. The deferred tax expense for the year totaled MSEK 478 (113), of which MSEK 412 (154) derived from temporary differences in investment properties. A deferred tax expense of MSEK 36 (46) was charged against profit due to the changed accounting policy. Other items pertain to deferred tax income and expenses due to the remeasurement of derivative instruments and tax loss carryforwards, as well as completed property transactions.

Hemfosa has no ongoing tax disputes.

### **Profit for the year**

Profit for the year amounted to MSEK 2,339 (1,124), corresponding to SEK 16.86 per ordinary share (10.13), after taking the pre-emptive rights of preference shares into account.

### **Other comprehensive income**

During the year, currency translation of the Norwegian operations generated a negative translation difference of MSEK 168 (-) in other comprehensive loss. Deferred tax attributable to items in other comprehensive income amounted to MSEK 37 (-).

### **Cash flow**

Cash flow from operating activities for the year amounted to MSEK 1,172 (627), corresponding to SEK 8.10 per ordinary share (5.59). Investing activities had an impact of MSEK -1,752 (-2,499) on cash flow, of which investments in existing properties accounted for MSEK -566 (-484), acquisitions of subsidiaries and properties for MSEK -1,671 (-2,411), divestment of subsidiaries and properties for MSEK 692 (364), acquisition of interests in joint ventures for MSEK -221 (-) and other items for MSEK 5 (-), as well as dividends received from and shareholders' contribution granted to Söderport Holding AB for MSEK 50 (63) and MSEK -41 (-), respectively.

Financing activities had an impact of MSEK -717 (pos: 2,182) on cash flow for the year. In addition to loans raised and repayments in connection with the acquisition and divestment of subsidiaries, loans raised amounted to MSEK 2,161 (3,087) and repayments to MSEK -1,210 (-2,145). During the year, MSEK 399 (-) was paid to Hemfosa's shareholders. During 2015, a new issue of preferential shares contributed capital of MSEK 166 (1,592) after issue costs. Overall, the change in cash and cash equivalents during the year was MSEK 138 (310).



# Segment reporting

Community service properties account for an ever-increasing and more prioritized share of Hemfosa's property portfolio. As a result of this development and of the expansion of the company's operations into Norway and Finland, where the portfolios consist exclusively of community service properties, Hemfosa has chosen a new segment division based primarily on *the different markets of Sweden, Norway and Finland* and secondarily on the property types of Community service properties and Other properties. The assessment is that the new division provides a clearer overview of the profit trend and of Hemfosa's property portfolio.

On the basis of the new segment division – Sweden, Norway and Finland – the results for the fourth quarter and full-year 2015 are presented below. Sweden accounted for 92 percent (100) of rental income and 89 percent (100) of net operating income both during the quarter and the full-year 2015, while Norway accounted for the remainder. Since the acquisition in Finland was implemented at the end of the year, this segment had no impact on rental income or net operating income. Based on property type, Community service properties accounted for 57 percent (50) of the year's rental income and 61 percent (51) of the year's net operating income.

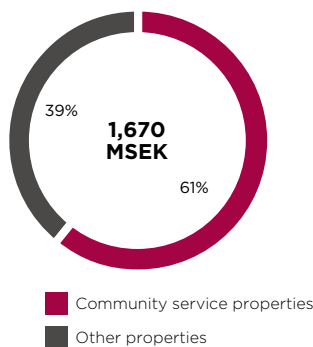
The outcome for full-year 2015 is also recognized in the segment information on page 32 on the basis of the former segments Community service properties, Office properties in growth municipalities, Logistics properties and Transaction properties.

Net operating income (MSEK)	Sweden				Norway				Finland				Total			
	Quarter 4		Full-year		Quarter 4		Full-year		Quarter 4		Full-year		Quarter 4		Full-year	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rental income	572	422	2,247	1,612	53	-	196	-	0	-	0	-	624	422	2,443	1,612
Property expenses																
Operations	-95	-82	-411	-306	-1	-	-2	-	0	-	0	-	-96	-82	-413	-306
Maintenance	-48	-35	-191	-104	0	-	-3	-	0	-	0	-	-48	-35	-194	-104
Property tax	-21	-17	-83	-67	-2	-	-2	-	0	-	0	-	-24	-17	-86	-67
Property management	-17	-15	-78	-61	-2	-	-2	-	0	-	0	-	-20	-15	-81	-61
<b>Net operating income</b>	<b>390</b>	<b>272</b>	<b>1,482</b>	<b>1,074</b>	<b>47</b>	<b>-</b>	<b>187</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>437</b>	<b>272</b>	<b>1,670</b>	<b>1,074</b>

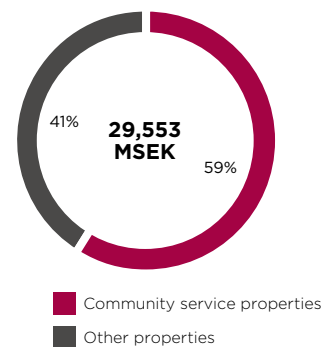
Key figures for the period, Dec 31	Sweden		Norway		Finland		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Rental value, MSEK	2,518	2,520	206	-	45	-	2,768	2,520
Leasable area*, 000s square meters	2 451	2 516	119	-	37	-	2 607	2 516
Fair value of properties, MSEK	25,999	24,718	3,042	-	512	-	29,553	24,718
Number of properties	388	353	21	-	2	-	411	353
Yield, %	5,8	6,1	6,3	-	7,4	-	5,8	6,2
Economic leasing rate, %	89.5	90.7	100.0	-	100.0	-	90.4	90.7
Remaining lease term, years	5.4	5.4	10.2	-	8.6	-	5.9	5.4

\* excluding garage space

**Net operating income  
by property type, Group 2015**



**Fair value by  
property type, Group 2015**



**88%**  
percentage of  
the Group's  
total property  
value

## SWEDEN

Sweden is and will continue to be Hemfosa's core market, with a definite emphasis on community service properties. Although active transaction work is being conducted to further streamline the portfolio in the direction of this property type, the portfolio will also contain other properties in the future, which complete the portfolio in a desirable manner. Geographically, the focal point of the Swedish portfolio is on the Stockholm, Gothenburg and Öresund regions, as well as growth municipalities in central Sweden and along the coast of Norrland. The metropolitan regions of Stockholm and Gothenburg represent approximately 40 percent of the total property value. The largest tenants in Sweden are the Police Authority, the Municipality of Härnösand and the National Courts Administration. At year-end, the Swedish property portfolio accounted for 88 percent of Hemfosa's property value.

### Development during the quarter

During the fourth quarter, community service properties in central Sweden were acquired at a value of MSEK 259 and had an average remaining lease term of 14 years. Since the day of taking possession was December 1, 2015, this property only affected net operating income by one month. Of the Swedish property portfolio, 53 percent of rental income and 56 percent of net operating income derived from community service properties both during the quarter and the full-year 2015.

During the quarter, the property portfolio continued to be streamlined and four non-priority properties in the Other properties segment were divested, while a fully leased, newly built office and production property in Jönköping was acquired.

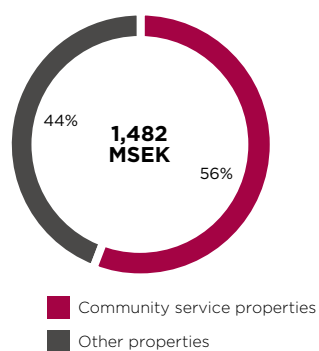
A 20-year lease was signed with an existing tenant that conducts hotel operations in Haninge. A total of 7,000 square meters will be refurbished and the work is scheduled for completion in September 2016.

The Sweden segment accounted for 92 percent (100) of rental income and 89 percent (100) of net operating income during the quarter. The economic leasing rate for the segment was 89.5 percent (90.7) and the yield for the segment was 5.8 percent (6.1). A lower yield was attributable to the value trend for the properties.

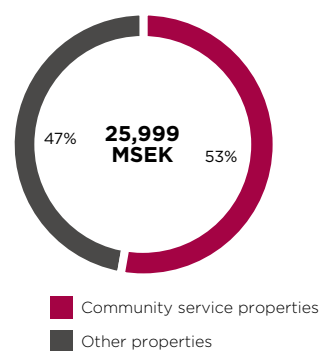
Segment Sweden (MSEK)	Quarter 4		Full-year	
	2015	2014	2015	2014
Rental income	572	422	2,247	1,612
Property expenses				
<i>Operations</i>	-95	-82	-411	-306
<i>Maintenance</i>	-48	-35	-191	-104
<i>Property tax</i>	-21	-17	-83	-67
Property administration	-17	-15	-78	-61
<b>Net operating income</b>	<b>390</b>	<b>272</b>	<b>1,482</b>	<b>1,074</b>
Rental value, Dec 31, MSEK			2,518	2,520
Leasable area*, Dec 31, 000s square meters			2,451	2,516
Fair value of properties, Dec 31, MSEK			25,999	24,718
Number of properties, Dec 31			388	353
Yield, %			5.8	6.1
Economic leasing rate, %			89.5	90.7
Remaining lease term, years			5.4	5.4

\* excluding garage space

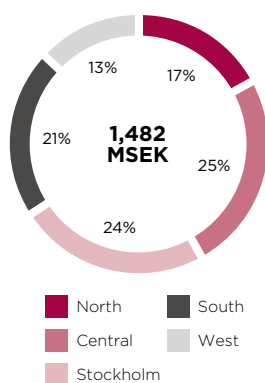
**Net operating income by property type, Sweden 2015**



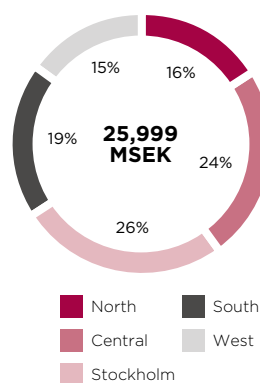
**Net operating income by property type, Sweden 2015**



**Net operating income by region, Sweden 2015**



**Fair value by region, Sweden 2015**



**10%**  
percentage of  
the Group's  
total property  
value

## NORWAY

Hemfosa took an initial step into the Norwegian market in early 2015 and the property portfolio in Norway accounted for ten percent of Hemfosa's total year-end property value. The properties are located in the Oslo region and consist exclusively of community service properties, with the operations ranging from office and judicial institutions to schools, health and care services. The largest tenants are the Oslo and Akershus University College, NAV Økonomiteneste and Østfold University College. During the year, Hemfosa built up a property management organization in Norway, which comprised four employees at year-end and is of a size that can handle a growing property portfolio.

### Development during the quarter

Norway accounted for 9 percent rental income during the quarter and 11 percent of net operating income. The economic leasing rate for the segment was 100.0 percent and the yield was 6.3 percent.

Segment Norway (MSEK)	Quarter 4		Full-year	
	2015	2014	2015	2014
Rental income	53	-	196	-
Property expenses				
<i>Operations</i>	-1	-	-2	-
<i>Maintenance</i>	0	-	-3	-
<i>Property tax</i>	-2	-	-2	-
Property administration	-2	-	-2	-
<b>Net operating income</b>	<b>47</b>	<b>-</b>	<b>187</b>	<b>-</b>
Rental value, Dec 31, MSEK			206	-
Leasable area*, Dec 31, 000s square meters			119	-
Fair value of properties, Dec 31, MSEK			3,042	-
Number of properties, Dec 31			21	-
Yield, %			6.3	-
Economic leasing rate, %			100.0	-
Remaining lease term, years			10.2	-

\* excluding garage space

**2%**  
percentage of  
the Group's  
total property  
value

## FINLAND

Finland is the third market in which Hemfosa has established operations and the property portfolio there consists exclusively of community service properties, with the focus on the country's largest cities. At year-end, the property portfolio in Finland accounted for 2 percent of Hemfosa's property value. Hemfosa is working to establish a property management organization in Finland.

### Development during the quarter

In December 2015, Hemfosa implemented its first acquisition in Finland. Hemfosa acquired two community service properties at a combined value of MSEK 500, which are fully leased and have an average remaining lease term of approximately 8.6 years. The Finnish Red Cross's Blood Service conducts national operations in one of the properties, by supplying blood products to the Finnish healthcare sector. The second property is leased by a vocational college operated by the Haaga Institute Foundation. In addition to a school building, the property also houses a hotel in the Best Western chain, in which the college conducts some operations.

The economic leasing rate for the segment was 100.0 percent and the yield was 7.4 percent, calculated on expected net operating income over a 12-month period. Since possession of the property was not taken until the end of December 2015, the Group is not reporting figures for net operating income for either the quarter or the full-year.

<b>Segment Finland (MSEK)</b>	<b>Quarter 4</b>		<b>Full-year</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Rental income	0	-	0	-
Property expenses				
<i>Operations</i>	0	-	0	-
<i>Maintenance</i>	0	-	0	-
<i>Property tax</i>	0	-	0	-
Property administration	0	-	0	-
<b>Net operating income</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>
Rental value, Dec 31, MSEK			45	-
Leasable area*, Dec 31, 000s square meters			37	-
Fair value of properties, Dec 31, MSEK			512	-
Number of properties, Dec 31			2	-
Yield, %			7.4	-
Economic leasing rate, %			100.0	-
Remaining lease term, years			8.6	-

\* excluding garage space

# Current earnings capacity

The table below shows the current earnings capacity on a 12-month basis at December 31, 2015. The earnings capacity is not a forecast, but should be considered a theoretical overview presented solely for illustrative purposes. The current earnings capacity does not include an assessment of the future trends in respect of rents, vacancy rates, operating costs, interest rates or other factors.

## Group's earnings capacity

<b>MSEK</b>	<b>Dec 31, 2015</b>
Rental income	2,516
Property expenses	-674
Property administration	-76
<b>Net operating income</b>	<b>1,766</b>
Central administration	-110
Share in profit of joint ventures	126
Financial income and expenses	-415
<b>Profit from property management</b>	<b>1,367</b>

The following information was used as the basis for the assessed earnings capacity.

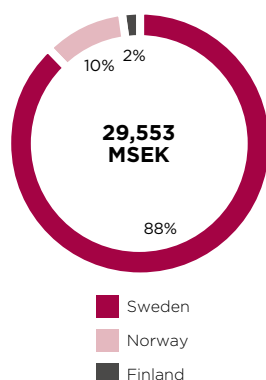
- Annual contractual rental income (including supplements and taking rent discounts into account), plus other property-related income on December 31, 2015 based on current leases.
- Operating and maintenance costs consist of an assessment of operating costs and maintenance measures for a standard year.
- Property tax has been calculated on the basis of the current taxable value of the properties, and the current costs for site leaseholds.
- Costs for central administration and marketing have been calculated on the basis of the existing organization and the current size of the property portfolio.
- Financial income and expenses have been calculated on the basis of the company's actual average interest rate on January 1, 2016.
- The earnings capacity for the foreign operations has been restated at the exchange rate prevailing on the balance-sheet date.

# Property portfolio

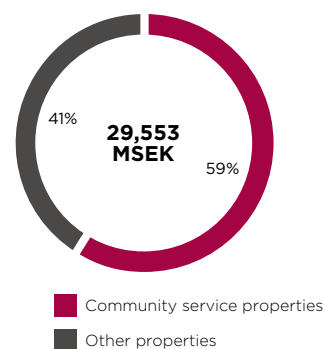
Hemfosa's property portfolio is dominated by property segment Community service properties type but also contains the property segment Other properties. During the year, Hemfosa worked determinedly to focus the property portfolio on the Community service properties segment, which accounted for 57 percent of year-end rental income in the Group and the aim is to increase that share. The property portfolio has also grown geographically following the acquisition of community service properties in Norway och Finland. As a result, Hemfosa considers itself a Nordic player in the market for community service properties.

On December 31, 2015, the total property portfolio comprised 411 properties (353). The properties had a total fair value of SEK 29.6 billion (24.7), of which community service properties accounted for SEK 17.4 billion (12.3), corresponding to 59 percent. The total leasable area was 2,607,000 square meters (2,516,000), with a rental value of MSEK 2,768 (2,520).

Fair value per segment 2015



Fair value per segment 2015



## INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

During the year, Hemfosa acquired a total of 82 properties with a leasable area of 254,000 square meters. Investments in properties totaled MSEK 4,789 (9,140), of which property acquisitions accounted for MSEK 4,223 (8,656) and investments in the existing property portfolio for MSEK 566 (484). Streamlining of the portfolio resulted in Hemfosa divesting non-priority properties that were no longer compatible with the operations, in the form of entire portfolios and the divestment of individual properties. Divestments during the year totaled SEK 1.4 billion (1.3).

Investments, acquisitions and divestments per segment, Dec 31	Sweden		Norway		Finland		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Investments in existing properties, MSEK	555	484	11	-	-	-	566	484
<i>Of which, Community service properties</i>	<i>219</i>	<i>280</i>	<i>11</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>230</i>	<i>280</i>
Acquisition of properties, MSEK	963	8,449	2,748	-	512	-	4,223	8,449
<i>Of which, Community service properties</i>	<i>871</i>	<i>5,000</i>	<i>2,748</i>	<i>-</i>	<i>512</i>	<i>-</i>	<i>4,131</i>	<i>5,000</i>
Divestment of properties, MSEK	1,441	1,304	-	-	-	-	1,441	1,304
<i>Of which, Community service properties</i>	<i>387</i>	<i>997</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>387</i>	<i>997</i>

## COMMUNITY SERVICE PROPERTIES

Hemfosa's operations focus on properties of the community service properties type, with tenants who directly or indirectly conduct publicly financed operations, such as schools, judicial institutions, care services and public authorities. At Hemfosa, a property is defined as a community service property if tenants who, directly or indirectly, are publicly financed account for at least 70 percent of the rental income.

Community service properties contributed 57 percent (50) of Hemfosa's rental income during the year. Due to the specialization towards community service properties, Hemfosa occupies a unique position in its markets and the company has become a significant and powerful player in a short time. Hemfosa's strategy is to continue to grow in the Community service properties segment, which generate stable cash flows and usually also have longer leases. At year-end, the Community service properties segment accounted for 59 percent of the total value of the property portfolio.

### Development during the year

During 2015, Hemfosa acquired 79 community service properties at a value of SEK 4.2 billion and total leasable area of 245,000 square meters.

In Sweden during the first quarter, eleven community service properties were acquired, with the Municipality of Uddevalla and the Västra Götaland Region as major tenants with operations including healthcare, schools and retirement homes. During the second quarter, two newly built schools were acquired in western Stockholm, of which one was a 5,000-square-meter preschool rented on a newly signed 15-year lease and the other was a 7,000-square-meter school property in Karlstad on a 20-year lease. A residential property portfolio of about 9,000 square meters was divested during the same quarter. During the fourth quarter, 43 care properties in central Sweden were acquired in central Sweden with a leasable area totaling 30,000 square meters and on a triple net lease with an average term of 14 years.

In Norway, properties in the Oslo region were acquired at a value of approximately SEK 2.6 billion during the first quarter of 2015 and at a value of some MSEK 260 in the second and third quarters. The total leasable area is some 119,000 square meters and the properties are fully leased. At the end of the year, Hemfosa completed its first investment in Finland when the site leaseholds for two community service properties in the Helsinki area were acquired. The properties, which are fully leased, encompass a total of 37,000 square meters of leasable area with an average remaining lease term of 8.6 years. Annual rental income amounts to approximately MSEK 42.

Key figures per property category, Dec 31	Community service properties											
	School		Offices		Judicial system		Care services		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rental value, MSEK	473	334	485	483	320	187	250	170	8	24	1,535	1,198
Leasable area <sup>1</sup> , 000s square meters	366	273	381	375	233	163	233	147	9	18	1,222	977
Fair value, properties, MSEK	5,504	3,404	5,171	3,742	3,717	2,871	2,869	1,902	102	392	17,363	12,311
Number of properties	55	47	42	46	38	27	103	38	6	7	244	165
Yield <sup>2</sup> , %											6.1	6.3
Economic leasing rate, %											94.9	96.2
Remaining lease term, years											7.0	6.4

1 Excluding garage space

2 According to earnings capacity

## OTHER PROPERTIES

Other properties are all properties that cannot be defined as Community service properties and these mainly consist of office and logistics buildings and warehouses. The property type accounted for 43 percent of Hemfosa's rental income during the year.

Hemfosa's office properties that cannot be classified as Community service properties are located centrally in primarily the two metropolitan regions of Stockholm and Gothenburg, and also in such growth municipalities as Västerås, Karlstad, Sundsvall, Umeå and Luleå. The logistics buildings and warehouses are mainly found in attractive locations close to major European grade



highways by key transportation hubs, predominantly in southern and central Sweden. Hemfosa's logistics properties include a considerable share of modern logistics buildings with a highly flexible range of applications.

### Development during the year

Streamlining of the portfolio continued during the year and Hemfosa sold a total of 21 properties in the Other properties segment at a value of MSEK 1,056 and with total leasable area of 138,000 square meters. During the same period, three properties were acquired in the Other properties segment at a value of MSEK 90 and with a total leasable area of 10,000 square meters.

In the first quarter, twelve properties were divested for an underlying value of SEK 1.0 billion. The largest divestment was the sale of nine logistics properties at a value of SEK 0.8 billion and with an area of 116,000 square meters. Divestments in the second quarter comprised a two small properties. In the third quarter, three small properties were sold in southern Sweden. During the fourth quarter, four small properties with a total leasable area of 7,000 square meters were divested at an underlying value of MSEK 53.

Hemfosa signed a 20-year lease with an existing tenant in Haninge that conducts hotel operations. A total of 7,000 square meters will be refurbished and the work is scheduled for completion in September 2016.

Key figures per property category, Dec 31	Other properties							
	Offices		Logistics/ Storage		Other		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Rental value, MSEK	691	694	304	373	238	255	1,233	1,322
Leasable area <sup>1</sup> , 000s square meters	595	613	521	638	269	288	1,385	1,539
Fair value of properties, MSEK	6,545	6,243	3,511	4,050	2,135	2,113	12,191	12,407
Number of properties	73	77	35	44	59	67	167	188
Yield <sup>2</sup> , %							5.8	6.0
Economic leasing rate, %							84.8	85.7
Remaining lease term, years							4.4	4.4

1 Excluding garage space

2 According to earnings capacity

Property information based on the previous segment division is shown in the table below. The Community service properties segment corresponds to the current Community service properties property type while the other former segments jointly correspond to the current property type, Other properties.

Key figures, Dec 31	Former segment division									
	Community service properties		Office properties		Logistics properties		Transaction properties		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rental value, MSEK	1,535	1,198	607	620	238	310	387	392	2,768	2,520
Leasable area <sup>1</sup> , 000s square meters	1,222	977	503	527	411	522	472	491	2,607	2,516
Fair value of properties, MSEK	17,363	12,311	5,847	5,671	2,958	3,562	3,385	3,173	29,553	24,718
Number of properties	244	165	57	63	23	31	87	94	411	353
Yield <sup>2</sup> , %	6.1	6.3	5.6	5.5	6.1	6.6	5.9	6.5	6.0	6.2
Economic leasing rate, %	94.9	96.2	83.4	81.9	86.9	91.4	85.7	87.4	90.4	90.7
Remaining lease term, years	7.0	6.4	3.7	3.8	8.4	7.1	2.9	3.1	5.9	5.4

1 Excluding garage space

2 According to earnings capacity

## MARKET VALUE OF PROPERTY PORTFOLIO

The market value of Hemfosa's investment properties has been assessed by external, independent property appraisers, with relevant, professional qualifications and experience in the field, as well as in the property category appraised. The independent appraiser provides the market value of the Group's portfolio of investment properties each quarter, starting from June 30, 2013.

### Valuation techniques

The value of the properties has been assessed based on a market-adapted cash-flow estimate in which, by simulating the calculated future income and expenses, an analysis has been made of the market's expectations with respect to the valuation object.

The yield requirement used in the estimate derives from sales of comparable properties. Significant factors when selecting required returns include an assessment of the object's future rent trend, changes in value and any development potential, as well as the maintenance condition of the property. Key value parameters are location and rent level, as well as vacancy rates. For each property, a cash flow is prepared that extends at least five years into the future. With respect to income, current leases are used. For vacant spaces, an estimate is performed by individually assessing each property. The inflation assumption for Sweden is 1.0 percent for 2016 and 2017, and 2.0 percent thereafter. The inflation assumption for Norway is 2.5 percent and that for Finland is 2.0 percent. Property expenses are estimated on the basis of annual historical trends. The valuation is based on a present-value calculation of cash flow and the present value of the market value at the end of the calculation period.

The weighted yield requirement was 6.4 percent (6.9), compared with an average yield requirement of 6.6 percent at September 30, 2015. The weighted cost of capital for calculating the present value of the cash flow and residual value was 7.6 percent (8.0) and 8.4 percent (9.0), respectively.

Hemfosa's property portfolio was valued at MSEK 29,553 (24,718). The total change in value during the period was MSEK 4,835 (8,324), of which MSEK 4,223 (8,449) pertained to acquired properties, MSEK 566 (484) to value-adding investment in the properties, MSEK 91 (147) to realized changes in value and MSEK 1,409 (548) to unrealized changes in value. Of the unrealized change in value, MSEK 164 (207) was attributable to revaluation in accordance with IAS 8, resulting from a voluntary change of accounting policy. Properties at a value of MSEK 1,441 (1,304) were divested during the period. Translation differences for the period amounted to a loss of MSEK 13 (-), attributable to acquisitions in Norway.

Change in fair value of property portfolio per segment, Dec 31	Sweden		Norway		Finland		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Opening value for the year	24,718	16,394	-	-	-	-	24,718	16,394
Acquired properties	963	8,449	2,748	-	512	-	4,223	8,449
Investments in existing properties	555	484	11	-	-	-	566	484
Divested properties	-1,441	-1,304	-	-	-	-	-1,441	-1,304
Realized changes in value in profit or loss for the period	91	147	-	-	-	-	91	147
Unrealized changes in value in profit or loss for the period	1,113	548	296	-	-	-	1,409	548
Translation differences	-	-	-13	-	-	-	-13	-
<b>Closing fair value</b>	<b>25,999</b>	<b>24,718</b>	<b>3,042</b>	<b>-</b>	<b>512</b>	<b>-</b>	<b>29,553</b>	<b>24,718</b>

# Shares in joint ventures

At December 31, 2015, Hemfosa was a partner in four joint ventures. Ownership is governed by a shareholders' agreement giving both owners equal power of decision, meaning that neither partner has a controlling influence. Hemfosa recognizes the holdings as shares and the shares in joint ventures in the statement of financial position. Share of profit of joint ventures is recognized in the Group's profit from property management, but is not included in Hemfosa's profit for calculating dividends.

MSEK	Söderport Holding AB		Gardermoen Utvikling AS		Other companies'		Total	
	Dec 31		Dec 31		Dec 31		Dec 31	
	2015	2014	2015	2014	2015	2014	2015	2014
Share in equity, Dec 31	823	574	221	-	31	35	1,075	609
Shareholding %, Dec 31	50	50	65	-	50	50		
Share in profit/loss, Jan-Dec	254	198	0	-	1	41	255	239
<i>Of which:</i>								
Profit from property management	131	98	0	-	0	29	131	127
Changes in value of properties	183	282	0	-	0	19	183	301
Changes in value of financial instruments	29	-113	0	-	-	-	30	-113
Deferred tax	-68	-54	0	-	-	-7	-68	-61
Other	-20	-16	0	-	1	-	-20	-16

## SÖDERPORT HOLDING AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB. At December 31, 2015, Söderport owned properties worth some SEK 5.6 billion (5.0) with the emphasis on the Stockholm and Gothenburg areas. Hemfosa's share in Söderport's profit during 2015 was MSEK 255 (198), of which profit from property management accounted for MSEK 131 (98), changes in the value of the property portfolio for MSEK 183 (282), changes in the value of financial instruments for MSEK 29 (-113), deferred tax for MSEK -68 (-54) and other items for MSEK -20 (-16).

During the year, Söderport took possession of properties for a total purchase consideration of SEK 0.4 billion. The acquisition pertained to 24 production properties and warehouses totaling 139,000 square meters of leasable area and with an average remaining lease term of 7.1 years. The largest properties were situated in the towns of Hallstahammar, Olofström and Oskarshamn, while other minor properties were located in 16 towns in southern and central Sweden. During the year, ten of the newly acquired properties were sold, in such towns as Hallstahammar. At the end of the year, the leases with Volvo Cars, which is a tenant in the properties in Torslanda, were extended. The new leases expire in 2025 and 2028 and relate to a total rental value of MSEK 770. Söderport will invest MSEK 110 in remodeling and upgrading the properties.

At December 31, 2015, Söderport owned 59 properties.

## Key figures for Söderport Holding AB

	Söderport Holding AB	
	Dec 31	
	2015	2014
<b>Property portfolio</b>		
Number of properties	59	45
Leasable area, 000s of square meters	670	614
<b>Financial items</b>		
Rental income Jan-Dec, MSEK	542	450
Market value of properties, MSEK	5,631	4,975
Equity, MSEK	1,665	1,139
Interest-bearing liabilities, MSEK	3,257	3,183
Derivatives, negative value, MSEK	412	465
Deferred tax liability, MSEK	237	102

## **GARDERMOEN CAMPUS UTVIKLING AS**

In June 2015, Hemfosa acquired 65 percent of the shares in Gardermoen Campus Utvikline AS (GCU). The other partner in GCU is Aspelin Ramm Eiendom AS, a Norwegian property development company.

GCU aims to own and develop an area at Gardermoen Airport, near Oslo, into an important national hub for expertise in health and social care. GCU manages about 12.5 hectares of land, with a detailed development plan covering about half of the area. The detailed development plan has approved construction on up to 68,000 square meters. GCU is Hemfosa's largest development project and is the first of its kind for the company in terms of focus. The venture is fully in line with Hemfosa's strategy: to focus on community service properties with stable cash flows and to capitalize on opportunities in a fluid property market.

The first phase of investment in GCU comprises the design and construction of a specialist hospital at Gardermoen in Norway. GCU has signed a 25-year lease with Landsforeningen for Hjerte og Lungesyke (LHL). LHL will co-locate the operations of two existing specialist hospitals to the new hospital when construction is completed. During the year, construction of the hospital commenced and it is scheduled for completion in January 2018.

In the fourth quarter, GCU signed an agreement with the Municipality of Ullensaker concerning the construction of a new local medical center adjacent to LHL's hospital. The project area is some 8,000 square meters and construction is planned to commence in spring 2016 with completion scheduled for January 2018. The municipality has signed a 30-year lease. The property is fully leased.

At December 31, 2015, Hemfosa's investment in GCU amounted to MSEK 221.

Hemfosa's share of the joint venture has been classified in accordance with IAS 28. Although Hemfosa owns most of the shares in GCU, the company has no controlling influence over significant shareholder issues. According to the shareholder agreement, operational decisions require consensus on GCU's Board of Directors and the project planners approved by the Board control all details in the progress of the projects.

## **OTHER SHARES IN JOINT VENTURES**

Hemfosa and Smebab Kommersiellt Holding AB each own 50 percent of a company in the Skanska Group, Gästgivaregatan Holding AB, a project development company formed to develop and add value to the Tellus 4 commercial property in Södertälje. Plans have been drawn up for the renovation and refurbishment of the commercial premises, on a total area of about 10,000 square meters.

Hemfosa and Culmen AB each own 50 percent of Culmen Strängnäs II AB, a project development company formed to develop and add value to properties. During the fourth quarter of 2015, the company sold the remaining land, including associated development rights.

# Financing

## EQUITY

At December 31, 2015, Hemfosa's shareholders' equity totaled MSEK 10,749 (8,949), equal to an equity/assets ratio of 34.2 percent (34.4). Hemfosa's financial target is an equity/assets ratio of at least 30 percent. The Parent Company's equity amounted to MSEK 8,985 (8,607) at December 31, 2015.

During the year, a private placement of a total of 999,999 new preference shares was implemented, which contributed equity of MSEK 165 to Hemfosa. At year-end, preference capital totaled MSEK 1,791 (1,591). The 2015 Annual General Meeting resolved to pay dividends totaling MSEK 394 to ordinary shareholders, and MSEK 100 to preference shareholders, subject to quarterly payment. Since the Board exercised its mandate to implement a private placement of new preference shares, this resulted in additional dividends of about MSEK 7. At year-end, dividends of MSEK 399 had been paid, with the remaining dividends expensed in the statement of financial position.

The changed accounting policy for investment properties affected equity by MSEK 375; see page 24.

## INTEREST-BEARING LIABILITIES

At 31 December 2015, Hemfosa's interest-bearing liabilities amounted to MSEK 18,898 (15,760), with MSEK 17,672 (14,534) pertaining to loans from credit institutions, MSEK 1,194 (1,190) to bond loans, MSEK 14 (33) to vendor's mortgages and MSEK 18 (3) to other liabilities. Hemfosa has a revolving credit of MSEK 1,300 (1,300), of which MSEK 1 (633) was unutilized at year-end. The Group also has two overdraft facilities totaling MSEK 325 (150), which were unutilized at December 31, 2015. The Group also has loans raised in NOK pertaining to the property portfolio in Norway, as well as loans raised in EUR for the Finnish property portfolio.

The Group's interest-bearing liabilities to external creditors corresponded to 63.9 percent (64.6) of the fair value of the property portfolio. At December 31, 2015, the average interest rate was 2.03 percent (2.37). STIBOR 3 months was negative throughout the entire quarter. In some cases, the Group has entered into loan agreements with an interest-rate floor provision, meaning that STIBOR 3 months cannot be negative. Due to these loan agreements, Hemfosa is not able to fully capitalize on the lower interest rates.

## Fixed-rate period distributed by instruments at December 31, 2015

	Overdraft facilities, MSEK	Swaps, MSEK	Interest-rate cap, MSEK	Amount, MSEK	Proportion, %
<1 year	17,067	- 4,655	-2 286	10,126	54%
1-2 years	1,763	385	384	2,532	13%
2-3 years	0	3,304	1 902	5,206	28%
3-4 years	0	322	0	322	2%
4-5 years	29	644	0	673	4%
>5 years	39	0	0	39	0%
<b>Total</b>	<b>18,898</b>	<b>0</b>	<b>0</b>	<b>18,898</b>	<b>100%</b>

Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 9,126 have been taken into account in contractual interest rates and terms. The underlying loans carry a floating interest rate that is mainly based on STIBOR 3 months.

Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps. By limiting the interest-rate risk, the predictability of Hemfosa's profit from property management increases, and changes in interest rates have less impact on the Group's interest expenses. At December 31, 2015, the nominal value of Hemfosa's outstanding interest-rate swaps was MSEK 5,767 (6,654) and interest-rate caps MSEK 2,286 (1,056). Taking into account the fixed-income derivatives entered into and

the interest-rate caps, together with the loans that carry fixed interest rates, 52.4 percent (60.8) of Hemfosa's loan portfolio is interest hedged. During the quarter, new agreements concerning interest-rate caps in an amount of MSEK 1,235 were entered into. A market-based premium has been paid for the interest-rate caps. In addition, swaps of MSEK 2,254 were settled; the cost of this was MSEK 48, of which a positive change in value of MSEK 3 is included in profit for the quarter. Interest-rate caps have been entered into and swaps settled in order to adapt the company's fixed-rate periods to the decided financial policy and existing loan agreements. At the end of the quarter, the average remaining fixed-rate period was 1.3 years (1.9). During January 2016, Hemfosa raised interest-rate caps of MSEK 201 for loans applying to the acquisition of community service properties in Finland. After entering into the interest-rate caps in January 2016, the remaining fixed-rate period is 1.4 years.

### Fixed-rate period, interest-rate swaps at December 31, 2015

	Nominal amounts, MSEK	Average interest rate interest-rate swaps, %	Market value, MSEK
<1 year	112	0.8%	-6
1-2 years	385	0.1%	-2
2-3 years	3,304	1.1%	-86
3-4 years	322	0.5%	-3
4-5 years	644	1.3%	-6
>5 years	0	0%	0
<b>Total</b>	<b>5,767</b>	<b>1.0%</b>	<b>-103</b>

The net increase in interest-bearing liabilities during the quarter was MSEK 1,235 (4,810). The change was due to new loans totaling MSEK 520 pertaining to property acquisitions in Sweden and Finland, the use of the existing revolving credit of MSEK 470 and refinancing of existing loans of MSEK 404 (182). Repayments during the quarter totaled MSEK 82 (733), of which MSEK 15 (682) pertained to repayment on sales of properties, MSEK 24 (10) repayment of vendor's mortgages and MSEK 43 (19) ongoing repayment under loan agreements. The remainder of the net increase resulted from exchange-rate changes of SEK 77 (-).

During the quarter, the company refinanced a loan agreement of MSEK 2,050 with existing creditors, and raised new financing in connection with taking possession of nursing homes. Equity and EUR-denominated bank loans were used to finance Hemfosa's acquisition of community service properties in Finland.

For loans maturing in 2016, Hemfosa assesses that the probability of refinancing the loans on market terms is high.

At the end of the period, the total fair value of interest-rate swaps and interest-rate caps was a negative MSEK 101 (neg: 102). The average loan maturity period was 2.7 (2.7) years. At December 31, 2015, all interest-rate swaps had a negative fair value and the fair value of interest-rate caps was MSEK 2 (3).

### Maturity structure, interest-bearing liabilities at December 31, 2015

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, MSEK*	Total, MSEK
2016	1,569	8%	318	50	369
2017	6,646	35%	262	44	305
2018	6,492	34%	184	35	219
2019	796	4%	80	1	81
2020	3,286	17%	23	0	23
2021-	109	1%	49	0	49
<b>Total</b>	<b>18,898</b>	<b>100%</b>	<b>916</b>	<b>131</b>	<b>1,047</b>

\* The net rate in the table is attributable to swaps with negative value, according to IAS 39.

# Other disclosures

## **SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD**

After the end of the period, Hemfosa reached an agreement concerning the acquisition of three community service properties in southern Finland at an underlying property value of approximately MSEK 500. Two of the properties are located in Tampere, the country's third largest city, and contain a building at the University of Tampere and an office building, which is fully leased to the Finnish Tax Administration. The third property, a building housing public authorities, is located in Raahe, just south of Oulu, and contains the police authority, the prosecution authority and the enforcement authority. The total leasable area is some 27,000 square meters, generating annual rental income of about MSEK 40. The average remaining lease term is 10.4 years

After the end of the period, Hemfosa acquired nine community service properties and an associated parking garage in the Statens Park area of the municipality of Tønsberg, south of Oslo, at an underlying property value about MSEK 420. The properties comprise some 30,000 square meters of leasable area and sites covering about 42,000 square meters of land, with one of the sites detailed planned for a new building. The properties are fully leased with an average remaining lease term of about five years. Annual rental income amounts to some MSEK 32.

After the end of the period, Hemfosa signed a lease on 11,000 square meters of previously vacant floor space in an office property in Mölndal. This large new lease, together with tenant-specific modifications and refurbishment, represents an important step in rejuvenating Mölndal's Södra Porten business park. The property in Mölndal comprises 16 different buildings. One of these buildings is now being upgraded to create a modern, flexible offices and is being extended by about 2,000 square meters, thus bringing the total leasable area to 11,000 square meters. Hemfosa has signed a ten-year lease for the entire area. Occupancy of the upgraded and customized premises is scheduled for June 2017.

## **EMPLOYEES**

At December 31, 2015, the number of employees was 59 (57), of whom 26 (26) were women. Hemfosa has offices in Nacka (head office), Gothenburg, Härnösand, Karlskrona, Karlstad, Kristianstad, Sundsvall, Västerås, Värnamo, Växjö and Oslo.

The establishment of a property management organization in Oslo has proceeded as planned, and was strengthened in October when a business controller was appointed. In connection with the acquisition of community service properties in Finland, work on establishing a property management organization in Helsinki commenced.

## **PARENT COMPANY**

For the January-December 2015 period, the Parent Company recognized profit of MSEK 765 (707) after tax. The Parent Company's fee for central and property administrative services on behalf of Group companies was MSEK 53 (58). Dividends received from shares in subsidiaries amounted to MSEK 850 (570).

At December 31, 2015, the Parent Company had shareholders' equity totaling MSEK 8,985 (8,607), of which restricted equity accounted for MSEK 72 (71).

At December 31, 2015, the Parent Company had interest-bearing liabilities of MSEK 1,200 (1,200), excluding borrowing costs. Intra-Group liabilities amounted to MSEK 1,101 (144) and intra-Group receivables to MSEK 7,626 (7,126).

The Parent Company acquired companies with tax loss carryforwards totaling SEK 3.4 billion, of which MSEK 249 pertained to loss carryforwards attributable to the 2015 fiscal year. Following the expiration of the five-year block on Group contributions, the tax-loss carryforwards will henceforth be utilizable by other companies in the Hemfosa Group against future surpluses. The loss carryforwards will be measured as an asset as they become available for utilization.

## NOMINATION COMMITTEE

According to a decision by the preceding year's AGM of Hemfosa Fastigheter AB, the Nomination Committee is to consist of one representative of each of the four largest shareholders in terms of voting rights, and the Chairman of the Board. The member representing the largest shareholder is to be appointed Chairman of the Nomination Committee. The composition of the Nomination Committee prior to the 2016 AGM is to be based on the shareholder information in Euroclear Sweden AB's register on August 31, 2015. The names of the Committee members are to be announced as soon as the Nomination Committee has been appointed, but no later than six months prior to the AGM. The period in office of the Nomination Committee extends until a new Nomination Committee is appointed.

### Nominating Committee prior to the 2016 Annual General Meeting

Mats Andersson, Chairman	Fourth AP Fund
Eva Gottfridsdotter-Nilsson	Länsförsäkringar Fondförvaltning AB
Maria Nordqvist	Lannebo Funds
Lennart Francke	Swedbank Robur Funds
Bengt Kjell	Chairman of the Board

## ACCOUNTING POLICIES

This condensed year-end report for the Group has been prepared in accordance with International Accounting Standards (IAS) 34 Interim Reporting, as well as applicable regulations of the Swedish Annual Accounts Act. The year-end report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim Reports. For the Group and Parent Company, the same accounting and valuation policies were applied as in the most recent Annual Report, except for the changed accounting policy described below. All amounts in this year-end report are stated in millions of kronor (MSEK), unless otherwise stated. Amounts in parentheses pertain to the comparative year-earlier period. Rounding-off differences may occur.

Pursuant to IFRIC 21 Levies, certain taxes and levies imposed on companies by the government or equivalent bodies must be expensed. Swedish property tax is already expensed at the full annual value in the first quarter since the property tax is based on ownership on January 1. Insofar as the tax pertains to the coming quarter, a corresponding amount is recognized as a deferred expense among assets in the balance sheet. IFRIC 21 was applied for the first time in the interim report for January-March 2015.

### Changed accounting policy

In December 2015, the company decided to amend the accounting policy concerning the recognition for accounting purposes of acquired deferred tax liabilities when making asset purchases; i.e. the deferred tax liabilities that are assumed when property assets are acquired through purchases of limited liability companies whose only asset is investment properties. Under the previously applied policy, the value of the acquired deferred tax liabilities was recognized as a deductible item on the asset side, within the balance-sheet item investment properties in the Statement of financial position, and these deductible items were retained as long as the acquired legal entity was retained in the Group. The policy that is now being applied entails that property assets acquired through asset purchases are remeasured at fair value the day after the acquisition, meaning that they are measured to reflect the value change corresponding to the deferred tax liability. The remeasurement is recognized in the Consolidated statement of profit and other comprehensive income as an unrealized change in value, together with the deferred tax expense attributable to the increase in the temporary difference arising from the remeasurement. The change in accounting policy has been implemented in accordance with IAS 8, which means that the policy is being applied retroactively and that the comparison year has been restated.

The reason for changing the accounting policy is that the new policy provides more relevant information on the transactions in the Statement of financial position. The new policy complies with the policies applied by most listed property companies



## Impact on the financial statements

Statement of profit and other comprehensive income	2015	2014
Changes in value of properties, unrealized	164	207
Deferred tax expense	-36	-46
<b>Net impact on profit</b>	<b>128</b>	<b>161</b>

Statement of financial position	Dec 31, 2015	Dec 31, 2014	Jan 1, 2014
Change in investment properties	481	317	110
Change in deferred tax liability	107	71	25
<b>Net impact on equity</b>	<b>374</b>	<b>246</b>	<b>85</b>

## RELATED-PARTY TRANSACTIONS

The Group owns participations in joint ventures; refer to pages 19–20 in this year-end report. At December 31, 2015, the Group had no receivables from joint ventures.

## SIGNIFICANT RISKS AND UNCERTAINTIES FOR THE GROUP AND PARENT COMPANY

Hemfosa is continuously exposed to various risks, which could be significant to the company's future operations, earnings and financial position. Financing, organizational structure and work processes are key risk areas for Hemfosa, which continuously works in a structured manner in its management of these and other risks and uncertainties. More information about Hemfosa's risks and management of these is available in the 2014 Annual Report on pages 30–32 and 79–81.

Due to the acquisition of properties in Norway and Finland, the Group is currently exposed to currency risk. Currency risks pertain to investments, income and expenses in foreign currency, in which the currency fluctuations impact profit/loss and other comprehensive income for the year. Hemfosa's currency risk has been identified to arise in connection with shareholders' equity in foreign subsidiaries, and partly in net flows in foreign currency, as well as in connection with acquisitions and divestments of foreign companies and properties when the transactions are frequently negotiated and agreed in the period prior to taking or handing over possession and Hemfosa is exposed to currency fluctuations in the intermediary period. Accordingly, Hemfosa is exposed to both currency flows and changes in currency exchange rates. The company has not entered into any currency hedges to date but is continuously working on the issue, and it is not impossible that the company could enter into currency hedges from time to time.

## Sensitivity analysis, December 31, 2015

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 25
Economic leasing rate, 90.6%		
Economic leasing rate according to earnings capacity	+/- 1	+/- 25
Property expenses according to earnings capacity	+/- 1	-/+8
Net operating income according to earnings capacity	+/- 5	+/-88
Changes in SEK/NOK exchange rates	+/- 10	+/-113
Change in SEK/EUR exchange rate	+/- 10	+/-19
Interest expenses for current fixed-rate periods and changed interest rates <sup>1</sup>	+/- 1	-74/+9
Interest expenses for change in average interest rate level <sup>2</sup>	+/- 1	-/+189
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/- 1	+/-154

1 Taking into account derivative agreements

2 Not taking into account derivative agreements

## THE SHARE AND SHAREHOLDERS

The company's ordinary share has been listed on Nasdaq Stockholm, Mid Cap, since March 21, 2014 under the ticker symbol "HEMF." The company's preference share has been listed on NASDAQ Stockholm, Mid-Cap, since December 12, 2014 under the ticker symbol "HEMF PREF."

At December 31, 2015, the number of Hemfosa shares was 142,440,207, of which 131,440,208 were ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 131,540,208.9. Each ordinary share carries one voting right and each preference share carries one tenth of a voting right.

The closing price on December 30, 2015 was SEK 94.25 for the ordinary share and SEK 152.50 for the preference share. Total market capitalization was MSEK 14,065. At December 31, 2015, Hemfosa had 16,019 shareholders, of whom Swedish investors, institutions and private individuals owned 69.4 percent of the shares and 67.8 percent of the voting rights. International institutional investors owned 30.6 percent of the shares and 32.2 percent of the votes.

### Owner distribution, December 31, 2015

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital	Votes
Fourth AP Fund	13,218,166	-	9.3%	10.0%
Länsförsäkringar Fondförvaltning AB	11,497,055	-	8.1%	8.7%
AMF Försäkring och fonder	6,877,846	-	4.8%	5.2%
Kåpan Pensioner	6,863,562	-	4.8%	5.2%
Lannebo Funds	5,568,845	-	3.9%	4.2%
Swedbank Robur Funds	5,402,647	300,000	4.0%	4.1%
Handelsbanken Fonder AB RE JPMEL	4,499,413	-	3.2%	3.4%
Ikano Invest AB	3,134,562	-	2.2%	2.3%
Board and Management	8,852,507	104,000	6.3%	6.7%
Others	65,525,605	10,595,999	53.4%	50.2%
<b>Total</b>	<b>131,440,208</b>	<b>10,999,999</b>	<b>100.0%</b>	<b>100.0%</b>

### PRIVATE PLACEMENT, SEPTEMBER 2015

On September 29, 2015, the Board of Directors decided to exercise its mandate from the 2015 Annual General Meeting (AGM) to offer a private placement of 999,999 new preference shares to two institutional investors – the Swedish Foundation for Strategic Research and the Global Challenges Foundation. The subscription price was SEK 166.30 per preference share, corresponding to a discount of 2.5 percent compared with the volume-weighted average share price over the preceding ten days of trading until September 25, 2015. Net proceeds of the issue totaled MSEK 166.3 and the settlement date was September 30, 2015.

The new preference shares started to qualify for dividends as of the record date for dividends, which was in October 2015.

### DIVIDEND PROPOSAL

Hemfosa Fastigheter's dividend policy is to pay a long-term dividend of 60 percent of distributable profit. Distributable profit is defined as profit from property management less taxes paid and shares in the profit of joint ventures. Distributable profit for the year amounted to MSEK 1,103.

For the 2015 fiscal year, the Board proposes that the AGM resolve to pay a dividend to holders of ordinary shares of SEK 4.20 per share with quarterly payment of SEK 1.05 per ordinary share. The proposed record dates are April 21, July 10 and October 10, 2016 and January 10, 2017. The Board also proposes that the AGM resolve to pay a dividend to holders of preference shares of SEK 10.00 per share with quarterly payment of SEK 2.50 per preference share, with the record dates being July 10 and October 10, 2016 and January 10, 2017 and April 10, 2017. The proposed dividend corresponds to 60 percent of the distributable profit for 2015.

## ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer gives his assurance that this year-end report gives a fair review of the company's and the Group's operations, financial position and earnings, and describes material risks and uncertainties facing the company and the companies included in the Group.

Nacka, February 19, 2016  
Hemfosa Fastigheter AB (publ)  
(Corp. Reg. No. 556917-4377)

Jens Engwall  
Chief Executive Officer

This year-end report has not been examined by the Company's auditor.

Hemfosa publishes the information in this year-end report in accordance with the Securities Market Act on Friday, February 19, 2016 at 7:30 a.m.

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## REPORTING DATES

Annual Report for 2015	<b>Week 12, 2016</b>
Interim report, January–March 2016	<b>April 19, 2016</b>
Annual General Meeting 2016	<b>April 19, 2016</b>
Interim report, January–June 2016	<b>July 21, 2016</b>
Interim period January–September 2016	<b>November 9, 2016</b>

## CONTACT INFORMATION

Hemfosa Fastigheter AB  
Tel: +46 8 448 04 80  
Street address: Hästholmsvägen 28  
Postal address: Box 2020, SE-131 02 Nacka, Sweden  
[www.hemfosa.se](http://www.hemfosa.se)

Jens Engwall, CEO, tel: +46 8 448 04 82, e-mail: [jens.engwall@hemfosa.se](mailto:jens.engwall@hemfosa.se)

Karin Osslind, CFO, tel: +46 8 448 04 84, e-mail: [karin.ossind@hemfosa.se](mailto:karin.ossind@hemfosa.se)

# Condensed financial reports

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

MSEK	Oct-Dec		Full-year	
	2015	2014	2015	2014
Rental income	624	422	2,443	1,612
Property expenses including property administration	-187	-150	-773	-538
<b>Net operating income</b>	<b>437</b>	<b>272</b>	<b>1,670</b>	<b>1,074</b>
Central administration	-28	-24	-112	-74
Other operating income and expenses	1	12	0	62
Share in profit of joint ventures	114	15	255	239
Financial income and expenses	-118	-96	-450	-480
<b>Profit from property management</b>	<b>405</b>	<b>179</b>	<b>1,363</b>	<b>821</b>
Changes in value of properties, realized	0	120	91	147
Changes in value of properties, unrealized	383	356	1,409	548
Changes in value of financial instruments, realized	3	-20	3	-75
Changes in value of financial instruments, unrealized	15	-49	-45	-202
<b>Profit before tax for the year</b>	<b>808</b>	<b>586</b>	<b>2,821</b>	<b>1,239</b>
Current tax	-4	-1	-5	-2
Deferred tax	-230	-33	-478	-113
<b>Profit for the year</b>	<b>573</b>	<b>552</b>	<b>2,339</b>	<b>1,124</b>
<b>Other comprehensive income</b>				
<i>Items that have or could be transferred to profit for the period</i>				
Exchange differences for the period in converting foreign operations	-45	-	-131	-
<b>Comprehensive income for the year</b>	<b>528</b>	<b>552</b>	<b>2,207</b>	<b>1,124</b>
<i>Profit/loss for the year attributable to:</i>				
Parent Company shareholders	570	554	2,324	1,126
Non-controlling interests	3	-2	15	-2
<b>Profit for the year</b>	<b>573</b>	<b>552</b>	<b>2,339</b>	<b>1,124</b>
<i>Comprehensive income for the year attributable to:</i>				
Parent Company shareholders	526	554	2,191	1,126
Non-controlling interests	2	-2	16	-2
<b>Comprehensive income for the year</b>	<b>528</b>	<b>552</b>	<b>2,207</b>	<b>1,124</b>
<b>Earnings per ordinary share for the year, before and after dilution, SEK</b>	<b>4.13</b>	<b>4.12</b>	<b>16.87</b>	<b>10.13</b>

## Consolidated statement of financial position

MSEK	Dec 31	
	2015	2014
<b>ASSETS</b>		
Investment properties	29,553	24,718
Shares in joint ventures	1,075	609
Other fixed assets	7	10
<b>Total fixed assets</b>	<b>30,635</b>	<b>25,337</b>
Current receivables	82	94
Cash and cash equivalents	732	594
<b>Total current assets</b>	<b>814</b>	<b>688</b>
<b>TOTAL ASSETS</b>	<b>31,449</b>	<b>26,025</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity attributable to Parent Company shareholders	10,737	8,937
Non-controlling interests	12	12
<b>Shareholders' equity</b>	<b>10,749</b>	<b>8,949</b>
Non-current interest-bearing liabilities	17,228	15,531
Other long-term liabilities	106	106
Deferred tax liabilities	701	492
<b>Total non-current liabilities</b>	<b>18,035</b>	<b>16,129</b>
Current interest-bearing liabilities	1,670	229
Other current liabilities	994	717
<b>Total current liabilities</b>	<b>2,664</b>	<b>946</b>
<b>Total liabilities</b>	<b>20,699</b>	<b>17,076</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>31,449</b>	<b>26,025</b>

# Consolidated statement of changes in equity

MSEK	Shareholders' equity attributable to Parent Company shareholders				Total	Non-con-rolling interests	Total Share-holders' equity
	Share-capital	Other con-tributed capital	Transla-tion reserve	Retained earnings incl. profit for the year			
Opening equity, Jan 1, 2014	25	225	-	2,118	2,368	1	2,369
Translation due to application of new policy for measuring deferred tax on acquisitions	-	-	-	86	86	-	86
<b>Transactions with the Group's shareholders, Jan-Dec 2014</b>							
<b>Contributions from and distributions to shareholders</b>							
Offset issue	31	2,939	-	-	2,970	-	2,970
New share issue, ordinary shares	10	799 <sup>1</sup>	-	-	809	-	809
New share issue, preference shares	5	1,586 <sup>2,3</sup>	-	-	1,591	-	1,591
Reduction of share capital	0	-	-	0	0	-	0
<b>Changes in interests in subsidiaries</b>							
Capital contributed by non-con-trolling interests	-	-	-	0	0	0	0
Adjustment of non-controlling inter-ests	-	-	-	-13	-13	13	0
<b>Total transactions with the Group's shareholders</b>	<b>46</b>	<b>5,324</b>	<b>-</b>	<b>-13</b>	<b>5,357</b>	<b>13</b>	<b>5,371</b>
<b>Total comprehensive income Jan-Dec 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,127</b>	<b>1,127</b>	<b>-2</b>	<b>1,125</b>
<b>Closing equity, Dec 31, 2014</b>	<b>71</b>	<b>5,549</b>	<b>-</b>	<b>3,317</b>	<b>8,938</b>	<b>12</b>	<b>8,949</b>
<b>Opening equity, Jan 1, 2015</b>	<b>71</b>	<b>5,549</b>	<b>-</b>	<b>3,317</b>	<b>8,938</b>	<b>12</b>	<b>8,949</b>
<b>Transactions with the Group's shareholders, Jan-Dec 2015</b>							
<b>Contributions from and distributions to shareholders</b>							
New share issue, preference shares	1	164 <sup>2</sup>	-	-	165	-	165
Dividend, preference shares <sup>4</sup>	-	-	-	-157	-157	-	-157
Dividend, ordinary shares <sup>4</sup>	-	-	-	-394	-394	-	-394
<b>Changes in interests in subsidiaries</b>							
Acquisition of subsidiaries with non-controlling interests	-	-	-	-4	-4	4	-
Divestment of partially-owned sub-sidiary	-	-	-	-	-	-20	-20
<b>Total transactions with the Group's shareholders</b>	<b>1</b>	<b>164</b>	<b>-</b>	<b>-556</b>	<b>-391</b>	<b>-14</b>	<b>-407</b>
<b>Total comprehensive income Jan-Dec 2015</b>	<b>-</b>	<b>-</b>	<b>-132</b>	<b>2,324</b>	<b>2,192</b>	<b>15</b>	<b>2,207</b>
<b>Closing equity, Dec 31, 2015</b>	<b>72</b>	<b>5,713</b>	<b>-132</b>	<b>5,084</b>	<b>10,737</b>	<b>12</b>	<b>10,749</b>

1 This amount includes issue costs totaling MSEK 102, as well as tax of MSEK 22.

2 Preference share capital constitutes SEK 162.85 per preference share, totaling MSEK 1,791.

3 This amount includes issue costs totaling MSEK 34, as well as tax of MSEK 7.

4 At December 31, 2015, MSEK 399 had been distributed to holders of ordinary and preference shares.

## Statement of cash flow for the Group

MSEK	Oct-Dec		Full-Year	
	2015	2014	2015	2014
<b>Operating activities</b>				
Profit from property management	408	179	1,366	821
Adjustments for non-cash items	-119	-15	-264	-239
Income tax paid	-	3	0	-1
<b>Cash flow from operating activities before changes in working capital</b>	<b>290</b>	<b>167</b>	<b>1,101</b>	<b>581</b>
<b>Cash flow from changes in working capital</b>				
Changes in operating receivables	237	118	22	91
Changes in operating liabilities	-72	-38	49	-45
<b>Cash flow from operating activities</b>	<b>455</b>	<b>247</b>	<b>1,172</b>	<b>627</b>
<b>Cash flow from investing activities</b>	<b>-541</b>	<b>-1,942</b>	<b>-1,752</b>	<b>-2,499</b>
<b>Cash flow from financing activities</b>	<b>494</b>	<b>1,792</b>	<b>717</b>	<b>2,182</b>
<b>Cash flow for the year</b>	<b>408</b>	<b>97</b>	<b>138</b>	<b>310</b>
Exchange-rate difference in cash and cash equivalents	-1	-	0	-
Cash and cash equivalents at the beginning of the year	325	498	594	284
<b>Cash and cash equivalents at year-end</b>	<b>732</b>	<b>594</b>	<b>732</b>	<b>594</b>

## Segment information

	Sweden		Norway		Finland		Total consolidated	
	Full-year		Full-year		Full-year		Full-year	
<b>MSEK</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Rental income	2,247	1,612	196	-	0	-	2,443	1,612
Property expenses								
<i>Operations</i>	-411	-306	-2	-	0	-	-413	-306
<i>Maintenance</i>	-191	-104	-3	-	0	-	-194	-104
<i>Property tax</i>	-83	-67	-2	-	0	-	-86	-67
Property administration	-78	-61	-2	-	0	-	-81	-61
<b>Net operating income</b>	<b>1,482</b>	<b>1,074</b>	<b>187</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>1,670</b>	<b>1,074</b>
Central administration							-112	-74
Other operating income and expenses							0	62
Share in profit of joint ventures							255	239
Financial income and expenses							-450	-480
<b>Profit from property management</b>							<b>1,363</b>	<b>821</b>
Changes in value of properties							1,501	695
Changes in value of financial instruments							-42	-277
<b>Profit before tax for the year</b>							<b>2,821</b>	<b>1,239</b>

### Segment reporting according to former segment division

	Full-year									
	Community service properties		Office properties		Logistics properties		Transaction properties		Total consolidated	
<b>MSEK</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Rental income	1,388	806	505	443	208	221	341	143	2,443	1,612
Property expenses										
<i>Operations</i>	-225	-159	-99	-86	-9	-18	-79	-43	-413	-306
<i>Maintenance</i>	-70	-53	-40	-31	-32	-4	-52	-16	-194	-104
<i>Property tax</i>	-36	-26	-28	-29	-6	-5	-15	-7	-86	-67
Property administration	-39	-28	-22	-20	-5	-6	-12	-9	-81	-61
<b>Net operating income</b>	<b>1,017</b>	<b>540</b>	<b>314</b>	<b>276</b>	<b>156</b>	<b>188</b>	<b>183</b>	<b>69</b>	<b>1,670</b>	<b>1,074</b>



## Income statement for the Parent Company

MSEK	Oct-Dec		Full-year	
	2015	2014	2015	2014
Net sales	13	15	53	58
Other external costs	-8	-11	-33	-38
Personnel expenses	-8	-8	-30	-27
Depreciation/amortization	0	0	0	0
<b>Operating loss</b>	<b>-3</b>	<b>-4</b>	<b>-10</b>	<b>-7</b>
Profit from share in Group companies	850	570	850	570
Interest income and similar items	13	89	286	354
Interest expenses and similar expense items	-48	-46	-87	-135
<b>Profit after financial items</b>	<b>812</b>	<b>609</b>	<b>1,039</b>	<b>782</b>
<b>Appropriations</b>				
Group contributions received and paid	-187	-75	-187	-75
<b>Profit after appropriations</b>	<b>623</b>	<b>534</b>	<b>851</b>	<b>707</b>
Tax	-	-	-	-
<b>Profit for the year</b>	<b>623</b>	<b>534</b>	<b>851</b>	<b>707</b>

## Statement of profit/loss and other comprehensive income for the Parent Company

MSEK	Oct-Dec		Full-year	
	2015	2014	2015	2014
<b>Profit for the year</b>	<b>623</b>	<b>534</b>	<b>851</b>	<b>707</b>
<b>Other comprehensive income for the year</b>				
<i>Items that have or could be transferred to profit for the period</i>				
Translation differences for the period in translating foreign operations	-6	-	-86	-
<b>Comprehensive income for the year</b>	<b>617</b>	<b>534</b>	<b>765</b>	<b>707</b>

## Balance sheet for the Parent Company

MSEK	Dec 31	
	2015	2014
<b>ASSETS</b>		
Tangible assets	0	0
Participations in Group companies	3,527	2,661
Non-current receivables from Group companies	523	5,050
Deferred tax asset	24	-
<b>Total fixed assets</b>	<b>4,074</b>	<b>7,711</b>
Current receivables from Group companies	7,103	2,076
Other current receivables	13	15
Cash and bank balances	286	313
<b>Total current assets</b>	<b>7,402</b>	<b>2,404</b>
<b>TOTAL ASSETS</b>	<b>11,476</b>	<b>10,115</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Restricted equity	72	71
Unrestricted equity	8,913	8,536
<b>Shareholders' equity</b>	<b>8,985</b>	<b>8,607</b>
Bond loan	1,200	1,200
Non-current liabilities to Group companies	-	75
<b>Total non-current liabilities</b>	<b>1,200</b>	<b>1,275</b>
Current interest-bearing liabilities	-	18
Current liabilities to Group companies	1,101	144
Other current liabilities	190	70
<b>Total current liabilities</b>	<b>1,291</b>	<b>232</b>
<b>Total liabilities</b>	<b>2,491</b>	<b>1,507</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,476</b>	<b>10,115</b>
<b>Pledged assets and contingent liabilities</b>		
<i>Pledged assets</i>		
Participations in Group companies	3,527	2,661
<i>Contingent liabilities</i>		
Sureties for liabilities in Group companies	12,639	11,356

# Glossary

**Return on equity**

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

**Loan-to-value ratio**

Interest-bearing liabilities at the end of the period in relation to the fair value of the properties in the statement of financial position.

**Yield**

Net operating income for a rolling 12-month period as a percentage of the carrying amounts of the properties, adjusted for the holding period of the properties during the period.

**Equity per ordinary share**

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

**Equity per preference share**

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

**Economic leasing rate**

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

**Property**

Properties held under title or site leasehold.

**Profit from property management per ordinary share**

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

**Rental income**

Rents charged including supplements for heating and property tax.

**IAS**

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

**IFRS**

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

**Cash flow from operating activities per ordinary share**

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

**Market value of properties**

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

**Preference share capital**

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

**Earnings per ordinary share**

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

**Interest-rate swap**

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

**Interest-rate cap**

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

**Interest-coverage ratio**

Profit from property management, including reversal of financial income and expenses, as well as depreciation/amortization and share in income in joint ventures as a percentage of financial income and expenses.

**Community service properties**

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

**Debt/equity ratio**

Interest-bearing liabilities as a percentage of equity.

**Equity/assets ratio**

Equity as a percentage of total assets.

**Net asset value (EPRA NAV) per ordinary share**

Recognized equity, after taking into account the preferential capital, with the reversal of derivatives and deferred tax according to the statement of financial position, as a percentage of the number of ordinary shares at the end of the interim period.

**Ground rent**

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

**Site leasehold**

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

**Dividend policy**

To pay a long-term dividend corresponding to 60 percent of profit from property management, excluding share of profit from joint ventures and less tax paid.

**Fair value of properties**

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

**Surplus ratio**

Net operating income for the period as a percentage of the rental income.