



Strong platform for continued growth

THE QUARTER - JULY-SEPTEMBER 2016

- Rental income amounted to MSEK 666 (615)
- Profit from property management totaled MSEK 582 (345), corresponding to SEK 3.52 per ordinary share (2.35)
- Profit after tax amounted to MSEK 1,389 (587), corresponding to SEK 8.59 per ordinary share (4.13)
- Cash flow from operating activities was MSEK 398 (291), corresponding to SEK 2.35 per ordinary share (1.96)

INTERIM PERIOD - JANUARY-SEPTEMBER 2016

- Rental income amounted to MSEK 1,958 (1,819)
- Profit from property management totaled MSEK 1,275 (958), corresponding to SEK 8.23 per ordinary share (6.48)
- Profit after tax amounted to MSEK 2,746 (1,766), corresponding to SEK 19.40 per ordinary share (12.34)
- Recognized property value of SEK 33.0 billion (28.4) pertains to 418 (369) directly owned properties
- Net asset value (EPRA NAV) per ordinary share was SEK 88.40 (71.61)
- Cash flow from operating activities was MSEK 812 (824), corresponding to SEK 5.03 per ordinary share (5.50)

SIGNIFICANT EVENTS DURING AND AFTER THE QUARTER

- In total, Hemfosa took possession of four properties in the care services and school segments during the quarter at an underlying property value of approximately MSEK 390.
- Streamlining of the property portfolio continued and Hemfosa vacated three units in the Other properties area during the quarter at an underlying property value of MSEK 126.
- During the quarter, Hemfosa established a direct presence in Finland by employing Pasi Nieminen as Head of Property Management with responsibility for the Finnish property portfolio.
- After the end of the quarter, Hemfosa acquired and took possession of two properties in Espoo, Finland, with the police authority and the office of the public prosecutor as the largest tenants. The property value amounted to approximately MSEK 420.
- Joacim Sjöberg took office as Deputy CEO on October 3.

Comments from the CEO

Hemfosa reports a very strong third quarter; both profit from property management and comprehensive income improved considerably and earnings increased. At the same time, we are continuing to conduct long-term and structured work to strengthen our position as specialists in community service properties and we have acquired community service properties for more than SEK 2.2 billion to date this year. We are financially strong and both equipped and ready to capitalize on attractive acquisition opportunities.

Challenging transaction market with high prices

A CHALLENGING ACQUISITION MARKET

We know what we are looking for and, as always, we are selective in our acquisitions. In the challenging Swedish property market in which Hemfosa is currently active, our assessment is that pricing on the supply side is high. As a result, we opted to abstain from a number of transactions during the quarter when we concluded that the price tag was too high. In fact, we have never abstained from as many transactions due to pricing as we have this year. This is particularly apparent in Sweden, with a highly liquid market and with many new players, not least financial investors. We are beginning to see a similar trend in the Norwegian market, while we view the competitive situation for community service properties as somewhat less intensive in Finland. Since Hemfosa started to focus on community service properties at an early stage, we have relatively quickly accumulated knowledge that we believe will give us strength to decide correctly whether to buy or pass. Everyone who knows Hemfosa is aware that we are keen on implementing interesting acquisitions but, in the final analysis, it is always about ensuring that we can add value for the shareholders.

Ready to grow

Hemfosa has a long-term strategy and an alert organization. We continue to methodically analyze all business opportunities of interest and the pace is high. We're building close partnerships with established community players that have operations with which we can grow, such as large school and care companies, municipalities and county councils. We're identifying complex and unconventional transactions, such as portfolios comprising a variety of property types, in which our experience and financial capacity gives us strength. Viewed as a whole, this means that we have a solid platform for continued growth.

At the same time, we're continuing to manage and add value to Hemfosa's existing property portfolio, with a property value of approximately SEK 33 billion at period-end. During the quarter, our investment activity was high. This autumn, for example, we are refurbishing previously vacant floor space for new tenants in Mölndal and for hotel operations, among other activities, in Haninge, where we are also working to establish care service operations in parts of the property.

Group management strengthened

A STRONGER ORGANIZATION

Hemfosa is continuing to build an organization with skilled employees adapted to a growing operation. We announced during the quarter that we as of October 3rd are strengthening Group Management with Joacim Sjöberg as Deputy CEO. We have also strengthened other important functions in the company, in both financing and property management and, in Finland, Pasi Nieminen has been employed as Head of Property Management.

Following a relatively calm quarter in terms of transactions, we now want to proceed by getting more capital to work. With strong financial performance figures and good access to capital, Hemfosa has all the prerequisites to take the next step in its growth in community service properties. We believe that attractive business opportunities will arise, and then we will be prepared – financially, organizationally and mentally.

Jens Engwall, CEO

Overview

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

	Jan-Sep		Full-year	
	2016	2015	2015	2014
Rental income	1,958	1,819	2,443	1,612
Property expenses including property administration	-612	-586	-773	-538
Net operating income	1,346	1,233	1,670	1,074
Central administration	-89	-83	-112	-74
Other operating income and costs	18	-1	0	62
Share of profit of joint ventures	325	141	255	239
Financial income and expenses	-324	-332	-450	-480
Profit from property management	1,275	958	1,363	821
Changes in value of properties	1,291	1,117	1,500	695
Changes in value of financial instruments	-5	-61	-42	-277
Current and deferred tax	185	-248	-483	-115
Profit for the year	2,746	1,766	2,339	1,124
Other comprehensive income				
Exchange differences for the period in converting foreign operations	162	-86	-131	-
Comprehensive income for the year	2,908	1,680	2,207	1,124

Consolidated statement of financial position, MSEK

	Sep 30		Dec 31	
	2016	2015	2015	2014
Investment properties	33,020	28,407	29,553	24,718
Shares in joint ventures	1,464	957	1,075	609
Shares in associated companies	59	-	-	-
Derivatives och other fixed assets	13	19	7	10
Current receivables	173	145	82	94
Cash and cash equivalents	744	325	732	594
Total assets	35,474	29,854	31,449	26,025
Shareholders' equity	14,731	10,222	10,749	8,950
Interest-bearing liabilities	18,898	17,649	18,898	15,760
Derivatives	108	163	103	106
Deferred tax liabilities	530	678	701	492
Other liabilities	1,206	1,142	997	718
Total equity and liabilities	35,474	29,854	31,449	26,025

Consolidated statement of cash flow, MSEK

	Jan-Sep		Full-year	
	2016	2015	2015	2014
Cash flow from operating activities	812	824	1,220	627
Cash flow from investing activities	-1,861	-2,851	-3,943	-7,504
Cash flow from financing activities	1,055	1,758	2,862	7,187
Total cash flow	6	-269	138	310

Key figures

Key financial data

	Jan-Sep		Full-year	
	2016	2015	2015	2014
Return on shareholders' equity, %	27.4	27.2	23.7	19.7
Equity/assets ratio, % ¹	41.5	34.2	34.2	34.4
Loan-to-value ratio, properties % ¹	57.2	62.1	63.9	63.8
Debt/equity ratio, multiple ¹	1.3	1.7	1.8	1.8
Interest coverage ratio, multiple ²	3.9	3.5	3.5	2.2

Share-related key figures, ordinary shares

	Jan-Sep		Full-year	
	2016	2015	2015	2014
Profit from property management, SEK per ordinary share ⁴	8.23	6.48	9.22	7.10
Profit after tax, SEK per ordinary share ⁴	19.40	12.34	16.28	9.78
Shareholders' equity, SEK per ordinary share ^{1,4}	81.81	63.06	65.71	53.71
Net asset value (EPRA NAV), SEK per ordinary share ^{1,4}	88.40	71.61	73.98	71.91
Cash flow from operating activities, SEK per ordinary share ⁴	5.03	5.50	8.18	5.40
Dividend, SEK per ordinary share ³	2.82	2.25	3.00	-
Weighted average number of ordinary shares, 000s	144,921	131,440	131,440	109,954
Number of ordinary shares outstanding, 000s ¹	157,728	131,440	131,440	131,440

Share-related key figures, preference shares

	Jan-Sep		Full-year	
	2016	2015	2015	2014
Dividend, SEK per preference share ³	7.50	7.50	10.00	1.25
Equity, SEK per preference share ¹	162.85	162.85	162.85	162.50
Number of preference shares outstanding, 000s ¹	11,000	11,000	11,000	10,000

Property-related key figures

	Sept 30		Dec 31	
	2016	2015	2015	2014
No. of properties	418	369	411	353
Rental value, MSEK	2,858	2,715	2,768	2,520
Leasable area, 000s of sqm	2,544	2,545	2,607	2,516
Fair value of properties, MSEK	33,020	28,407	29,553	24,718
Property value, SEK per sqm	12,980	11,162	11,336	9,824
Economic leasing rate, %	91.5	90.7	90.4	90.7
Surplus ratio, %	68.7	67.8	68.4	66.6
Yield, %	5.6	5.9	5.8	6.1

1 At the end of the period.

2 Share in profit in joint ventures is not included in profit from property management in the calculation of the interest coverage ratio.

3 The 2016 Annual General Meeting adopted a dividend of SEK 4.20 per ordinary share and of SEK 10.00 per preference share subject to quarterly payment.

4 Due to the new issue of ordinary shares, historical key figures have been recalculated using a correction factor.

Operations

Summary of earnings

MSEK	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Rental income	666	615	1,958	1,819	2,443
Property expenses including property administration	-180	-179	-612	-586	-773
Net operating income	485	436	1,346	1,233	1,670
Central administration	-24	-23	-89	-83	-112
Other operating income and costs	2	1	18	-1	0
Share of profit of joint ventures	224	41	325	141	255
Financial income and expenses	-105	-111	-324	-332	-450
Profit from property management	582	345	1,275	958	1,363
Changes in value of investment properties	362	365	1,291	1,117	1,500
Changes in value of financial instruments	21	-39	-5	-61	-42
Profit before tax for the year	965	670	2,561	2,014	2,821
Current tax	0	0	-3	-1	-5
Deferred tax	424	-83	188	-247	-478
Profit for the year	1,389	587	2,746	1,766	2,339
Other comprehensive income					
Translation differences for the period when translating foreign operations	97	-48	162	-86	-131
Comprehensive income for the year	1,486	539	2,908	1,680	2,207

THIRD QUARTER, JULY-SEPTEMBER 2016

During the third quarter, Hemfosa took possession of four community service properties with an annual rental value of approximately MSEK 39. Streamlining of the portfolio continued in the quarter, by exiting from three properties in Sweden, encompassing hotel operations and residential units, as well as land.

The surplus ratio for the quarter was 72.9 percent (70.9).

Profit from property management amounted to MSEK 582 (345). The change was primarily attributable to higher profit from joint ventures, with the increase predominantly resulting from Gardemoen Utvikling AS, which reported unrealized growth in the value of properties of MSEK 199, following a rise in the completion rate of the ongoing hospital construction.

Changes in the value of wholly owned investment properties amounted to MSEK 362 (365), resulting from new leasing, project gains and changes in the required yield.

The value trend for derivative instruments was positive during the quarter, at MSEK 21 (-39). No new derivative instruments were signed during the quarter and the positive change in value was primarily due to a decrease in the time to maturity by an additional quarter.

Deferred tax amounted to MSEK 424 (-83). In the quarter, a new position was taken regarding the opportunity to utilize loss carryforwards, which resulted in a deferred tax asset of MSEK 554 (2). Hemfosa's total loss carryforwards amounted to MSEK 4,719 at September 30, 2016.

Profit after tax for the quarter amounted to MSEK 1,389 (587), corresponding to SEK 8.59 per ordinary share (4.13), after taking the pre-emptive rights of preference shares into account.

THE PERIOD JANUARY-SEPTEMBER 2016

Net operating income

Rental income for the period amounted to MSEK 1,958 (1,819). At September 30, 2016, the leasable area of Hemfosa's property portfolio totaled 2,544,000 square meters (2,545,000). The average annual rental income was SEK 1,050 (1,399) per square meter for Community service properties and SEK 981 (779) per square meter for Other properties. The leasing rate was 91.5 percent (90.7).

Property expenses amounted to MSEK 612 (586), corresponding to an annualized amount of SEK 314 per square meter of leasable area (314). The surplus ratio was 68.7 percent (67.8) and the yield on the entire portfolio was 5.6 percent (5.9).

Profit from property management

Management of the property portfolio generated profit for the period of MSEK 1,275 (958), up 33 percent year-on-year, with the increase due in part to changes in the value of properties owned indirectly and in part to the larger property portfolio. Profit from property management per ordinary share amounted to SEK 8.23 (6.48) after taking the pre-emptive rights of preference shares to dividends into account.

Central administration costs amounted to MSEK 89 (83). Profit from shares in joint ventures amounted to MSEK 325 (141). The development project operated by Gardermoen Campus Utvikling AS contributed to a positive change in the value of the property portfolio. The total share of profit from joint ventures comprised MSEK 92 (96) in profit from property management, MSEK 322 (106) in changes in the value of properties and financial instruments and MSEK -90 (-61) in taxes and other items.

Financial expenses were positively impacted by lower interest rates year-on-year, although the interest floor in certain loan agreements limited Hemfosa's potential to fully leverage the lower level of interest rates. At September 30, 2016, the average interest rate was 2.05 percent (2.23). Hemfosa mainly works with floating interest rates in its loan agreements and manages interest-rate risk through interest-rate swaps and interest-rate caps, thus increasing predictability and reducing the impact of changes in interest rates. The loan-to-value ratio was 57.2 percent (62.1).

Changes in fair value

Hemfosa's wholly owned property portfolio experienced an unrealized change in value of MSEK 1,256 (1,028) during the quarter, primarily generated by new leasing, project gains and changes in the required yield. Implemented divestments resulted in positive realized changes in value of MSEK 35 (91).

At September 30, 2016, interest-rate swaps and interest-rate caps had a negative fair value of MSEK 107 (163). The unrealized negative change in the value of interest-rate swaps and interest-rate caps was MSEK 5 (61) during the period.

Tax

The current tax expense totaled MSEK 3 (1) and the deferred tax asset was MSEK 188 (-247), of which MSEK -344 (-265) derived from temporary differences in investment properties and MSEK 530 (2) from revaluation of loss carry forwards. The effective tax rate for Hemfosa was 7 percent (-14). Other items were primarily attributable to changes in the value of derivative instruments. Hemfosa has no ongoing tax disputes.

Profit for the period

Profit for the period amounted to MSEK 2,746 (1,766), corresponding to SEK 19.40 per ordinary share (12.34), after taking the pre-emptive rights of preference shares into account.

Other comprehensive income

During the period, translation into SEK of the Norwegian and Finnish operations generated a translation difference of MSEK 207 (-110) in other comprehensive income, due to the appreciation of the NOK. Deferred tax attributable to items in other comprehensive income amounted to MSEK -46 (24).

Cash flow

Cash flow from operating activities for the period amounted to MSEK 812 (824), corresponding to SEK 5.03 per ordinary share (5.50). Investing activities impacted cash flow in the amount of MSEK -1,861 (-2,851), of which investments in existing properties accounted for MSEK -530 (-409), acquisitions of subsidiaries and properties for MSEK -2,173 (-4,472), divestment of subsidiaries and properties for MSEK 930 (2,246) and other items for MSEK -90 (-216).

Financing activities had an impact of MSEK 1,055 (1,757) on cash flow for the period. The implemented new share issue contributed MSEK 1,808 (166) to cash flow. The net of loan repayments and loans raised was MSEK -279 (1,892). During the period, MSEK 485 (300) was paid in dividends to Hemfosa's shareholders. Overall, the change in cash and cash equivalents during the period was MSEK 6 (-269).

Segment reporting

For the purpose of accounting and follow-up, Hemfosa has divided its operations into three segments. The segment division is based primarily on the different markets of Sweden, Norway and Finland and secondarily on the property types of Community service properties and Other properties.

Sweden is the largest segment and accounted for 87 percent (92) of rental income during the period. Sweden will continue to represent the main focus of Hemfosa's property portfolio, although the aim is to also grow in other segments. The tables below present information on Hemfosa's net operating income plus a selection of key performance indicators for the period and the past year divided by country and also the total for the Group.

Net operating income (MSEK)	Sweden			Norway			Finland			Total		
	Jan-Sept		Full-year	Jan-Sept		Full-year	Jan-Sept		Full-year	Jan-Sept		Full-year
	2016	2015	2015	2016	2015	2015	2016	2015	2015	2016	2015	2015
Rental income	1,706	1,675	2,247	190	143	196	62	-	0	1,958	1,819	2,443
Property expenses												
<i>Operations</i>	-325	-316	-411	-2	-1	-2	-3	-	0	-330	-316	-413
<i>Maintenance</i>	-141	-143	-191	-2	-3	-3	-3	-	0	-146	-146	-194
<i>Property tax</i>	-67	-62	-83	-2	0	-2	-4	-	0	-73	-62	-86
Property management	-61	-62	-78	-1	0	-2	0	-	0	-63	-62	-81
Net operating income	1,112	1,093	1,482	183	140	187	52	-	0	1,346	1,233	1,670

Key figures for the period, Sept 30	Sweden		Norway		Finland		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	2,487	2,507	281	209	89	-	2,858	2,715
Leasable area ¹ 000s sqm	2,320	2,424	160	121	64	-	2,544	2,544
Fair value of properties, MSEK	27,612	25,302	4,277	3,105	1,131	-	33,020	28,407
No. of properties	381	348	32	21	5	-	418	369
Yield, %	5.5	5.8	5.8	6.9	6.5	-	5.6	5.9
Economic leasing rate, %	90.3	89.9	99.3	100.0	100.0	-	91.5	90.7
Remaining lease term, years	5.5	5.3	9.1	10.5	8.7	-	6.0	5.7
Surplus ratio, %	65.2	65.3	96.3	97.9	83.9	-	68.7	67.8

¹ Excluding garage space

84%
of the Group's
property
value

SWEDEN

The property portfolio in Sweden had a value MSEK 27,612 (25,302), represented by 381 properties (348) with a rental value of MSEK 2,487 (2,507) and leasable area 2,320,000 square meters (2,424,000). This segment accounted for 87 percent (92) of the Group's total rental income and 83 percent (88) of net operating income during the period.

Sweden is 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 of the future will also contain other properties that complete the portfolio in a desirable manner. Geographically, the emphasis 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 accounted for 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 September 30, 2016, the Swedish property portfolio accounted for 84 percent of Hemfosa's property value.

Development during the period

Rental income during the period amounted to MSEK 1,706 (1,675) and net operating income to MSEK 1,112 (1,093). The surplus ratio was 65 percent (65). The economic leasing rate was 90.3 percent (89.9) and the yield 5.5 percent (5.3). Of the Swedish property portfolio, 55 percent (57) of rental income and 56 percent (61) of net operating income derived from Community service properties.

During the period, the Swedish portfolio was supplemented with 17 community service properties, with a total underlying value of MSEK 1,054. Notable among the major acquisitions were care properties in Stockholm, Uppsala and Gävle, as well as a portfolio of school properties primarily in Stockholm and Västerås.

During the period, the property portfolio was streamlined through the sale of 25 properties, with an underlying value MSEK 980, primarily accounted for by Other properties. The divested properties were primarily office properties, but also logistics properties and hotels.

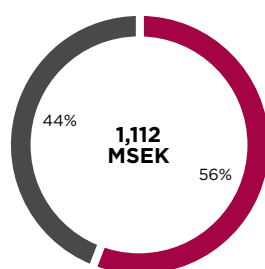
During the period, Hemfosa signed a lease for previously vacant floor space in an office property in Mölndal. This large new lease, together with tenant-specific modifications and refurbishment, represents an important step in rejuvenating Mölndal's Södra Porten business park. The property in Mölndal comprises 16 different buildings. One of the larger buildings is now being upgraded to create 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 with If Skadeförsäkring for the entire area. Occupancy of the upgraded and customized premises is scheduled for June 2017.

Sweden (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Rental income	575	562	1,706	1,675	2,247
Property expenses					
<i>Operations</i>	-82	-82	-325	-316	-411
<i>Maintenance</i>	-43	-59	-141	-143	-191
<i>Property tax</i>	-25	-17	-67	-62	-83
Property management	-21	-18	-61	-62	-78
Net operating income	404	385	1,112	1,093	1,482
Rental value, MSEK ¹			2,487	2,507	2,518
Leasable area, 000s sqm ^{1, 2}			2,320	2,424	2,451
Fair value of properties, MSEK ¹			27,612	25,302	25,999
No. of properties ¹			381	348	388
Yield, %			5.5	5.8	5.8
Economic leasing rate, % ¹			90.3	89.9	89.5
Remaining lease term, years ¹			5.5	5.3	5.4
Surplus ratio, %			65.2	65.3	66.0

1 At the end of the period

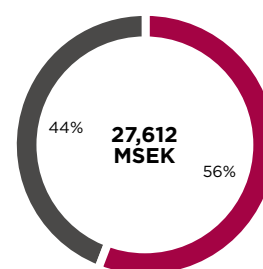
2 Excluding garage space

Net operating income by property type, Sweden Jan-Sep 2016



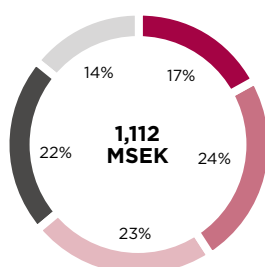
■ Community service properties
■ Other properties

Fair value by property type, Sweden Sep 30 2016



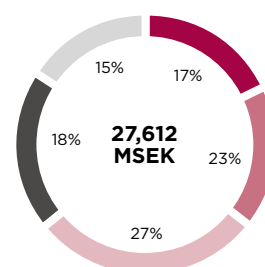
■ Community service properties
■ Other properties

Net operating income by region, Sweden Jan-Sep 2016



■ North ■ South
■ Central ■ West
■ Stockholm

Fair value by region, Sweden Sep 30, 2016



■ North ■ South
■ Central ■ West
■ Stockholm

13%
of the Group's
property
value

NORWAY

The property portfolio in Norway had a value of MSEK 4,277 (3,105), represented by 32 properties (21) with a rental value of MSEK 281 (209) and leasable area 160,000 square meters (121,000).

At September 30, 2016, the property portfolio in Norway accounted for 13 percent of Hemfosa's total property value. The properties are mainly 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 personal care services. The largest tenants are Oslo University College, the Norwegian Labor and Welfare Administration and Østfold University College.

Development during the period

Rental income during the period amounted to MSEK 190 (143) and net operating income to MSEK 183 (140). The surplus ratio was 96 percent (98). The economic leasing rate was 99.3 percent (100.0). A lower economic leasing rate compared with the year-earlier period was due to acquired vacancies connected to the acquisition of Statens Park. The yield was 5.8 percent (6.9).

In total, 11 properties were acquired during the period at an underlying property value of MSEK 642. Notable among the acquisitions were a senior citizens center in Bærum municipality, comprising 6,000 square meters of leasable area on a nine-year lease and the Statens Park area of the municipality of Tønsberg, south of Oslo, comprising nine properties. The properties in Statens Park 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.

During the period, Hemfosa acquired 20 percent of the shares in Offentlig Eiendom AS, a company that manages six community service properties in Norway at a value of approximately MSEK 780.

Norway accounted for 10 percent (8) of rental income and 14 percent (11) of net operating income during the period.

Norway (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Rental income	67	53	190	143	196
Property expenses					
<i>Operations</i>	-1	0	-2	-1	-2
<i>Maintenance</i>	-1	-3	-2	-3	-3
<i>Property tax</i>	-1	1	-2	0	-2
Property management	0	0	-1	0	-2
Net operating income	65	52	183	140	187
Rental value, MSEK ¹			281	209	206
Leasable area, 000s sqm ^{1,2}			160	121	119
Fair value of properties, MSEK ¹			4,277	3,105	3,042
No. of properties ¹			32	21	21
Yield, %			5.8	6.9	6.3
Economic leasing rate, % ¹			99.3	100.0	100.0
Remaining lease term, years ¹			9.1	10.5	10.2
Surplus ratio, %			96.3	97.9	95.4

¹ At the end of the period

² Excluding garage space

3%
of the Group's
property
value

FINLAND

The property portfolio in Finland had a value MSEK 1,131 (-), represented by five properties (-) with a rental value of MSEK 89 (-) and leasable area of 64,000 square meters (-).

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 September 30, 2016, the property portfolio in Finland accounted for 3 percent (-) of Hemfosa's property value.

Development during the period

Rental income during the period amounted to MSEK 62 (-) and net operating income to MSEK 52 (-). The surplus ratio was 84 percent (-). The economic leasing rate was 100.0 percent (-). The yield was 6.5 percent (-), calculated based on expected net operating income over a 12-month period.

During the period, work continued on evaluating potential transactions in the Finnish market for community service properties. Three properties in southern Finland were acquired during the period at an underlying value MSEK 521. Two of the properties are situated in Tampere and comprise a university building and an office building. The third property, a building housing public authorities, is located in Raahe, just south of Oulu.

Finland accounted for 3 percent of rental income during the period and 4 percent of net operating income.

Finland (MSEK)	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Rental income	23	-	62	-	0
Property expenses					
<i>Operations</i>	-1	-	-3	-	0
<i>Maintenance</i>	-3	-	-3	-	0
<i>Property tax</i>	-2	-	-4	-	0
Property administration	0	-	0	-	0
Net operating income	17	-	52	-	0
Rental value, MSEK ¹			89	-	45
Leasable area, 000s sqm ^{1,2}			64	-	37
Fair value of properties, MSEK ¹			1,131	-	512
No. of properties ¹			5	-	2
Yield, %			6.5	-	7.4
Economic leasing rate, % ¹			100.0	-	100.0
Remaining lease term, years ¹			8.7	-	8.6
Surplus ratio, %			83.9	-	0

¹ At the end of the period

² Excluding garage space

Current earnings capacity

The table below shows the company's current earnings capacity on a 12-month basis at September 30, 2016. Current earnings capacity is only to be considered as a hypothetical instantaneous impression and is presented only for illustrative purposes with the aim of presenting annualized income and expenses based on property portfolio, borrowing costs, capital structure and organization at a given point in time. The data does not include the possible effects of property transactions.

Group's earnings capacity

MSEK	Sept 30, 2016
Rental income	2,630
Property expenses	-666
Property management	-70
Net operating income	1,895
Central administration	-121
Share of profit of joint ventures	123
Financial income and expenses	-420
Profit from property management	1,477

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 September 30, 2016 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 tax assessment value of the properties and ground rent paid as of September 30, 2016.
- Costs for central administration and marketing have been calculated on the basis of the existing organization and the size of the property portfolio.
- Hemfosa's share of profit from joint ventures is calculated based on the same assumptions as for Hemfosa, taking into account the size of the share of profit.
- The assessment of earnings capacity does not assume any financial income.
- Financial expenses have been calculated on the basis of the company's actual average interest rate on September 30, 2016, which was 2.05 percent.
- The earnings capacity of the foreign operations has been restated at the exchange rates prevailing on September 30, 2016¹.

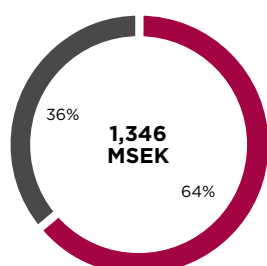
¹ The following exchange rates are applied: NOK/SEK of 1.0081 and EUR/SEK of 9.4164.

Property portfolio

Hemfosa's property portfolio is dominated by properties of the Community service properties type but also contains Other properties. Hemfosa is working determinedly to streamline the property portfolio towards community service properties, which accounted for 64 percent of Hemfosa's property value during the period, with the aim of increasing that share. The property portfolio has also grown geographically following the acquisition of community service properties in Norway and Finland. As a result, Hemfosa considers itself a Nordic player in the market for community service properties.

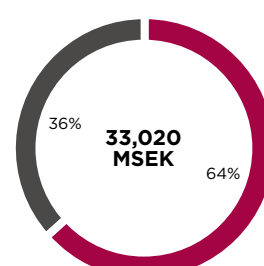
At September 30, 2016, the property portfolio comprised a total of 418 properties (369). The properties had a total fair value of SEK 33.0 billion (28.4), of which Community service properties accounted for SEK 21.0 billion (15.6), corresponding to 64 percent (55). The total leasable area was 2,544,000 square meters (2,545,000) with a rental value of MSEK 2,858 (2,715).

Net operating income by property type, 31 Sep 2016



■ Community service properties
■ Other properties

Fair value by property type Sep 30, 2016



■ Community service properties
■ Other properties

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 the rental income.

Community service properties contributed 61 percent (57) of Hemfosa's rental income during the period. 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 period of time. Hemfosa's strategy is to continue to grow in Community service properties, which generate stable cash flows and usually also have longer leases. At the end of the period, Community service properties accounted for 64 percent (57) of the total value of the property portfolio.

Development during the period

During the period, Hemfosa acquired Community service properties at a value of SEK 2,217 billion and with a total leasable area of 116,000 square meters.

Key figures per property category, Sept 30	Community service properties											
	School		Offices		Judicial system		Care services		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	529	454	552	458	344	319	296	233	9	8	1,728	1,472
Leasable area ¹ 000s sqm	397	348	429	363	243	233	251	203	10	9	1,329	1,156
Fair value properties, MSEK	6,766	4,770	6,252	4,883	4,104	3,268	3,729	2,604	126	100	20,977	15,626
No. of properties	70	54	51	41	40	38	105	60	7	6	273	199
Yield ² , %											5.8	6.3
Economic occupancy rate, %											94.7	94.9
Remaining lease term, years											6.9	7.0

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. This property type accounted for 39 percent (43) of Hemfosa's rental income during the period.

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, near key transportation hubs, mainly in southern and central Sweden. Hemfosa's logistics properties include a predominant share of modern logistics buildings with a highly flexible range of applications.

Development during the period

Streamlining of the property portfolio continued during the period and 25 properties, at an underlying property value of MSEK 980, in Hemfosa's Other properties segment were vacated.

Key figures per property category, Sept 30	Other properties							
	Offices		Logistics/ Storage		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental value, MSEK	671	691	260	304	198	247	1,129	1,243
Leasable area ¹ 000s sqm	563	597	423	518	229	273	1,216	1,389
Fair value of properties, MSEK	6,955	7,093	3,248	3,387	1,839	2,301	12,042	12,781
No. of properties	64	74	29	34	52	62	145	170
Yield ² , %							5.7	5.4
Economic leasing rate, %							86.5	85.7
Remaining lease term, years							4.3	4.2

1 Excluding garage space

2 According to earnings capacity

INVESTMENTS, ACQUISITIONS AND DIVESTMENTS

During the period, Hemfosa invested MSEK 531 in its existing property portfolio. The investments pertain to tenant-specific modifications and conversion and extension of properties in all regions of Sweden, and in Norway.

The largest investment project under way among Hemfosa's wholly owned properties is a 52,000-square-meter property in Haninge (Najaden), where refurbishment of the entire property is under way, including remodeling and upgrading of such features as facades, window sections and technical installations, and conversion and extension of a hotel. The project commenced in autumn 2015 and is scheduled for completion in early 2018. In Mölndal, remodeling and expansion is under way of a property totaling 11,000 square meters. The project commenced in the second quarter of 2016 and is scheduled for completion during the second quarter of 2017. Refurbishment is also in progress for the Swedish Prison and Probation Service and the Swedish Migration Agency in Norrköping. In the properties owned indirectly, Hemfosa's largest investment is being implemented in the form of construction of a new, state-of-the-art specialist hospital and of a new local medical center at Gardermoen Oslo, Norway.

Total investments in properties totaled MSEK 2,754 (3,963), of which property acquisitions accounted for MSEK 2,223 (3,554) and investments in the existing property portfolio for MSEK 531 (409). 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 quarter totaled MSEK 971 (1,387).

Investments, acquisitions and divestments per segment, Sept 30	Sweden		Norway		Finland		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Investments in existing properties, MSEK	522	409	8	0	-	-	531	409
<i>of which, Community service properties</i>	211	181	8	0	-	-	219	181
Acquisition of properties, MSEK	1,060	691	642	2,863	521	-	2,223	3,554
<i>of which, Community service properties</i>	1,054	658	642	2,863	521	-	2,217	3,521
Divestment of properties, MSEK	-971	-1,387	-	-	-	-	-971	-1,387
<i>of which, Community service properties</i>	-40	-295	-	-	-	-	-40	-295

MARKET VALUE OF PROPERTY PORTFOLIO

The market value of Hemfosa's total portfolio of investment properties is assessed every quarter by external, independent property appraisers.

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 the required yield 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 2.0 percent thereafter. For Norway, the inflation assumption is 2.5 percent and for Finland it is 1.0 percent during 2016 and 2017, 1.5 percent during 2018 and 2.0 percent thereafter. 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 6.3 percent (6.6), compared with an average yield requirement of 6.4 percent at June 30, 2016. The weighted cost of capital for calculating the present value of the cash flow and the residual value was 7.5 percent (7.7) and 8.5 percent (8.7), respectively.

The value of Hemfosa's property portfolio was MSEK 33,020 (28,407). The total change in value during the period was MSEK 3,467 (3,689).

Change in the property portfolio's fair value per segment, Sept 30	Sweden		Norway		Finland		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Opening value for the year	25,999	24,718	3,042	0	512	-	29,553	24,718
Acquired properties	1,060	691	642	2,863	521	-	2,223	3,554
Investments in existing properties	522	409	8	0	0	-	531	409
Divested properties	-971	-1,379	0	0	0	-	-971	-1,387
Realized changes in value in profit for the period	35	83	0	0	0	-	35	91
Unrealized changes in value in profit for the period	968	780	221	248	67	-	1,256	1,028
Translation differences	-	-	363	-6	30	-	393	-6
Closing fair value	27,612	25,302	4,277	3,105	1,131	-	33,020	28,407

Shares in joint ventures

At September 30, 2016, Hemfosa was a partner in four joint ventures. Ownership is governed by shareholders' agreements giving both owners equal power of decision, meaning that neither partner has a controlling influence. Share of profit of joint ventures is recognized in the Group's profit from property management, but is not included in Hemfosa's dividend-based profit.

MSEK	Söderport Holding AB		Gardermoen Utvikling AS		Other companies		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Capital share	898	762	541	164	25	31	1,464	957
Shareholding, %	50	50	65	65	50	50		
Share in profit/loss, Jan-Sep	175	143	150	-2	0	0	325	141
<i>Of which:</i>								
Profit from property management	92	96	0	0	0	0	92	96
Changes in value of properties	157	99	199	0	0	0	356	99
Changes in value of financial instruments	-34	7	-	0	0	0	-34	7
Deferred tax	-44	-41	-50	0	-	-	-94	-41
Other	4	-18	-	-2	-	-	4	-20

SÖDERPORT HOLDING AB

Hemfosa and AB Sagax each own 50 percent of Söderport Holding AB. At September 30, 2016, Söderport owned properties valued at approximately SEK 5.7 billion (5.6) with a focus on the Stockholm and Gothenburg areas.

During the period, Söderport divested one property in Malmö. The 13,000-square-meter property has been empty since October 2015. Prior to the sale, Söderport prepared a new zoning plan facilitating conversion into residential units. The underlying property value is MSEK 170.

At September 30, 2016, Söderport owned 48 properties.

Söderport Holding AB

MSEK	Sept 30	
	2016	2015
Rental income, Jan-Sept	403	403
Comprehensive income, Jan-Sept	331	353
of which, Hemfosa's share (50%)	166	177
Market value of properties	5,715	5,634
Interest-bearing loans	3,069	3,412
Deferred tax liability	324	184
Derivatives, negative value, MSEK	479	454
Shareholders' equity	1,796	1,582
of which, Hemfosa's share (50%)	898	791
No. of properties	48	67
Leasable area, 000s of sqm	638	749

GARDERMOEN CAMPUS UTVIKLING AS

Hemfosa owns Gardermoen Campus Utvikling AS (GCU) jointly with Aspelin Ramm Eiendom AS, a Norwegian development company. Hemfosa's ownership share amounts to 65 percent.

GCU is developing an area at Gardermoen Airport, Norway, into an important national hub for expertise in health and social care. GCU manages about 12.5 hectares of land, with a zoning plan covering about half of the area. The zoning 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 initiative 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 the investment in GCU comprises the project design and construction of a specialist hospital. GCU has signed a 25-year lease with Landsforeningen for Hjerte og Lungesyke (LHL). Construction of the hospital commenced in 2015 and is scheduled for completion in January 2018.

In addition, GCU has signed an agreement with the Municipality of Ullensaker for the construction of a new approximately 8,000-square-meter local medical center adjacent to LHL's hospital. The municipality has signed a 30-year lease, meaning that the property is fully leased. Construction work started in August 2016 and is scheduled for completion in January 2018.

At September 30, 2016, the properties had a fair value of MSEK 1,146, corresponding to an unrealized change in value in the quarter of MSEK 327 in the company's profit.

At the same date, Hemfosa's investment in GCU amounted to MSEK 518.

Gardermoen Campus Utvikling AS

MSEK	Sept 30	
	2016	2015
Market value of properties	1,146	88
Interest-bearing loans	220	-
Shareholders' equity	824	247
of which, Hemfosa's share (65%)	535	161
No. of properties	2	1

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. Gästgivaregatan is a project development company formed to develop and add value to the Tellus 4 commercial property in Södertälje.

Hemfosa also owns shares in Strängnäs Culmen II AB. The company does not conduct any operations.

Financing

SHAREHOLDERS' EQUITY

On September 30, 2016, Hemfosa's shareholders' equity amounted to MSEK 14,731 (10,222), corresponding to an equity/assets ratio of 41.5 percent (34.2). Hemfosa's financial target is to have an equity/assets ratio that exceeds 30 percent. At September 30, 2016, the Parent Company's shareholders' equity amounted to MSEK 10,108 (8,367).

The number of ordinary shares amounted to 157,728,249 and the number of preference shares to 10,999,999. At the end of the period, MSEK 485 had been paid to holders of ordinary and preference shares of the dividends adopted by the 2016 AGM and the remaining dividends have been entered as a liability in the Statement of financial position.

EPRA NAV per ordinary share was SEK 88.40 (71.59).

INTEREST-BEARING LIABILITIES

At September 30, 2016, Hemfosa's interest-bearing liabilities totaled MSEK 18,957 (17,709), of which MSEK 17,723 (16,472) pertained to loans from credit institutions, MSEK 1,200 (1,200) to bond loans, MSEK 14 (18) to vendors' mortgages and MSEK 20 (19) to other liabilities. Hemfosa has a revolving credit facility and unutilized credit facilities of MSEK 1,300 (1,300), of which MSEK 1,300 (619) was unutilized at the end of the quarter. The Group also has two overdraft facilities totaling MSEK 390 (325), which were unutilized at September 30, 2016. The Group 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 57.2 percent (63.1) of the fair value of the property portfolio.

Fixed-rate period distributed by instruments at September 30, 2016

	Overdraft facilities ¹ , MSEK	Swaps ² , MSEK	Interest-rate caps ² , MSEK	Amount, MSEK	Proportion, %
<1 year	17,728	-4,803	-3,933	8,993	47
1-2 years	856	1,103	384	2,343	12
2-3 years	299	2,982	3,122	6,404	34
3-4 years	31	718	0	748	4
4-5 years	0	0	427	427	2
>5 years	42	0	0	42	0
Total	18,957	0	0	18,957	100

1 All amounts recognized as liabilities in this chapter represent undiscounted amounts. The interest-bearing liabilities in the Statement of financial position include arrangement fees totaling MSEK 58 (60) and these must therefore be taken into account to attain uniformity between tables and recognized liabilities in the Statement of financial position

2 Agreements entered into for interest-rate swaps and interest-rate caps with a total volume of MSEK 8,735 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.

At September 30, 2016, the average interest rate was 2.05 percent (2.23). 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.

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 September 30, 2016, the nominal value of Hemfosa's outstanding interest-rate swaps was MSEK 4,803 (8,070) and interest-rate caps MSEK 3,933 (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, 54.6 percent (59.3) of Hemfosa's loan portfolio is interest-rate hedged. At the end of the quarter, the average remaining fixed-rate period was 1.3 years (1.5).

Fixed-rate period, interest-rate swaps at September 30, 2016

	Nominal amount, MSEK	Average interest rate, interest-rate swaps, %	Market value, MSEK
<1 year	0	0	0
1-2 years	1,103	0.9	8
2-3 years	2,982	1.0	94
3-4 years	718	1.3	6
4-5 years	0	0	0
>5 years	0	0	0
Total	4,803	1.0	108

The net change in interest-bearing liabilities during the quarter was MSEK 406 (-116). The change was attributable to utilization of existing lines of credit totaling MSEK 428 (155). Loan repayments during the quarter totaled MSEK 179 (271), divided among MSEK 121 (33) for repayment in connection with sales of properties and MSEK 57 (138) for ongoing repayment under loan agreements. The remainder of the net change resulted from exchange-rate changes of MSEK 156 (-).

At the end of the period, the total fair value of interest-rate swaps and interest-rate caps and swaps was MSEK -107 (-163). The average loan maturity term was 2.4 (2.6) years. All interest-rate swaps had a negative fair value at September 30, 2016.

Maturity structure, interest-bearing liabilities at September 30, 2016

	Nominal amount, MSEK	Proportion, %	Loan interest, MSEK	Net interest, derivatives, MSEK ¹⁾	Total, MSEK
2016	0	0	85	13	99
2017	5,159	27	300	53	353
2018	6,338	33	237	42	279
2019	3,098	16	119	2	121
2020	3,501	18	43	0	44
2021-	862	5	48	0	48
Total	18,957	100	833	111	944

¹ The net rate in the table is attributable to swaps with negative value.

CURRENCY EXPOSURE

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 part in connection with shareholders' equity in foreign subsidiaries and in part in connection with 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 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.

Other disclosures

EMPLOYEES

At September 30, 2016, the number of employees was 64 (64), of whom 27 (27) were women. Hemfosa has offices in Nacka (head office), Gothenburg, Härnösand, Karlskrona, Karlstad, Kristianstad, Sundsvall, Västerås, Värnamo, Växjö and Oslo.

During the third quarter of 2016, Pasi Nieminen was employed as Head of Property Management with responsibility for the Finnish property portfolio, with placement in Helsinki, Finland

In October, Joacim Sjöberg entered his new position and has been appointed Deputy CEO by the company's board of directors.

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 2015 Annual Report on pages 36–39 and 86–88.

Sensitivity analysis, September 30, 2016

	Change, %	Earnings effect, MSEK
Contractual rental income according to earnings capacity	+/- 1	+/- 26
Economic leasing rate according to earnings capacity	+/- 1	+/- 26
Property expenses according to earnings capacity	+/- 1	+/- 7
Net operating income according to earnings capacity	+/- 5	+/- 95
Changes in SEK/NOK exchange rates	+/- 10	+/- 130
Change in SEK/EUR exchange rate	+/- 10	+/- 43
Interest expenses assuming current fixed-interest periods and changed interest rates ¹	+/- 1	+ 48/4
Interest expenses assuming change in average interest rate level ²	+/- 1	+/- 190
Remeasurement of fixed-income derivatives resulting from shift in interest rate curves	+/- 1	+/- 106

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."

The company has implemented a rights issue, for which the subscription period ended on 10 May 2016. The issue was fully subscribed. Through the rights issue, the company's share capital was increased by SEK 13,144,020.50 and thereafter amounts to SEK 84,364,124. The issue proceeds, following issue costs, amounted to MSEK 1,809.

At September 30, 2016, the number of Hemfosa shares was 168,728,248, of which 157,728,249 were ordinary shares and 10,999,999 preference shares. The number of voting rights totaled 158,828,248.9. Each ordinary share carries one voting right and each preference share one tenth of a voting right.

The last price paid on September 30, 2016 was SEK 93.00 for the ordinary share and SEK 171.00 for the preference share. Total market capitalization was MSEK 16,550. At September 30, 2016, Hemfosa had 16,629 shareholders, of whom Swedish investors, institutions and private individuals owned 67.6 percent of the shares and 66.2 percent of the votes. International institutional investors owned 32.4 percent of the shares and 33.8 percent of the votes.

Owner distribution, September 30, 2016

Owners	Number of shares		Percentage of	
	Ordinary shares	Preference shares	Share capital, %	Voting rights, %
Fourth AP Fund	15,811,799	-	9.4	10.0
Länsförsäkringar Fondförvaltning AB	12,089,047	-	7.2	7.6
Swedbank Robur Funds	10,040,441	125,000	6.0	6.3
Kåpan Pensioner	8,236,274	-	4.9	5.2
AMF Försäkring and Funds	7,858,529	-	4.7	5.0
Lannebo funds	7,330,000	-	4.3	4.6
Handelsbanken Funds	5,251,154	-	3.1	3.3
JPM Chase NA	3,428,676	107,686	2.1	2.2
Others	87,682,329	10,767,313	58.3	55.8
Total	157,728,249	10,999,999	100.0	100.0

ASSURANCE BY THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer gives his assurance that this interim report provides a true and fair overview 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, November 9, 2016
Hemfosa Fastigheter AB (publ)
(Corp. Reg. No. 556917-4377)

Jens Engwall
Chief Executive Officer

This interim report has been examined by the company's auditors.

The information in this press release information is such that Hemfosa Fastigheter AB is obligated to disclose in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was issued for publication under the auspices of the CEO on November 9, 2016 at 7:30 a.m. CET.

REPORTING DATES

Year-end report January–December 2016	February 17, 2017
Annual Report for 2016	Week 13, 2017
Interim report, January–March 2016	April 25, 2017
Interim report, January–June 2017	July 20, 2017

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Condensed financial statements

Consolidated statement of profit/loss and comprehensive income

MSEK	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Rental income	666	615	1,958	1,819	2,443
Property expenses including property administration	-180	-179	-612	-586	-773
Net operating income	485	436	1,346	1,233	1,670
Central administration	-24	-23	-89	-83	-112
Other operating income and costs	2	1	18	-1	0
Share of profit of joint ventures	224	41	325	141	255
Financial income and expenses	-105	-111	-324	-332	-450
Profit from property management	582	345	1,275	958	1,363
Changes in value of properties, realised	2	-3	35	91	91
Changes in value of properties, unrealised	360	368	1,256	1,026	1,409
Changes in value of financial instruments, realised	-	0	-	0	3
Changes in value of financial instruments, unrealised	21	-39	-5	-61	-45
Profit before tax for the year	965	670	2,561	2,014	2,821
Current tax	-0	0	-3	-1	-5
Deferred tax	424	-83	188	-247	-478
Profit for the year	1,389	587	2,746	1,766	2,339
Other comprehensive income					
<i>Items that have or could be transferred to profit for the period</i>					
Translation differences for the period when translating foreign operations	124	-62	207	-110	-168
Deferred tax	-27	14	-46	24	37
Comprehensive income for the year	1,486	539	2,908	1,680	2,207
<i>Profit/loss for the year attributable to:</i>					
Parent Company shareholders	1,382	585	2,735	1,752	2,324
Non-controlling interests	7	2	11	11	15
Profit for the year	1,389	587	2,746	1,766	2,339
<i>Profit/loss for the year attributable to:</i>					
Parent Company shareholders	1,477	537	2,894	1,669	2,191
Non-controlling interests	9	2	14	11	16
Comprehensive income for the year	1,486	539	2,908	1,680	2,207
Net profit per ordinary share, before and after dilution, SEK	8.59	4.13	19.40	12.34	16.28

Consolidated statement of financial position

MSEK	Sep 30		Dec 31
	2016	2015	2015
ASSETS			
Investment property	33,020	28,407	29,553
Shares in joint ventures	1,464	957	1,075
Shares in associated companies	59	-	-
Other fixed assets	13	19	7
Total fixed assets	34,556	29,384	30,635
Current receivables	173	145	82
Cash and cash equivalents	744	325	732
Total current assets	917	470	814
TOTAL ASSETS	35,474	29,854	31,449
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity attributable to parent company shareholders	14,695	10,210	10,737
Non-controlling interests ¹	36	12	12
Equity	14,731	10,222	10,749
Non-current interest-bearing liabilities	15,679	17,471	17,228
Other non-current liabilities	111	167	106
Deferred tax liabilities	530	678	701
Total non-current liabilities	16,321	18,315	18,035
Current interest-bearing liabilities	3,219	178	1,670
Other current liabilities	1,203	1,138	994
Total current liabilities	4,422	1,316	2,664
Total liabilities	20,743	19,632	20,699
TOTAL EQUITY AND LIABILITIES	35,474	29,854	31,449

¹ Relates to 2.77 percent of Hemfosa Samfunnsbygg AS equity, owned by Immob Holding AS.

Consolidated statement of changes in equity shareholders' equity

MSEK	Shareholders' equity attributable to Parent Company shareholders					Non-con- trolling interests	Total Share- holders' equity
	Share capital	Other contri- buted capital	Transla- tion reserve	Retained earnings incl. profit for the year	Total		
Opening equity, Jan 1, 2015	71	5,549	-	3,317	8,938	12	8,949
Transactions with the Group's shareholders, Jan-Sep 2015							
Contributions from and distributions to shareholders							
New share issue, preference shares	1	163	-	-	164	-	164
Dividend, preference shares	-	-	-	-157	-157	-	-157
Dividend, ordinary shares	-	-	-	-394	-394	-	-394
Changes in interests in subsidiaries							
Acquisition of subsidiaries with non-controlling interests	-	-	-	-7	-7	7	-
Divestment of part-owned subsidiary	-	-	-	-	-	-20	-20
Total transactions with the Group's shareholders	-	163	-	-558	-394	-1	-407
Comprehensive income, Jan-Sep 2015	-	-	-86	1,752	1,666	14	1,680
Closing equity, Sep 30, 2015	72	5,713	-86	4,511	10,210	11	10,222
Comprehensive income Oct-Dec 2015							
	-	-	-46	572	526	1	527
Closing equity, Dec 31, 2015	71	5,713	-132	5,084	10,737	12	10,749
Opening equity, Jan 1, 2016	71	5,713	-132	5,084	10,737	12	10,749
Transactions with the Group's shareholders, Jan-Sep 2016							
New issue, ordinary shares	13	1,795 ²	-	-	1,808	10	1 818
Dividend, preference shares	-	-	-	-110	-110	-	-110
Dividend, ordinary shares	-	-	-	-635	-635	-	-635
Total transactions with the Group's shareholders	13	1,796	-	-745	1,063	10	1,073
Comprehensive income, Jan-Sep 2016	-	-	162	2,732	2,894	14	2,908
Closing equity, Sep 30, 2016	84	7,509	30	7,071	14,694¹	36	14,731

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

2 The amount includes costs totaling MSEK 6 for raising capital.

Statement of cash flow for the Group

MSEK	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Operating activities					
Profit from property management	582	345	1,275	958	1,363
Adjustments for items not included in cash flow	-224	-41	-324	-145	-264
Income tax paid	-1	0	-13	-8	0
Cash flow from operating activities before changes in working capital	357	304	939	805	1,100
Cash flow from changes in working capital					
Changes in operating receivables	67	69	-93	-135	22
Changes in operating liabilities	-27	-82	-34	155	98
Cash flow from operating activities	398	291	812	824	1,220
Cash flow from investing activities					
Acquisition of investment properties	-2	-79	-23	-95	-103
Divestment of investment properties	1	22	8	27	45
Investments in existing properties	-217	-168	-530	-409	-566
Acquisition of subsidiaries	-372	-994	-2,150	-4,377	-4,491
Divestment of subsidiaries	119	963	922	2,219	1,378
Acquisition of joint ventures and associated companies	-4	-80	-189	-166	-221
Other	1	-12	101	-50	14
Cash flow from investing activities	-473	-348	-1,861	-2,851	-3,943
Cash flow from financing activities					
New share issue	-1	165	1,808	165	165
Loans raised	591	457	3,107	3,708	4,240
Repayment of loans	-334	-570	-3,386	-1,816	-1,101
Redemption of existing swap agreements					-43
Dividend paid to shareholders	-193	-126	-485	-300	-399
Other	10	-	10	-	-
Cash flow from financing activities	73	-75	1,055	1,757	2,862
Cash flow for the period/year					
Cash flow for the period/year	-3	-131	6	-269	138
Exchange-rate difference in cash and cash equivalents	2	-1	6	-1	0
Cash and cash equivalents at the beginning of the year	745	455	732	594	594
Cash and cash equivalents at period-end	744	324	744	324	732

NOTE 1 SEGMENT INFORMATION

MSEK	Sweden Jan-Sep		Norway Jan-Sep		Finland Jan-Sep		Total Jan-Sep	
	2016	2015	2016	2015	2016	2015	2016	2015
Rental income	1,706	1,675	190	143	62	-	1,958	1,819
Property expenses								
<i>Operations</i>	-325	-316	-2	-1	-3	-	-330	-316
<i>Maintenance</i>	-141	-143	-2	-3	-3	-	-146	-146
<i>Property tax</i>	-67	-62	-2	0	-4	-	-73	-62
Property management	-61	-62	-1	0	0	-	-63	-62
Net operating income	1,112	1,093	183	140	52	-	1,346	1,233
Central administration							-89	-83
Other operating income and costs							18	-1
Share of profit of joint ventures							325	141
Financial income and expenses							-324	-332
Profit from property management							1,275	958
Changes in value of properties							1,291	1,117
Changes in value of financial instruments							-5	-61
Profit before tax for the year							2,561	2,014

NOTE 2 ACCOUNTING POLICIES

This condensed interim 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 interim 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 policies and calculation basis were used as in the most recent Annual Report. All amounts in this interim report are stated in millions of kronor (MSEK), unless otherwise stated. The amounts in parentheses pertain to the year-earlier period. Rounding-off differences may occur. As of July 3, the company applies Guidelines – Alternative Performance Indicators, as issued by ESMA (European Securities and Markets Authority). In accordance with these guidelines, disclosures have been expanded in the event that financial measures not defined by IFRSs are used; see glossary, page 34.

NOTE 3 ESTIMATES AND JUDGMENTS

The preparation of interim reports requires that company management make judgements and estimates, as well as assumptions, that affect the financial statements. Important estimates and judgments are presented in Note 25 to the 2015 Annual Report.

NOTE 4 FINANCIAL INSTRUMENTS

Hemfosa measures its financial instruments at fair value or amortized cost in the Statement of financial position, depending on the classification of the instrument. Financial instruments include rent receivables, derivative instruments and cash and cash equivalents among assets and interest-bearing liabilities, derivative instruments and accounts payable among liabilities. Derivative instruments are recognized at fair value following Level 2 measurement. Hemfosa has binding framework agreements, known as ISDAs, covering its trading in derivatives, which enable Hemfosa to offset financial liabilities against financial assets should, for example, a counterparty become insolvent; these are also known as netting agreements. No offsetting occurs at present.

Financial instruments, MSEK	Carrying amount		Fair value	
	Sep 30, 2016	Sep 30, 2015	Sep 30, 2016	Sep 30, 2015
Assets measured at fair value	1	0	1	0
Assets measured at amortized cost	828	387	828	387
Liabilities measured at fair value	108	163	108	163
Liabilities measured at amortized cost	493	374	493	374

NOTE 5 FINANCING

For information on changes in financing, reference is made to pages 20-21 in this interim report.

NOTE 6 RELATED-PARTY TRANSACTIONS

The Group owns shares in joint ventures; refer to pages 18-19 of this interim report. At September 30, 2016, the Group had sureties of MSEK 138 (-) for the liabilities of joint ventures. At September 30, 2016, the Group had no receivables from joint ventures.

NOTE 7 SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Hemfosa has signed agreements concerning acquisitions and taken possession of two properties in Finland, with the police authority and the office of the public prosecutor as the largest tenants. As a result of this transaction corresponding to approximately MSEK 420, Hemfosa strengthens its position in Finland, where the property portfolio thus amounts to a total of approximately SEK 1.5 billion. The sellers are Lokal Tapiola Ömsesidigt Livsförsäkringsbolag and Elo Ömsesidigt Pensionförsäkringsbolag.

Joacim Sjöberg has taken office as Deputy CEO, as of October 3.

Income statement for the Parent Company

MSEK	Jul-Sep		Jan-Sep		Full-year
	2016	2015	2016	2015	2015
Net sales	9	14	24	41	53
Other external costs	-8	-7	-28	-26	-33
Personnel expenses	-7	-7	-20	-22	-30
Depreciation/amortization	0	0	0	0	0
Operating profit/loss	-7	0	-24	-7	-10
Profit from shares in Group companies	-	-	-	-	850
Interest income and similar items	5	92	10	273	286
Interest expenses and similar expense items	-7	-53	-11	-118	-173
Profit after financial items	-9	39	-25	148	953
Appropriations					
Group contributions received and paid	-	-	110	-	-187
Profit after appropriations	-9	39	85	148	765
Tax	-	-	-24	-	-
Profit for the year	-9	39	61	148	765

For the January–September 2016 period, the Parent Company recognized profit after tax of MSEK 61 (148). The Parent Company’s fee during the period for central and property administrative services on behalf of Group companies was MSEK 24 (41). The Parent Company’s investments in operations outside Sweden resulted in exchange-rate gains of MSEK 13 (loss: 84), which are recognized in interest expense and similar income statement items.

Profit/ for the year total corresponds to comprehensive income for the year.

Balance sheet for the Parent Company

MSEK	Sep 30		Dec 31
	2016	2015	2015
ASSETS			
Tangible assets	1	0	0
Participations in Group companies	4,844	2,887	3,527
Non-current receivables from Group companies	477	704	523
Deferred tax asset	-	-	24
Total fixed assets	5,322	3,591	4,074
Current receivables from Group companies	7,418	7,487	7,103
Other current receivables	65	47	13
Cash and bank balances	22	10	286
Total current assets	7,505	7,544	7,402
TOTAL ASSETS	12,827	11,135	11,476
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity	84	71	71
Unrestricted equity	10,024	8,295	8,913
Equity	10,108	8,367	8,985
Bond	-	1,200	1,200
Total non-current liabilities	-	1,200	1,200
Bond	1,200	-	-
Current liabilities to Group companies	1,074	1,249	1,101
Other current liabilities	446	319	190
Total current liabilities	2,720	1,568	1,291
Total liabilities	2,720	2,768	2,491
TOTAL EQUITY AND LIABILITIES	12,827	11,135	11,476
Pledged assets and contingent liabilities			
<i>Pledged assets</i>			
Participations in Group companies	4,844	2,887	3,527
<i>Contingent liabilities</i>			
Sureties for liabilities in Group companies	13,875	12,074	12,639
Sureties for liabilities in joint ventures	138	-	-

At September 30, 2016, the Parent Company had shareholders' equity totaling MSEK 10,108 (8,367), of which restricted equity accounted for MSEK 84 (71). A rights issue of ordinary shares during the period increased the Parent Company's equity by a total of MSEK 1,809 after issue costs. The surety is for liabilities in the Norwegian partly owned company Gardermoen Campus Utvikling AS, which owns and is developing a health and medical care competence park by Gardermoen Airport.

Since interest-bearing bonds of MSEK 1,200 fall due for payment during 2017, the liability has been classified as a current liability, as opposed to the classification in the preceding year. Intra-Group liabilities totaled MSEK 1,074 (1,249) and intra-Group receivables MSEK 7,895 (8,191).

Review report

Hemfosa Fastigheter AB (publ)
Corporate Reg No 556917-4377

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) for Hemfosa Fastigheter AB (publ) for the period ending on September 30, 2016 and for the nine-month period ending on that date. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed based on an audit.

CONCLUSIONS

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the accompanying interim report has not been prepared in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, November 9, 2016
KPMG AB

Björn Flink
Authorized Public Accountant

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. The loan-to-value ratio is a measure of risk that indicates the degree to which the operation is encumbered with interest-bearing liabilities. The key figure provides comparability with other property companies.

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. The key figure indicates the yield from operational activities in relation to the properties' value.

Net operating income

Net operating income comprises the income and expense items directly connected to the property, meaning rental income and the expenses required to keep the property in operation, such as operating expenses, maintenance costs and personnel costs for those who take care of the property and tenant contacts. The indicator is used to provide comparability with other property companies, but also to illustrate the operational performance.

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

Profit from property management comprises net operating income plus property management and administration expenses as well as financial income and expenses. This earnings ratio does not include effects of changes in the value of investment properties and derivatives. These are reported separately in the Statement of profit/loss and are not included in distributable profit.

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, in relation to the weighted average number of ordinary shares.

Rental income

Rents charged plus supplements for heating and property tax.

Rental value

Rental income for the total leasable area

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 of profit/loss of joint ventures in relation to financial income and expenses. The interest-coverage ratio is a financial target that shows how many times the company can pay its interest charges with its profit from operational activities.

Community service properties

Properties with publicly financed tenants 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 per share (EPRA NAV)

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.

The purpose of this performance indicator is to show the fair value of net assets in a long-term perspective.

Accordingly, assets and liabilities in the Statement of financial position that are to be realized, such as the fair value of derivative instruments and deferred taxes, are excluded. The corresponding items in Hemfosa's shares in joint ventures are also excluded from the key figure.

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

The dividend shall amount to 60 percent of profit from property management long term excluding share of profit/loss joint ventures and after tax. Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

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. The surplus ratio shows the percentage of each Swedish krona earned that the company can keep. The key figure serves as a measure of efficiency that is comparable over time and among property companies.

BUSINESS CONCEPT

Hemfosa's mission is to own, develop and manage community service properties on a long-term basis and to create value through active participation in a changing property market in order to generate long-term, high and stable profitability.

FINANCIAL OBJECTIVES

- To deliver the highest return among listed Swedish property companies over a five-year period.
- Long-term, the equity/assets ratio is to amount to at least 30 percent.
- Long-term, the interest coverage ratio is to be at least a multiple of two.

DIVIDEND POLICY

The dividend shall amount to 60 per cent of profit from property management long term excluding share of profit/loss joint ventures and after tax Dividends paid on preference shares are deducted from this amount first; the remaining amount can be distributed to holders of ordinary shares.

STRATEGY

Hemfosa will generate long-term, high and stable growth combined with a strong cash flow by:

- developing and adding value to its property portfolio
- creating and maintaining long-term relationships with tenants by means of market-oriented and professional property management
- developing long-term relationships with government authorities, county councils and municipalities, as well as with private operators of community service properties
- increasing the share of community service properties to at least 75 percent of the total property value

Hemfosa will be active in the Nordic transaction market in order to:

- generate growth
 - maximize yield in relation to risks
 - generate transaction gains
-