



**HEMSÖ**



## Significant events during the fourth quarter

- » The Science Based Targets initiative (SBTi) validated Hemsö's emissions-reduction target to achieve net zero emissions by 2040.
- » Hemsö signed a 15-year lease agreement with Academedia related to 4,000 sqm for Odinskolan in central Gothenburg.
- » Hemsö signed a 20-year lease agreement with the City of Turku related to 6,500 sqm for the Turku International School.
- » Hemsö signed a 15-year lease agreement with Kunskapsskolan in Nacka related to 3,600 sqm for the re-development and extension of the school.
- » Hemsö signed a 15-year lease agreement with the Swedish Police related to 21,000 sqm for a new regional police headquarters in Borlänge. The investment amounts to SEK 890 million.
- » Hemsö signed a 15-year lease agreement with Senate Properties (Finnish state) related to 31,000 sqm for the judicial administration's existing premises in the Helsinki Court House in Salmisaari.
- » Hemsö's owners made an equity injection of SEK 1 billion to strengthen the capital structure and finance Hemsö's investments in new sustainable schools and nursing homes.

## Summary, January–December 2023

- » Rental income increased 18 per cent to SEK 4,818 million (4,073).
- » Profit from property management increased 2 per cent to SEK 2,345 million (2,309).
- » Changes in the value of properties amounted to SEK -5,287 million (589).
- » Changes in the value of financial instruments amounted to SEK -225 million (251).
- » Loss after tax for the year amounted to SEK -2,721 million (2,563).
- » The market value of the properties amounted to SEK 82,624 million (84,879).
- » During the year, SEK 2,825 million (3,809) was invested in the existing property portfolio.
- » During the year, 8 properties (43) were acquired for SEK 351 million (2,867), and 2 properties (7) were divested for SEK 93 million (414).

## Hemsö in summary

	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Rental income, SEK million	4,818	4,073	1,220	1,069
Profit from property management, SEK million	2,345	2,309	560	511
Profit/loss after tax, SEK million	-2,721	2,563	-1,074	-1,406
Operating cash flow, SEK million	2,329	2,160	616	493
Loan-to-value ratio at period-end, %	58.4	56.7	58.4	56.7
Interest-coverage ratio, times <sup>1)</sup>	3.0	4.7	2.8	3.2
Market value of properties at period-end, SEK million	82,624	84,879	82,624	84,879
NOI margin, %	74.7	74.0	72.8	71.8
Economic occupancy rate at period-end, %	97.8	97.9	97.8	97.9
Lease duration at period-end, years	9.5	9.6	9.5	9.6
Lettable area at period-end, tsqm	2,458	2,400	2,458	2,400

<sup>1)</sup> In Q1 2023, Hemsö updated the definition of Interest-coverage ratio, which now excludes profit from participations in joint ventures and includes dividends from joint ventures. Interest-coverage ratios for prior quarters have been restated in accordance with the new definition. Refer to Definitions on page 26 and Key ratio calculations on pages 27–28.

## CEO statement



It's easy to feel powerless and saddened when war, gang violence, political polarisation and climate change are dominating the headlines. In this context, it is particularly important to highlight all of the good things that are happening and the positive progress being made in many parts of society.

In 2023, Hemsö completed 21 development projects that added 650 new nursing home beds and 3,010 new school places to our communities. We also initiated construction for 14 development projects and extended a large number of existing lease agreements. The completed development projects and renegotiated lease agreements correspond

to annual rental income of SEK 450 million. We also signed lease agreements for a large number of new development projects that will enable the creation of additional modern social infrastructure and generate long-term growth for Hemsö's rental income.

### Continued major need

Tenant demand is now stronger than in several years in all of Hemsö's segments. The needs are not only linked to population growth and demographic shifts. For example, the main driving factor in the school segment is that 65 per cent of all existing schools in Sweden are more than 40 years old and in major need of replacement or modernisation. We see similar challenges in all of our segments and countries. During the year, Hemsö commenced construction of a new preschool in Helsinki for 224 children with the City of Helsinki as the tenant, Vänersborg District Court with the Swedish Courts as the tenant, Änggårde nursing home with Kungälv Municipality as the tenant, and Ektorp School in Nacka with Nacka Municipality as the tenant.

### Long-term approach leads to long-term stability

Hemsö's rental income and net operating income showed favourable growth, rising 18

and 20 per cent, respectively, year-on-year. Despite sharply increased interest expenses during the year, profit from property management rose 2 per cent and operating cash flow rose 8 per cent. Profit from property management has increased more than 60 per cent in the last five years. In 2024, I expect continued growth in rental income while interest expenses stabilise, which will increase growth in profit from property management.

The results of investments in digitisation and sustainability are now evident in our cash flow. One example is the roll out of new real estate technology systems. By optimising the indoor climate in our existing portfolio, we have reduced energy use and thereby reduced our emissions and costs. Investments in new technology are one of many initiatives that are being implemented to achieve our sustainability target of net zero value chain emissions (Scopes 1, 2 and 3) by 2040.

### Strong support from the owners

Hemsö's majority owner, the Third Swedish National Pension Fund, is a long-term and strong owner. Their support is always important to us, but even more important in these times. During the year, Hemsö received a total of SEK 2 billion in equity from its owners, which

has strengthened the capital structure and enabled continued investments in new sustainable schools and nursing homes. Hemsö has a credit rating of A- from Standard & Poor's and A+ from Fitch, both with a stable outlook.

Hemsö has access to many different financing sources. A symbolically important financing during the year was the social loan from the Council of Europe Development Bank (CEB). The EUR 22 million loan is linked to Hemsö's Campus Tensta school project. Together with CEB, we can now implement our social ambitions in Tensta, while also continuing to diversify our financing. In addition to the CEB, we have previously received sustainable financing from both the European Investment Bank (EIB) and the Nordic Investment Bank (NIB).

Despite the market turbulence, I am proud that Hemsö is contributing with what we do best – developing and managing social infrastructure. We will continue to do so in 2024, with unabated energy.

Nils Styf, CEO

## This is Hemsö

- Hemsö is Sweden's leading owner of public properties.
- The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.
- Hemsö owns properties in Sweden, Germany and Finland.
- Our vision is to strengthen the backbone of society. We are achieving this through sustainable development, ownership and management of public properties.
- The operations are characterised by long-term lease agreements and stable tenants.
- The Third Swedish National Pension Fund is our majority owner.
- The total value of Hemsö's property portfolio is SEK 82.6 billion.
- Hemsö has a credit rating of A+ from Fitch Ratings and A- from Standard & Poor's.

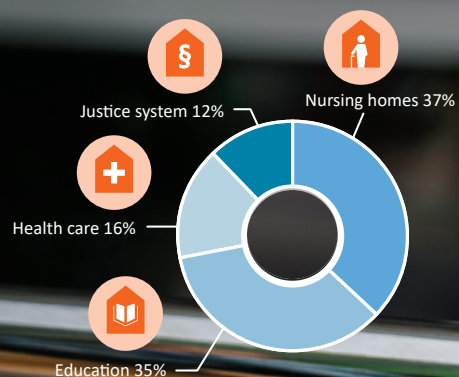
### Vision

We strengthen the backbone of society

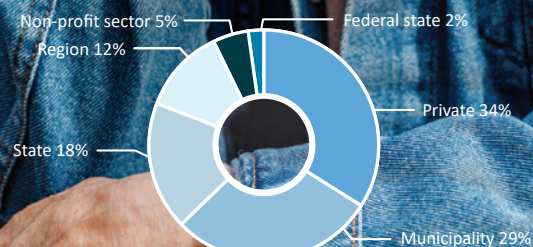
### Business concept

To sustainably own, manage and develop public properties

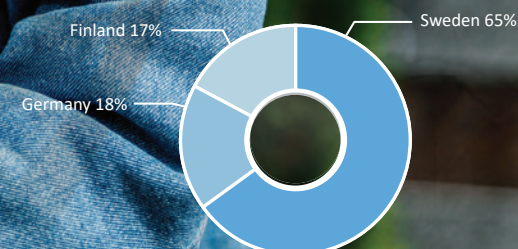
Contracted rent per property category



Contracted rent per customer category



Market value of properties



## Income, costs and profit

Profit/loss and cash flow items refer to the January–December period of 2023, and are compared with the year-earlier period. Balance sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year. Key ratio calculations are defined on pages 27–28.

### Rental income

Rental income increased 18 per cent to SEK 4,818 million (4,073), attributable to completed development projects, indexation and a positive exchange rate effect. Rental income rose 17 per cent in Sweden, 16 per cent in Germany and 24 per cent in Finland.

Rental income in the comparable portfolio rose SEK 417 million. Exchange rate changes

had a positive impact of SEK 119 million on rental income. At period-end, contracted annual rent increased to SEK 4,996 million (4,620) before rent reductions of SEK 43 million (55).

## SEK 4,818 million

### Rental income

Economic vacancies amounted to SEK 112 million (98). At period-end, the economic occupancy rate was 97.8 per cent (97.9). Lease agreements amounting to annual rent

of SEK 289 million will be subject to renegotiation in 2024, corresponding to 6 per cent of Hemsö's contracted rental income. The lease duration was 9.5 years (9.6).

### Property costs

Property costs amounted to SEK 1,228 million (1,065), up SEK 163 million. Cost rose due to a larger property portfolio and higher operating costs, primarily the result of higher energy prices. Maintenance costs increased SEK 48 million year-on-year.

In the comparable portfolio, property costs rose SEK 102 million, or 11 per cent, of which exchange rate changes had a negative impact of SEK 95 million.

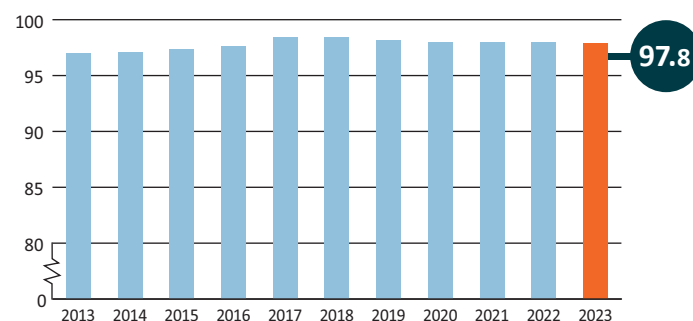
### Vacancy changes

SEK million	Jan–Dec 2023
Opening vacancy	98
Terminated lease agreements	47
Adjusted for vacancy rents	-6
New lease agreements	-26
Acquired	0
Divested	-1
Exchange rate changes	0
<b>Closing vacancy</b>	<b>112</b>

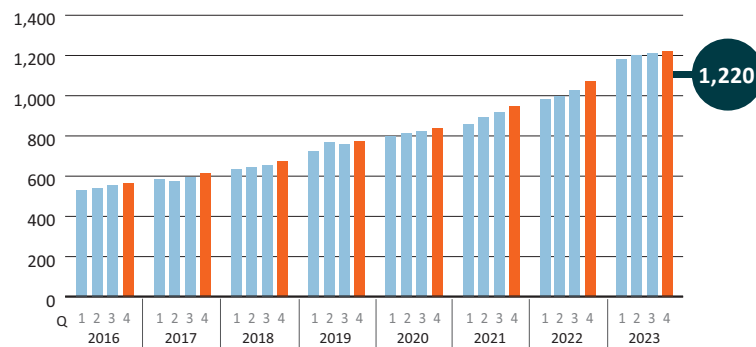
### Lease maturity

Year	Annual rent, SEK million	Share, %
2024	289	6
2025	317	6
2026	317	6
2027	355	7
2028	371	7
2029	228	5
2030	323	6
2031	257	5
2032	193	4
2033	270	5
>2033	2,076	42
<b>Total</b>	<b>4,996</b>	<b>100</b>

### Economic occupancy rate, %



### Rental income per quarter, SEK million



### Net operating income

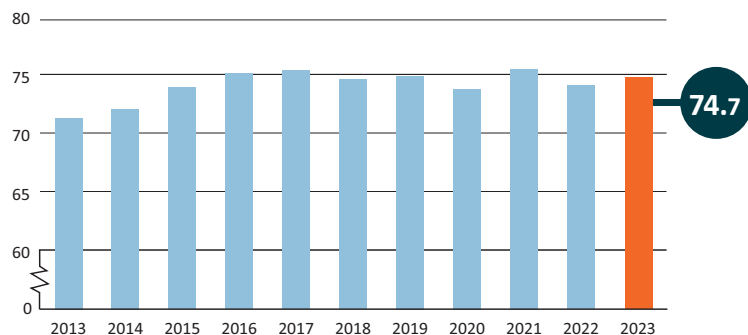
Net operating income rose 20 per cent to SEK 3,631 million (3,032). The increase was mainly attributable to completed development projects and indexation. The NOI margin increased to 74.7 per cent (74.0). The property yield of the property portfolio, excluding development properties, was 4.7 per cent (4.1).

In the comparable portfolio, net operating income rose 12 per cent to SEK 3,147 million (2,818). The increase was mainly attributable to rising rental income due to indexation, and a positive impact from exchange rate changes.

### Administration

Administrative expenses increased year-on-year to SEK 196 million (183). The increase was mainly attributable to higher personnel costs due to more employees, and increased consultancy costs.

### NOI margin, rolling 12-month period, %



## SEK 3,631 million

### Net operating income

### Net interest income/expense

Net interest expense amounted to SEK -1,154 million (-613). The change in net interest expense was attributable to higher market rates and margin requirements for new loans, and an increase in interest-bearing liabilities.

The average interest rate was 2.3 per cent (1.8), primarily an effect of higher market rates. The fixed-rate period was 5.0 years (5.6) and interest-bearing liabilities increased to SEK 50,823 million (49,567).

### Net interest expense

SEK million	Jan–Dec 2023	Jan–Dec 2022
Interest income	36	18
Interest expense	-1,093	-546
Other financial expenses	-59	-53
Ground leases and leasehold properties	-39	-31
<b>Net interest expense</b>	<b>-1,154</b>	<b>-613</b>

### Comparable portfolio

	31 Dec 2023	31 Dec 2022	Change
No. of properties	377	377	–
Market value of properties, SEK million	66,819	70,334	-5.0
Property yield, %	4.6	4.1	0.6

SEK million	Jan–Dec 2023	Jan–Dec 2022	Change, %
Rental income	4,159	3,743	11.1
Other income	35	21	69.5
Operating costs	-708	-637	11.1
Maintenance costs	-257	-224	14.7
Other property costs	-83	-85	-2.1
<b>Net operating income</b>	<b>3,147</b>	<b>2,818</b>	<b>11.7</b>



### Profit from property management

Profit from property management increased 2 per cent to SEK 2,345 million (2,309). Profit from property management was positively impacted by an increase of SEK 599 million in net operating income, but adversely impacted by an increase of SEK 547 million in interest expense. Exchange rate changes had a positive impact of SEK 78 million on profit from property management.

### Change in value of investment properties

Change in the value of investment properties for the year was SEK -5,287 million (589), of which SEK -5,270 million (603) pertained to

unrealised value changes. This corresponds to a value change of -6.2 per cent (1.0). Value change attributable to property management and development projects was SEK 3,936 million (4,336), or 4.6 per cent (6.0). Indexed rents and new lease agreements had a positive impact on value change from property management. Value change related to market factors was SEK -9,205 million (-3,733), representing a change of -10.8 per cent (-5.0), due to an upward adjustment of valuation yields in all of Hemsö's markets.

At the end of 2023, the transaction volume in property markets in Sweden, Germany and Finland remained low, despite signs of

recovery in individual property segments. For public properties, very few transactions have been completed since summer 2022 but for those transactions noted, investment appetite is clearly weaker now. Overall, yield requirements are estimated to have increased across all of Hemsö's segments and countries compared with the first half of 2022 in particular, but also during 2023. Uncertainty is higher than normal, however.

The weighted yield used in the valuation of Hemsö's property portfolio was 5.1 per cent (4.5). The valuation yield was 5.0 per cent (4.4) in Sweden, 5.7 per cent (5.2) in Finland and 4.8 per cent (4.2) in Germany. In Sweden and Finland, market value is reported without taking transaction costs into consideration. In Germany, market value is reported after the deduction of transaction costs. To enable a better comparison of the countries' valuation yields, Hemsö has elected, as of this quarter, to report the adjusted German valuation yield

calculated using the same method as for the Swedish and Finnish properties. The total return was -1.9 per cent (4.5).

### Property valuation

At period-end, the fair value of properties was SEK 82,624 million (84,879). Hemsö measures the fair value of its investment properties in accordance with IAS 40. The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. The market value of all properties is determined by an independent valuation institute at least once per year. The market value of each property is determined quarterly by Hemsö with guidance from external valuations. This quarter, 97 per cent of the Swedish portfolio was valued externally by Cushman & Wakefield. In Germany and Finland, 100 per cent of the portfolio was valued externally by CBRE and JLL. In total, 98 per cent of Hemsö's portfolio was valued externally during the quarter.

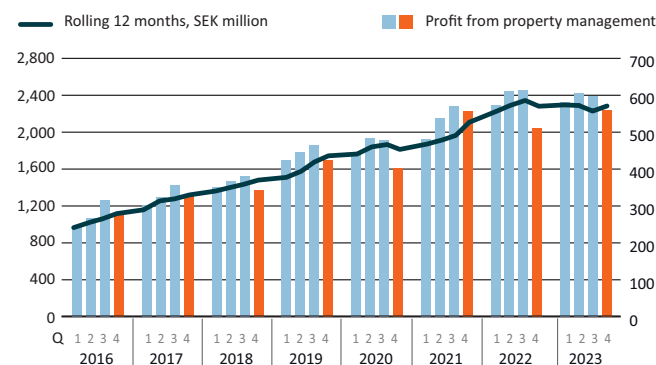
### Unrealised value changes, properties, Jan–Dec 2023

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	3,435	-344	844	<b>3,936</b>
– Market factors	-7,062	-800	-1,343	<b>-9,205</b>
<b>Total unrealised value changes</b>	<b>-3,627</b>	<b>-1,143</b>	<b>-499</b>	<b>-5,270</b>

### Change in value of property portfolio

	SEK million	No.
Market value, opening balance	84,879	480
Acquisitions	351	8
Investments in new construction, extensions and re-developments	2,825	
Re-allotments	–	2
Divestments	-93	-2
Disposals	-14	
Exchange rate changes	-54	
Unrealised value changes	-5,270	
<b>Carrying amount, closing balance</b>	<b>82,624</b>	<b>488</b>

### Profit from property management, SEK million



### Change in value of financial instruments

Changes in the value of financial instruments had an impact of SEK -225 million (251) on profit. Changes in the value of interest-rate derivatives had an impact of SEK -38 million (27) on profit. Derivatives attributable to currency risk management had an impact of SEK -187 million (224) on profit.

### Tax

Recognised tax for the period amounted to SEK 524 million (-594), of which current tax accounted for SEK -23 million (-190) and deferred tax for SEK 547 million (-403). Deferred tax mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. Deferred tax assets were netted against deferred tax liabilities on the balance sheet. At year-end, deferred tax liabilities amounted to SEK 6,197 million (6,775).

### Earnings

Loss after tax for the year increased to SEK -2,721 million (2,563). The deterioration was mainly attributable to negative changes in the value of investment properties.

### Cash flow

Hemsö's operating cash flow rose 8 per cent to SEK 2,329 million (2,160). The increase was mainly attributable to higher dividends from joint ventures and lower tax paid. Cash flow from operating activities before changes in working capital was SEK 2,329 million (2,175).

The change in working capital was SEK -381 million (335). Investing activities had a negative impact of SEK -3,222 million (-6,467) on cash flow, while borrowings, loan repayments, shareholder contributions received and dividends had a positive impact of SEK 2,349 million (3,816) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK 1,076 million (-142).

### Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties in the property-owning subsidiaries. Parent Company sales amounted to SEK 121 million (118) and consisted of fees for services to the subsidiaries.

## SEK -2,721 million

### Loss after tax

Administrative expenses increased to SEK -246 million (-223), mainly attributable to more employees but also higher costs for consultants due to ongoing digitisation projects. Financial items amounted to income of SEK 380 million (-192). Financial items include interest income of SEK 1,058 million (722), interest expense of SEK -1,357 million (-623), profit of SEK 322 million (423) from partici-

pations in Group companies, and exchange rate effects of SEK 358 million (-714). Changes in value of derivatives amounted to SEK -156 million (-75) and profit for the year totalled SEK 103 million (518).

Market value of  
properties  
**SEK 82.6  
billion**

### Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of properties	
	Jan–Dec 2023	Jan–Dec 2022	Jan–Dec 2023	Jan–Dec 2022	31 Dec 2023	31 Dec 2022
Sweden East	1,128	965	859	721	22,444	23,249
Sweden Central	596	501	405	336	9,546	9,568
Sweden North	759	661	556	484	13,675	13,544
Sweden South	500	425	344	278	8,289	8,833
Germany	808	695	689	606	14,396	15,426
Finland	1,027	827	778	607	14,274	14,258
<b>Total</b>	<b>4,818</b>	<b>4,073</b>	<b>3,631</b>	<b>3,032</b>	<b>82,624</b>	<b>84,879</b>

Segment identification is based on internal reporting. The CEO primarily uses net operating income per segment for performance analysis. Administrative expenses, financial income and expenses, and income tax are managed at Group level.



## Property portfolio

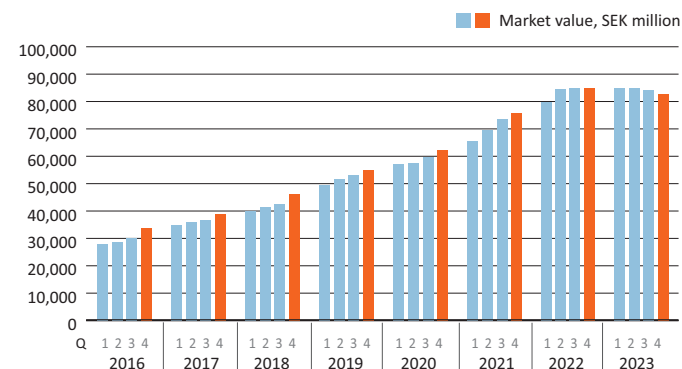
Of the market value of properties of SEK 82,624 million (84,879), 65 per cent (65) was attributable to Sweden, 18 per cent (18) to Germany and 17 per cent (17) to Finland. The largest share of the market value of properties, 82 per cent, was attributable to properties located in metropolitan areas and large cities in Sweden, Germany and Finland.

Hemsö divides the property portfolio into four categories. Nursing homes is the largest category and accounts for 38 per cent of the market value of properties, followed by Education at 36 per cent. Health care accounts for 15 per cent and the Justice system for 11 per cent. At 31 December 2023, Hemsö's property portfolio comprised 488 properties (480) with a total lettable area of 2,458 tsqm (2,400).

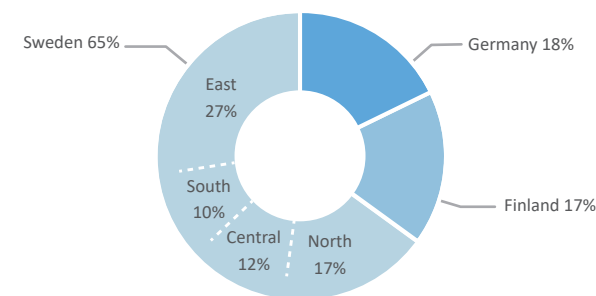
### Investments

Investments pertain to new developments and investments in existing properties. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the year, SEK 2,825 million (3,809) was invested, of which SEK 1,933 million (2,998) pertained to new construction, extension and re-developments, and SEK 892 million (811) to improvements and new lettings.

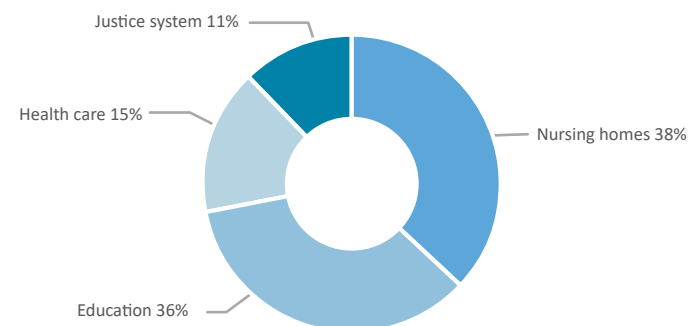
### Market value of properties, SEK million



### Market value of properties per segment



### Market value of properties per property category



### Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No. of properties	242	154	65	27	488
Lettable area, tsqm	1,078	823	326	230	2,458
Lease duration, years	8.8	11.4	7.7	8.6	9.5
Market value of properties, SEK million	31,421	29,894	12,033	9,276	82,624
Rental income, SEK million	1,814	1,648	765	590	4,818
Net operating income, SEK million	1,357	1,280	536	459	3,631
Economic occupancy rate, %	98.7	97.7	96.4	97.1	97.8
Property yield, %	4.5	4.7	4.7	5.0	4.7

## Tenants

Hemsö's business model is based on long-term lease agreements with public-sector tenants, or with private operators that are taxpayer-funded. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2023, the consumer price index (CPI) was 6.5 per cent. In Finland and Germany, the annual inflation rate was 3.6 and 3.1 per cent, respectively, in 2023. In Finland and Germany, rents are adjusted periodically in accordance with respective lease agreement. The CPI inflation was 90 per cent in Sweden, 78 per cent in Germany and 100 per cent in Finland. Average interest rate amounts to 91 per cent.

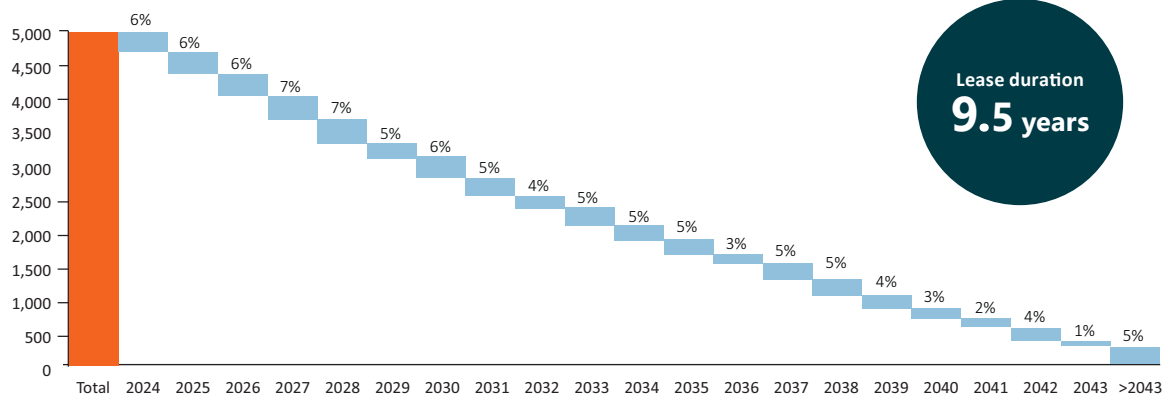
Of Hemsö's total rental income, 95 per cent was derived from taxpayer-funded services. The proportion of contracted annual rent with public-sector tenants was 61 per cent. Contracted annual rent was 29 per cent with municipal operators, 18 per cent with state operators, 2 per cent with federal state operators and 12 per cent with regional operators. Private operators

accounted for 34 per cent of the annual rent, and non-profit organisations for 5 per cent.

The largest tenants were the Swedish Police, Region Stockholm, Academedia, the Wellbeing Services County of Southwest Finland and Attendo, which jointly accounted for 20 per cent of rental income. Of Hemsö's 20 largest tenants, 13 were public-sector operators.

In Sweden, most privately run education, health care and elderly care operations are taxpayer-funded via school, health care and care voucher schemes. In Finland, private operators receive funding through a system similar to Swedish schemes. In Germany, nursing home operations are funded through the public health insurance scheme and fees paid by the residents. When the residents are unable to pay their own expenses, funding is provided through municipal contributions.

## Lease maturity, annual rent, SEK million



Lease duration  
**9.5 years**

## Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. lease agreements
Swedish Police	State	246	5.0	35
Region Stockholm	Region	236	4.8	66
Academedia	Private	199	4.0	23
Wellbeing Services County of Southwest Finland (FIN)	Region	161	3.3	17
Attendo	Private	161	3.2	77
Ministry of Justice (FIN)	State	140	2.8	10
City of Västerås	Municipality	126	2.5	22
Mälardalen University	State	125	2.5	3
AWO (GER)	Non-profit	110	2.2	12
International English School	Private	93	1.9	11
Ambea	Private	89	1.8	10
City of Lahti (FIN)	Municipality	87	1.8	4
Alloheim (GER)	Private	87	1.8	10
Norrköping Municipality	Municipality	85	1.7	15
Karolinska Institute	State	76	1.5	4
Västra Götaland Region	Region	69	1.4	60
HEWAG (GER)	Private	68	1.4	9
North Rhine-Westphalia (GER)	Federal state	64	1.3	1
Uppsala Municipality	Municipality	64	1.3	22
City of Gothenburg	Municipality	64	1.3	12
<b>Total</b>		<b>2,351</b>	<b>47.5</b>	<b>423</b>

## Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish state	573	12
Swedish regions	362	7
Swedish municipalities	1,179	24
Finnish state	271	5
Finnish regions	228	5
Finnish municipalities	231	5
German state	55	1
German federal states	85	2
German municipalities	52	1
<b>Total</b>	<b>3,037</b>	<b>61</b>

Public-sector tenant  
Private-sector tenant

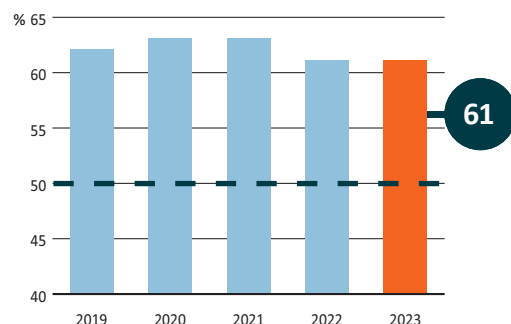
(FIN) = Finland  
(GER) = Germany

## Property frameworks

Hemsö has four property frameworks in order to clarify the company's strategy. The aim of these frameworks is to ensure a low level of risk in the property portfolio and that Hemsö's cash flow remains stable over time.

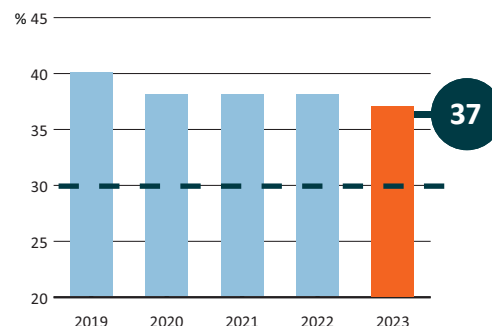
### Public-sector tenants

– At least 50 per cent of rental income



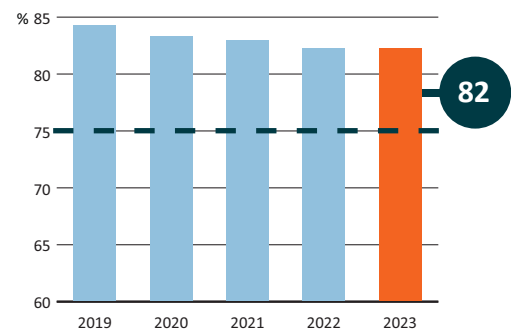
### Nursing homes

– At least 30 per cent of rental income



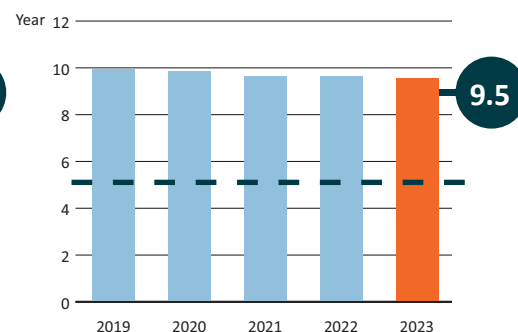
### Metropolitan areas and large cities

– At least 75 per cent of rental income



### Lease duration

– At least 5 years



## Earnings capacity

The table reflects Hemsö's earnings capacity on a 12-month basis. It is important to note that this should not be compared with a forecast for the next 12 months as this does not include, for example, any assessments regarding future vacancies, rental trends, changes in property costs or future property transfers/exits. Rental income is based on annual rental value less vacant premises and rent reductions. Other income and property costs are based on actual results over the past 12 months adjusted for the holding period. Administrative expenses are based on the actual outcome over the past 12 months.

Net interest income/expense has been calculated on the basis of interest-bearing assets and liabilities at the closing date. Interest expenses are based on the Group's average interest rate plus amortised origination fees and other estimated financial income and expenses. Share of profit from participations in joint ventures are reported excluding changes in value and tax, i.e. profit from property management, and is calculated using the same assumptions as for Hemsö with consideration for the size of the share. For the calculation of earnings capacity, balance day exchange rate of 11.10 (11.13) has been used for EUR.

### Earnings capacity

SEK million	1 Jan 2024	1 Jan 2023	Change, %
Rental income	4,952	4,565	8
Other income	40	23	75
Property costs	-1,204	-1,107	9
<b>Net operating income</b>	<b>3,789</b>	<b>3,481</b>	<b>9</b>
Central administrative expenses	-194	-185	5
Profit/loss from property management, joint ventures	58	86	-33
Net interest income/expense	-1,218	-927	31
<b>Profit/loss from property management</b>	<b>2,435</b>	<b>2,455</b>	<b>-1</b>



## Development projects

### Ongoing development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. Hemsö's ongoing development projects exceeding SEK 100 million comprised a total investment of SEK 4,716 million, of which the remaining investment amount was SEK 3,270 million. The total volume of ongoing new construction and re-development projects amounted to SEK 5,746 million, of which the remaining investment amount was SEK 3,691 million.



Construction of the new Vänersborg District Court commenced

### Hemsö's ongoing new construction and re-development projects exceeding SEK 100 million

Development projects	Municipality	Category	Lease duration	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Police headquarters	Borlänge	Justice system	15	18,800	883	859	46	100	2026
Kristiansborg	Västerås	Education	20	9,900	498	227	26	100	2024
Herkules hotell & kommunhus	Trelleborg	Other	21	10,300	455	356	29	100	2025
Ektorp school	Nacka	Education	25	9,900	399	308	26	100	2025
Novum <sup>1) 2)</sup>	Huddinge	Health care	–	39,400	390	68	n/a	n/a	2024
Campus Tensta <sup>1)</sup>	Stockholm	Education	7	16,800	351	248	29	32	2024-2026
Änggårde	Kungälv	Nursing home	15	8,400	320	260	16	100	2025
District Court	Vänersborg	Justice system	15	7,000	305	256	18	100	2026
Campus Kronåsen <sup>1) 3)</sup>	Uppsala	Education	10	16,200	268	25	41	100	2024
Tempelriddarorden	Stockholm	Nursing home	15	5,900	239	147	15	100	2025
Stauderstrasse	Essen	Nursing home	20	5,900	212	179	11	100	2025
Vallgraven Arenaområdet	Ystad	Education	10	3,000	137	124	8	30	2025
Sarvträsk	Nacka	Nursing home	15	4,800	132	111	13	100	2025
Körsbärsdalen preschool	Helsinki	Education	25	1,900	127	101	7	100	2025
<b>Total</b>				<b>158,200</b>	<b>4,716</b>	<b>3,270</b>	<b>284</b>		

☐ Public-sector tenant

☐ Private-sector tenant

<sup>1)</sup> Re-development. <sup>2)</sup> Investment in maintenance, modernisation and energy efficiency of the property.

<sup>3)</sup> Stage 1 has been completed, stage 2 will be completed in Q3 2024.



Inauguration of  
the new Triton  
nursing home in  
Malmö



Inauguration of  
the new  
Sandarna School  
in Gothenburg

### Major completed development projects, 2023

Com- pleted	Development projects	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate <sup>1)</sup> , %
Q1	Norrskan	Östersund	Nursing home	Miljöbyggnad	6,100	218	20	14	100
Q1	Kleinmachnow	Potsdam-Mittelmark	Nursing home	–	7,600	214	20	11	100
Q1	Hoivamme V6	Nurmijärvi	Nursing home	BREEAM	1,600	71	15	4	100
Q2	Stavsborgsskolan	Nacka	Education	Miljöbyggnad	13,000	305	25	33	100
Q2	Gyllegården <sup>2)</sup>	Borlänge	Nursing home	Miljöbyggnad	7,700	286	20	17	77
Q2	Büttelborn	Groß-Gerau	Nursing home	–	6,200	210	25	11	100
Q2	Paavola Campus <sup>3)</sup>	Lahti	Education	–	6,500	176	20	17	100
Q2	Växthuset sports centre	Lund	Education	Miljöbyggnad	4,700	122	10	8	100
Q2	Raksila rescue station	Oulu	Justice system	BREEAM	2,300	104	25	7	100
Q2	Ljungs-Hälle preschool	Uddevalla	Education	Nordic Swan	1,500	59	20	4	100
Q2	Hoivamme H3	Tusby	Nursing home	BREEAM	1,200	56	15	3	100
Q2	Hoivamme N43	Högfors	Nursing home	BREEAM	1,200	51	17	3	100
Q2	Kornknarren preschool	Västerås	Education	Miljöbyggnad	1,100	51	15	3	100
Q3	Kristiansborgsbadet	Västerås	Education	–	7,500	160	13	4	100
Q3	Fridhem preschool	Kungälv	Education	Nordic Swan	1,600	66	15	4	100
Q4	Hoivamme G19	Sipoo	Nursing home	BREEAM	2,000	90	15	5	100
Q4	Hoivamme L1	Siuntio	Nursing home	BREEAM	1,300	56	17	3	100
Q4	Klostergården 2:9	Lund	Education	–	1,300	40	7	3	100
<b>Total</b>					<b>74,400</b>	<b>2,335</b>	<b>20</b>	<b>153</b>	

Public-sector tenant Private-sector tenant

<sup>1)</sup> Occupancy rate upon completion.

<sup>2)</sup> The vacancy is attributable to co-housing units. Letting is ongoing. By Q4, the occupancy rate was 83 per cent.

<sup>3)</sup> 5 of 5 development projects are completed. The final project was completed in Q2 2023.

# Sustainability

Hemsö contributes to social value by managing and creating school places and nursing home beds in environments that are customised for the activities taking place in the buildings. We also help Swedish pension funds to grow since most of our profits are returned to Swedish pensioners through our majority owner, the Third Swedish National Pension Fund.

## Climate

In October 2023, Hemsö's emissions-reduction target met all criteria of the SBTi Corporate Net-Zero Standard and was subsequently validated by the Science Based Targets Initiative (SBTi). Hemsö is the first property company in Sweden to have its target validated. Hemsö's target to achieve net zero by 2040 includes Scope 1 and 2 emissions, as well as all Scope 3 emissions, comprising Hemsö's total value chain emissions.

A new sustainability strategy is under development. This will result in targets for emissions reduction, biodiversity, social sustainability and a circular economy.

Hemsö works continuously with energy efficiencies, operational optimisation and sustainable energy sources in the existing portfolio. In Germany, Hemsö is on track to become one of the first property owners in the nursing home segment to meet the new regulatory requirement for hydronic balancing. Hydronic balancing is the process of adjusting the flow of water in a heating system to ensure that the heating is distributed evenly throughout the building, and is an efficient way to reduce energy use.

Our target is to certify all new developments. At the end of the fourth quarter, 22 per cent of the property portfolio had been certified, based on area.

## Hemsö's role in society

We contribute to the maintenance and development of social infrastructure. During 2023, we have completed development projects with a total of 650 new nursing home beds and 3,010 new school places.

Last year's success, Tensta on Ice, has returned to Pilparken in Campus Tensta. The inauguration by the City of Stockholm on 15 December attracted many children who were eager to skate. The ice rink is open to the general public 24 hours a day. Skates can be borrowed from Tensta Träff and Erikslunds parklek at certain times of the day. Rinkeby Run offers free activities throughout the entire season, which continues until March.

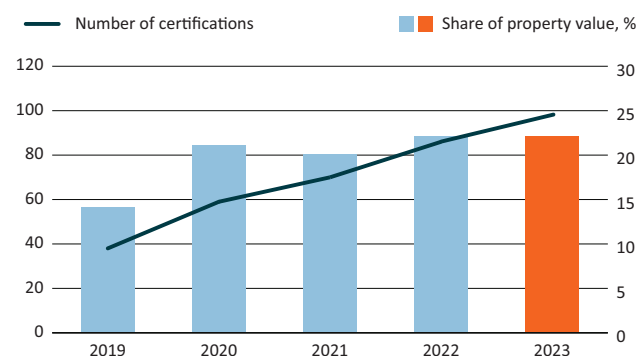
The ice rink is made from plastic this year, which reduces the environmental impact because no power is required to maintain the rink.



## NollCO<sub>2</sub> certification underway in Bredäng

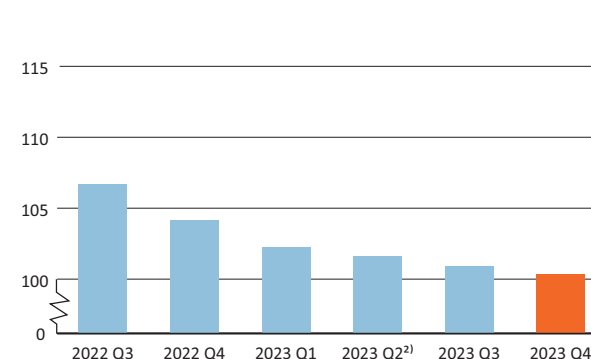
Hemsö is developing a new nursing home in Bredäng that is scheduled for completion in the first quarter of 2025. The aim is to certify the nursing home in accordance with Miljöbyggnad Gold and NollCO<sub>2</sub>, making this Hemsö's second nursing home with NollCO<sub>2</sub> certification.

## Environmentally certified properties <sup>1)</sup>



<sup>1)</sup> Environmental certification with Miljöbyggnad Silver or an equivalent level of certification. Comprises Sweden, Finland and Germany.

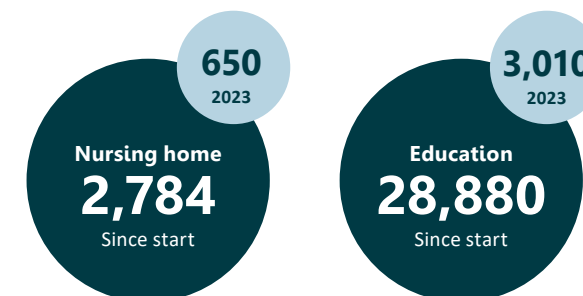
## Energy use, kWh/m<sup>2</sup>, rolling 12-month period <sup>1)</sup>



<sup>1)</sup> Energy use in Sweden (heating + electricity).

<sup>2)</sup> Pertains to the June–May period.

## Beds/school places created <sup>1)</sup>



<sup>1)</sup> The totals pertain to the number of beds/school places that Hemsö has added through completed development projects between 2009 and the fourth quarter of 2023.



## Joint ventures

At 31 December 2023, Hemsö owned participations in the following joint ventures: Turku Technology Properties Oy (TTP), Lanthem Samhällsfastigheter AB (Lanthem) and HemTag Fastigheter AB (HemTag). These companies are reported in Hemsö's consolidated financial statements using the equity method. The

participation in TTP is recognised at SEK 1,409 million (1,463), the participation in Lanthem at SEK 212 million (188) and the participation in HemTag at SEK 15 million (4). Total participations in joint ventures amounted to SEK 1,636 million (1,655).

### Profit from joint ventures, Jan–Dec 2023

SEK million	TTP	Lanthem	HemTag	Total
Profit/loss from property management	61	6	-2	65
Value changes, investment properties	-78	-13	–	-91
Tax	11	2	–	13
<b>Loss recognised</b>	<b>-6</b>	<b>-5</b>	<b>-2</b>	<b>-14</b>

### Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö owns 52 per cent of the shares in the company and is therefore the largest shareholder. The City of Turku owns 38 per cent of the company and Turku University of Applied Sciences owns 10 per cent. TTP is run as a joint venture and is not consolidated in the Hemsö Group.

TTP is focused on public properties and its property portfolio is concentrated to central Turku. The company combines education, research and private enterprise in a dynamic cluster of tenant firms known as Science Park. At 31 December 2023, 62 per cent of the rental income was derived from public-sector tenants, and the lease duration was seven years.



TTP	31 Dec 2023	31 Dec 2022
Participation, %	52	52
Rental value, SEK million	451	414
No. of properties	27	27
Economic occupancy rate, %	95	97
Market value of properties, SEK million	5,427	5,256
Lease duration, years	7	8
Share of public-sector tenants, %	62	65

### Lanthem

In 2017, Hemsö entered into a partnership with Lantmännen Fastigheter AB by forming a joint venture, Lanthem Samhällsfastigheter AB. The partnership is based on Lantmännen's land bank. Most of the properties lie adjacent to ports, or centrally in one of Hemsö's prioritised locations.

The partnership will secure Hemsö's access to land for attractive development projects. The company acquired and developed six nursing homes and school properties. The ongoing development projects mainly belong to these two categories. Ownership of Lanthem Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.



Lanthem	31 Dec 2023	31 Dec 2022
Participation, %	50	50
Rental value, SEK million	51	38
No. of properties	6	5
Economic occupancy rate, %	99	100
Market value of properties, SEK million	858	680
Lease duration, years	11	11
Share of public-sector tenants, %	39	46

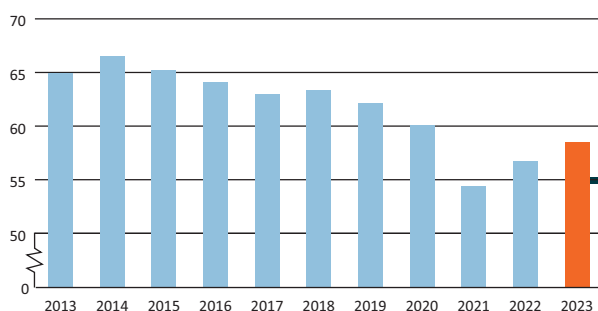
## Financing

The aim of Hemsö's financing activities is to ensure a stable capital structure and the highest possible net interest income within predetermined risk constraints. Hemsö's loan-to-value ratio should not exceed 60 per cent over time, and the interest-coverage ratio should be at least 3.0 times. At year-end, the loan-to-value ratio was 58.4 per cent (56.7) and the interest-coverage ratio was 3.0 times (4.7). The interest-coverage ratio declined during the year due to higher market rates.

Indexed rents and completed development projects, net operating income will increase in 2024 while net financial income will remain at a stable level. In Q1 2023, Hemsö updated the definition of interest-coverage ratio, which now excludes profit from participations in joint ventures and includes dividends from joint ventures. The key ratio has been restated to better reflect the Group's cash flow.

Hemsö issues bonds in mainly Swedish and European capital markets, and commercial papers in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks, the Council of Europe Development Bank (CEB) and the Third Swedish National Pension Fund.

Loan-to-value ratio, %



At year-end, Hemsö's undrawn committed credit facilities amounted to SEK 13,623 million (13,500). Cash and cash equivalents amounted to SEK 1,593 million (526). Available liquidity therefore totalled SEK 15,216 million (14,026). The debt-coverage ratio was 165 per cent (165).

Hemsö has a credit rating of A+ from Fitch Ratings, and A- from Standard & Poor's, both with a stable outlook.

### Interest-bearing liabilities

At year-end, Hemsö's interest-bearing liabilities amounted to SEK 50,823 million (49,567). The increase was attributable to net investment for the year.

During the year, Hemsö issued bonds in SEK, NOK and JPY corresponding to a nominal value of SEK 4,277 million, with maturities ranging from two to seven years. Hemsö also raised a four-year secured bank loan of SEK 1,000 million with a Nordic bank, and an eight-year unsecured bank loan in EUR, corresponding to SEK 123 million, with the Council of Europe Development Bank (CEB).

### Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Out-look	Date
Fitch Ratings	A+	F1+	Stable	29 Mar 2023
Standard & Poor's	A-	A-2	Stable	8 Sep 2023

### Sources of funding, SEK million

	31 Dec 2023	31 Dec 2022
Bonds, SEK	15,133	14,938
Bonds, EUR	19,357	19,404
Bonds, AUD, JPY, NOK, USD	4,714	4,471
<b>Total bonds</b>	<b>39,203</b>	<b>38,813</b>
Commercial papers, SEK	4,751	4,996
Council of Europe Development Bank, EUR	123	–
European Investment Bank, SEK, EUR	4,114	4,123
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	832	835
Secured bank loans, SEK	1,000	–
<b>Total interest-bearing liabilities</b>	<b>50,823</b>	<b>49,567</b>

### Sustainable finance, SEK million

	31 Dec 2023	31 Dec 2022
Sustainability bonds	11,671	8,173
Council of Europe Development Bank	123	–
European Investment Bank	4,114	4,123
Nordic Investment Bank	800	800
<b>Total sustainable finance</b>	<b>16,708</b>	<b>13,097</b>

### Capital structure, SEK million

	31 Dec 2023	31 Dec 2022
Non-current interest-bearing liabilities	41,608	41,064
Current interest-bearing liabilities	9,216	8,503
Cash and cash equivalents	-1,593	-526
<b>Net debt</b>	<b>49,230</b>	<b>49,041</b>
Investment properties	82,624	84,879
Investments in joint ventures	1,631	1,665
<b>Total</b>	<b>84,255</b>	<b>86,544</b>
<b>Loan-to-value ratio</b>	<b>58.4%</b>	<b>56.7%</b>
<b>Share of secured debt</b>	<b>1.2%</b>	<b>0.0%</b>

Hemsö uses derivatives to hedge the company's currency and interest-rate risk. At year-end, the nominal value of the interest-rate derivatives was SEK 3,175 million (–). The value of derivatives used to manage currency risk corresponded to SEK 7,043 million (8,071).

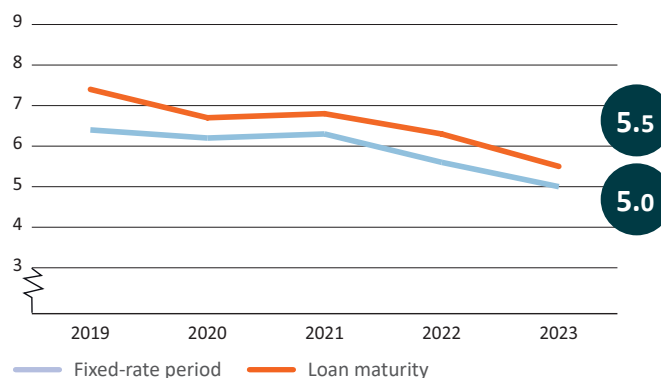
Currency exposure amounted to 1.5 per cent (0.8) of equity.

At year-end, the average loan maturity was 5.5 years (6.3) and the average fixed-rate period was 5.0 years (5.6). The average interest rate was 2.3 per cent (1.8).

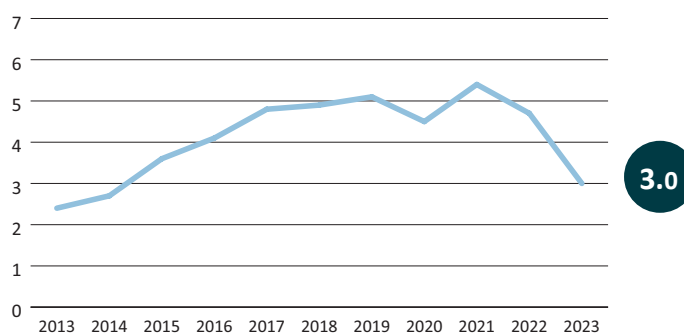


Hemsö  
is developing  
Vänersborg  
District Court

Loan maturity and fixed-rate period, years



Interest-coverage ratio, times



Committed credit facilities and underwriting commitments, SEK million

	31 Dec 2023	31 Dec 2022
Banks	7,500	7,500
Third Swedish National Pension Fund	6,000	6,000
Council of Europe Development Bank	123	–
<b>Total committed credit facilities</b>	<b>13,623</b>	<b>13,500</b>
Cash and cash equivalents	1,593	526
<b>Available liquidity</b>	<b>15,216</b>	<b>14,026</b>
Short-term borrowings	9,216	8,503
Debt-coverage ratio, %	165%	165%

Currency exposure, SEK million

	31 Dec 2023	31 Dec 2022
Properties, EUR	28,671	29,684
Joint ventures, EUR	1,409	1,463
Cash, EUR	613	665
<b>Assets, EUR</b>	<b>30,692</b>	<b>31,812</b>
Debt, EUR	23,626	23,562
Currency swaps, EUR	6,643	8,020
<b>Exposure, EUR</b>	<b>423</b>	<b>230</b>
Debt AUD, JPY, NOK, SEK, USD	7,043	8,071
Currency swaps AUD, JPY, NOK, SEK, USD	-7,043	-8,071
<b>Exposure AUD, JPY, NOK, SEK, USD</b>	<b>0</b>	<b>0</b>
Currency hedging	–	–
<b>Currency exposure</b>	<b>423</b>	<b>230</b>
Equity	28,156	30,028
<b>Currency exposure, %</b>	<b>1.5%</b>	<b>0.8%</b>



## Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Long-term max. 60%	58.4%
Loan maturity	At least 3 years	5.5 years
Debt-coverage ratio	At least 125%	165%
Share of secured debt	Max. 20%	1.2%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	3.0 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.0 years
Fixed-rate maturity	Max. 40% within 12 months	23%
<b>Counterparty risk</b>		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. 20% of equity	1.5%

## Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Loans and committed credit facilities, SEK million	Loans, SEK million	Share, %	SEK million	Share, %
2024	8,465	4,465	9	11,566	23
2025	12,405	5,405	11	3,687	7
2026	8,389	7,389	15	6,604	13
2027	3,400	3,400	7	1,991	4
2028	8,378	6,878	14	7,098	14
2029	4,443	4,443	9	5,501	11
2030	2,471	2,471	5	2,780	5
2031	1,451	1,328	3	1,217	2
2032	1,155	1,155	2	1,155	2
>2032	9,139	9,139	18	9,224	18
<b>Total</b>	<b>59,696</b>	<b>46,072</b>	<b>91</b>	<b>50,823</b>	<b>100</b>
Commercial papers		4,751	9		
<b>Total</b>	<b>59,696</b>	<b>50,823</b>	<b>100</b>		



Hemsö participated in the Quality Fair in Gothenburg as a partner



Hemsö signed a 15-year lease agreement with the Swedish Police for a new police headquarters in Borlänge

## Quarterly overview

Amounts in SEK million	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>Income statement</b>									
Rental income	1,220	1,211	1,203	1,183	1,069	1,025	996	983	946
Other income	9	19	6	7	6	6	5	6	7
Property costs	-334	-280	-287	-328	-303	-241	-241	-279	-251
<b>Net operating income</b>	<b>896</b>	<b>951</b>	<b>923</b>	<b>862</b>	<b>771</b>	<b>790</b>	<b>760</b>	<b>711</b>	<b>703</b>
Central administrative expenses	-43	-55	-50	-48	-64	-39	-41	-39	-43
Profit/loss from participations in joint ventures	-70	14	22	20	-119	23	96	81	98
<b>Operating profit</b>	<b>782</b>	<b>910</b>	<b>895</b>	<b>834</b>	<b>588</b>	<b>774</b>	<b>815</b>	<b>754</b>	<b>759</b>
Net interest income/expense	-300	-313	-291	-250	-218	-152	-129	-114	-114
<b>Profit after net interest income/expense</b>	<b>482</b>	<b>597</b>	<b>604</b>	<b>584</b>	<b>370</b>	<b>622</b>	<b>686</b>	<b>640</b>	<b>644</b>
<i>- of which Profit from property management</i>	<i>560</i>	<i>598</i>	<i>607</i>	<i>580</i>	<i>511</i>	<i>614</i>	<i>612</i>	<i>572</i>	<i>558</i>
Value change, properties	-1,661	-672	-1,699	-1,255	-2,131	-1,780	2,766	1,734	2,679
Value change, financial instruments	-86	-63	-178	103	50	133	70	-3	70
<b>Profit/loss before tax</b>	<b>-1,265</b>	<b>-138</b>	<b>-1,273</b>	<b>-568</b>	<b>-1,712</b>	<b>-1,024</b>	<b>3,522</b>	<b>2,371</b>	<b>3,394</b>
Current tax	152	-33	-102	-40	-59	-39	-53	-40	10
Deferred tax	39	41	322	145	365	243	-613	-398	-618
<b>Profit/loss for the period</b>	<b>-1,074</b>	<b>-130</b>	<b>-1,054</b>	<b>-463</b>	<b>-1,406</b>	<b>-820</b>	<b>2,856</b>	<b>1,934</b>	<b>2,785</b>
Other comprehensive income	-64	-40	93	16	-12	51	94	53	-3
<b>Comprehensive income for the period</b>	<b>-1,138</b>	<b>-171</b>	<b>-961</b>	<b>-448</b>	<b>-1,418</b>	<b>-769</b>	<b>2,950</b>	<b>1,987</b>	<b>2,782</b>

## Quarterly overview, cont.

Amounts in SEK million	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
<b>Balance sheet</b>									
Investment properties	82,624	84,369	85,071	84,784	84,879	85,004	84,683	79,987	75,737
Right-of-use assets	988	984	1,018	943	932	849	843	801	759
Participations in joint ventures	1,636	1,726	1,737	1,699	1,655	1,748	1,475	1,363	1,271
Derivatives	–	–	–	87	247	389	237	309	161
Other assets	2,391	2,142	1,834	1,368	1,209	1,180	992	865	892
Cash and cash equivalents and short-term investments	1,593	1,041	1,334	1,009	526	1,214	325	795	687
<b>Total assets</b>	<b>89,231</b>	<b>90,260</b>	<b>90,993</b>	<b>89,889</b>	<b>89,447</b>	<b>90,383</b>	<b>88,554</b>	<b>84,121</b>	<b>79,508</b>
Equity	28,156	28,294	27,465	29,581	30,028	31,449	32,215	30,337	28,350
Deferred tax liabilities	5,954	6,033	6,059	6,378	6,557	6,942	7,143	6,519	6,082
Derivatives	187	170	313	–	–	–	–	–	–
Interest-bearing liabilities	50,823	52,029	53,645	50,535	49,567	48,792	46,361	44,375	42,498
Lease liabilities	988	984	1,018	943	932	849	843	801	759
Non-interest-bearing liabilities	3,123	2,751	2,494	2,453	2,363	2,352	1,992	2,089	1,819
<b>Total equity and liabilities</b>	<b>89,231</b>	<b>90,260</b>	<b>90,993</b>	<b>89,889</b>	<b>89,447</b>	<b>90,383</b>	<b>88,554</b>	<b>84,121</b>	<b>79,508</b>
<b>Key ratios</b>	<b>Q4 2023</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>
<b>Financial ratios</b>									
Loan-to-value ratio, %	58.4	59.2	60.3	57.3	56.7	54.8	53.4	53.6	54.3
Interest-coverage ratio, times <sup>1)</sup>	3.0	3.1	3.5	4.0	4.7	5.5	5.7	5.6	5.4
Operating cash flow, SEK million	616	546	615	551	493	562	573	532	536
<b>Property-related ratios</b>									
Property yield, % <sup>1)</sup>	4.7	4.5	4.4	4.2	4.1	3.9	3.8	4.0	4.0
Total return, % <sup>1)</sup>	-1.9	-2.6	-4.0	0.9	4.5	10.9	17.2	16.9	15.8
Economic occupancy rate, %	97.8	97.7	97.6	97.9	97.9	97.9	97.6	97.9	97.9
NOI margin, %	72.8	77.3	76.3	72.4	71.8	76.6	75.9	71.8	73.7
No. of properties	488	485	484	484	480	468	466	458	441
Lettable area, tsqm	2,458	2,452	2,438	2,415	2,400	2,339	2,311	2,286	2,218

<sup>1)</sup> Based on rolling 12-month outcome.

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Rental income	4,818	4,073	1,220	1,069
Other income	41	23	9	6
Operating costs	-841	-734	-211	-201
Maintenance costs	-290	-242	-98	-77
Other property costs	-97	-89	-25	-26
<b>Net operating income</b>	<b>3,631</b>	<b>3,032</b>	<b>896</b>	<b>771</b>
Central administrative expenses	-196	-183	-43	-64
Profit/loss from participations in joint ventures	-14	82	-70	-119
- of which profit from property management	65	74	8	23
- of which changes in value	-91	35	-97	-160
- of which tax	13	-27	18	19
<b>Operating profit</b>	<b>3,421</b>	<b>2,931</b>	<b>782</b>	<b>588</b>
Net interest income/expense	-1,154	-613	-300	-218
<b>Profit after net interest income/expense</b>	<b>2,267</b>	<b>2,317</b>	<b>482</b>	<b>370</b>
- of which Profit from property management <sup>1)</sup>	<b>2,345</b>	<b>2,309</b>	<b>560</b>	<b>511</b>
Value change, investment properties	-5,287	589	-1,661	-2,131
Value change, financial instruments	-225	251	-86	50
<b>Profit/loss before tax</b>	<b>-3,245</b>	<b>3,157</b>	<b>-1,265</b>	<b>-1,712</b>
Current tax	-23	-190	152	-59
Deferred tax	547	-403	39	365
<b>Profit/loss for the period</b>	<b>-2,721</b>	<b>2,563</b>	<b>-1,074</b>	<b>-1,406</b>

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
<b>Profit/loss for the period attributable to</b>				
Parent Company shareholders	-2,671	2,466	-1,118	-1,358
Non-controlling interests	-50	98	44	-49
<b>Other comprehensive income</b>				
Profit/loss for the period	-2,721	2,563	-1,074	-1,406
Translation difference	4	187	-64	-12
<b>Comprehensive income for the period</b>	<b>-2,717</b>	<b>2,750</b>	<b>-1,138</b>	<b>-1,418</b>
<b>Comprehensive income for the period attributable to</b>				
Parent Company shareholders	-2,667	2,648	-1,180	-1,370
Non-controlling interests	-50	103	42	-47

<sup>1)</sup> For the calculation of Profit from property management, refer to Key ratio calculations on page 27.



## Group – Condensed statement of financial position

Amounts in SEK million	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>		
Investment properties	82,624	84,879
Right-of-use assets	988	932
Participations in joint ventures	1,636	1,655
Derivatives	–	247
Other non-current assets	126	44
<b>Total non-current assets</b>	<b>85,373</b>	<b>87,757</b>
Current receivables	2,265	1,165
Cash and cash equivalents	1,593	526
<b>Total current assets</b>	<b>3,858</b>	<b>1,691</b>
<b>TOTAL ASSETS</b>	<b>89,231</b>	<b>89,447</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>28,156</b>	<b>30,028</b>
Deferred tax liabilities	5,954	6,557
Non-current interest-bearing liabilities	41,608	41,064
Lease liabilities	988	932
Derivatives	187	–
<b>Total non-current liabilities</b>	<b>48,736</b>	<b>48,553</b>
Current interest-bearing liabilities	9,216	8,503
Other current liabilities	3,123	2,363
<b>Total current liabilities</b>	<b>12,339</b>	<b>10,866</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>89,231</b>	<b>89,447</b>

## Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening equity, 1 Jan 2022	1	7,835	206	19,538	769	28,350
Dividends	–	–	–	-1,072	–	-1,072
Contributions from minority interests	–	–	–	–	3	3
Minority interest contributions repaid	–	–	–	–	-3	-3
Comprehensive income (1 Jan 2022–31 Dec 2022)	–	–	182	2,466	103	2,750
<b>Closing equity, 31 Dec 2022</b>	<b>1</b>	<b>7,835</b>	<b>388</b>	<b>20,932</b>	<b>872</b>	<b>30,028</b>
Opening equity, 1 Jan 2023	1	7,835	388	20,932	872	30,028
Dividends	–	-1,000	–	-155	–	-1,155
Shareholder contributions	–	1,500	–	–	–	1,500
Contributions from minority interests	–	–	–	–	500	500
Comprehensive income (1 Jan 2023–31 Dec 2023)	–	–	4	-2,671	-50	-2,717
<b>Closing equity, 31 Dec 2023</b>	<b>1</b>	<b>8,335</b>	<b>392</b>	<b>18,106</b>	<b>1,322</b>	<b>28,156</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
<b>Operating activities</b>				
Profit from property management	2,345	2,309	560	511
<i>Adjustment for non-cash items</i>				
- Loss from property management, participations in joint ventures	-65	-74	-8	-23
- Depreciation	20	17	6	10
- Exchange differences, unrealised	1	15	-6	12
Dividends from joint ventures	45	21	–	–
Tax paid	-17	-113	59	-5
<b>Cash flow before changes in working capital</b>	<b>2,329</b>	<b>2,175</b>	<b>610</b>	<b>506</b>
Increase (+)/decrease (-) in working capital	-381	335	230	-43
<b>Cash flow from operating activities</b>	<b>1,948</b>	<b>2,510</b>	<b>840</b>	<b>463</b>
<b>Investing activities</b>				
Acquisition of properties	-351	-2,867	-210	-944
Investments in new construction, extension and re-development	-2,825	-3,809	-806	-971
Property divestments	90	427	72	425
Investments in financial assets	-124	-215	-111	-4
Other non-current assets	-11	-3	-7	-1
<b>Cash flow from investing activities</b>	<b>-3,222</b>	<b>-6,467</b>	<b>-1,061</b>	<b>-1,495</b>

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
<b>Financing activities</b>				
Interest-bearing loans raised	6,951	10,752	1,129	1,064
Repayment of interest-bearing liabilities	-5,343	-5,844	-1,294	-703
Financial instruments realised	-103	-20	-51	–
Shareholder contributions received	1,500	–	1,000	–
Contributions from non-controlling interests	500	0	–	-3
Dividends paid	-1,155	-1,072	–	–
<b>Cash flow from financing activities</b>	<b>2,349</b>	<b>3,816</b>	<b>783</b>	<b>358</b>
<b>Cash flow for the period</b>	<b>1,076</b>	<b>-142</b>	<b>562</b>	<b>-674</b>
Opening cash and cash equivalents	526	687	1,041	1,214
Exchange rate differences in cash and cash equivalents	-9	-19	-10	-13
<b>Cash and cash equivalents at period-end</b>	<b>1,593</b>	<b>526</b>	<b>1,593</b>	<b>526</b>
<b>Operating cash flow</b>	<b>2,329</b>	<b>2,160</b>	<b>616</b>	<b>493</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Net sales	121	118	27	30
Central administrative expenses	-246	-223	-65	-63
Other operating income	0	129	0	129
<b>Operating profit/loss</b>	<b>-125</b>	<b>24</b>	<b>-38</b>	<b>96</b>
Financial items	380	-192	339	-87
Change in value of derivatives	-156	-75	60	-46
Appropriations	1	724	1	724
<b>Profit before tax</b>	<b>100</b>	<b>481</b>	<b>362</b>	<b>687</b>
Recognised tax	3	37	-68	-93
<b>Profit for the period</b>	<b>103</b>	<b>518</b>	<b>294</b>	<b>594</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	31 Dec 2023	31 Dec 2022
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	12	5
Equipment	2	3
Shares and participations in Group companies	16,968	16,582
Deferred tax assets	60	54
Non-current receivables	23,035	16,527
<b>Total non-current assets</b>	<b>40,076</b>	<b>33,170</b>
<b>Current assets</b>		
Current receivables	18,223	22,592
Cash and cash equivalents	5	0
<b>Total current assets</b>	<b>18,227</b>	<b>22,592</b>
<b>TOTAL ASSETS</b>	<b>58,303</b>	<b>55,762</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Restricted equity	1	1
Non-restricted equity	5 391	4 943
<b>Total equity</b>	<b>5 392</b>	<b>4 944</b>
<b>Liabilities</b>		
Deferred tax liabilities	28	27
Interest-bearing liabilities	50,787	49,538
Non-interest-bearing liabilities	2,096	1,253
<b>Total liabilities</b>	<b>52,911</b>	<b>50,818</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,303</b>	<b>55,762</b>

## Other information

### Significant events after period-end

No significant events occurred after period-end.

### Employees

At period-end, Hemsö had 169 employees, of whom 75 were women and 94 men. Of these employees, 53 worked with asset and property management and 28 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 141 are employed in Sweden, 16 in Finland and 12 in Germany.

### Risks and uncertainties

Hemsö is analysing all of the company's material risks resulting from the ongoing war in Ukraine and is monitoring developments. Hemsö's access to capital remains favourable and the company's long loan maturity and fixed-rate period provide stability. At 31 December 2023, 77 per cent of the loan portfolio was hedged against rising rates and 23 per cent carried variable interest rates, which means that net interest income was impacted by changes in market rates. Access to building materials and delayed deliveries could affect Hemsö's project activities. For more detailed information, refer to page 73

of the 2022 Annual Report. In addition to the above, no changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 73–80 of the 2022 Annual Report.

### Related-party transactions

Hemsö's related-party transactions are set out in Note 26 of Hemsö's 2022 Annual Report.

### Joint ventures

Hemsö owns participations in Hemsö Norden KB jointly with the Third Swedish National Pension Fund. This company is included in Hemsö's consolidated financial statements. Hemsö Norden KB currently owns 29 investment properties through a limited partnership.

Hemsö owns 52 per cent of the shares in Turku Technology Properties Oy, which owns 27 public properties in Turku through subsidiaries. The company is run as a joint venture together with other partners and is not included in the consolidated financial statements, since Hemsö does not have a controlling interest. In addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. The company is run as a joint venture and is not included in the consolidated financial statements.

Lanthem Samhällsfastigheter owns six investment properties through subsidiaries.

In 2021, Hemsö formed a joint venture, HemTag Fastigheter AB, with Tagebad AB. The purpose of the partnership is to develop and manage aquatic centres. The company does not own any properties.

### Accounting policies applied

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles were applied as in the 2022 Annual Report, pages 96–99. The consolidated financial statements have been prepared in accordance with International IFRS Accounting Standards issued by the International Accounting Standards Board (IASB).

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

The carrying amount of accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities is considered a reasonable estimate of fair value. Interest rate derivatives and foreign exchange

swaps are measured at fair value on the statement of financial position and classified as Level 2 assets in the fair value hierarchy (IFRS 13).

The Parent Company applies the Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities. All amounts in the interim report, unless otherwise stated, are rounded to the nearest SEK million, which means some totals may not correspond with the sum of tables and calculations. Figures between 0 and 0.5 in the text and tables are reported as 0.

### New and revised IFRSs effective on or after 1 January 2023

No new or amended standards or interpretations issued by the IASB have had any effect on this interim report, or the accounting policies applied by Hemsö.

### Signing of the report

Stockholm, 2 February 2024

Nils Styf, CEO

This report has not been audited.

# Definitions

## Financial definitions

### Share of secured debt

Interest-bearing secured debt in relation to investment properties.

### Loan-to-value ratio

Net debt in relation to investment properties and investments in joint ventures.

### Property yield

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

### Available liquidity

Cash and cash equivalents and current investments plus undrawn committed credit facilities.

### Profit/loss from property management

Profit after net interest income/expense after reversal of changes in value and tax from participations in joint ventures.

### Average interest rate

The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and committed credit facilities on the closing date.

### Investments in joint ventures

The share of equity in joint ventures, and loans to joint ventures.

### Loan maturity

The weighted average of the remaining term of interest-bearing liabilities, including the maturities of undrawn committed credit facilities.

### Short-term borrowings

Loan maturities within 12 months (current interest-bearing liabilities).

### EMTN programme

European bond programme.

### Net debt

Interest-bearing liabilities less cash and cash equivalents and current investments.

### Operating cash flow

Profit from property management after reversal of depreciation and amortisation and profit from property management in joint ventures less tax paid plus dividends from joint ventures.

### Interest-coverage ratio

Net operating income less central administrative expenses plus dividends from joint ventures relative to net interest income/expense.

### Operating profit/loss

Net operating income plus share of profit from joint ventures and administrative expenses.

### Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

### Equity/assets ratio

Equity in relation to total assets.

### Total return

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

### Currency exposure

Net of market value of properties, joint ventures, cash and liabilities in foreign currency less currency hedging as a percentage of equity.

## Property-related definitions

### Net operating income

Rental income less operating and maintenance costs and property tax, ground rent not included in net operating income.

### Economic occupancy rate

Contracted annual rental income in relation to rental value.

### Rental income

Rental income for the period less vacancies, rent reductions and rental losses.

### Lease duration

The weighted average remaining lease duration excluding garage/parking, storage and housing units let to private individuals.

### Rental value

Contracted annual rental income plus vacancy rent.

### Comparable portfolio

The properties owned throughout the entire period and entire comparative period and not classified as development properties during these periods.

### Contracted annual rent

Contracted annual rental income less rent reductions and rental losses.

### Net investments

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

### Development property

Property under construction and development rights. A development property also includes a property where a well-defined section of the area has been vacated in order to convert and improve the property.

### Public property

A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Assisted living is also included in the public properties concept.

### Large cities

The definition of large cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

### Lettable area

Those areas of the property for which a tenant can be debited rent at period-end.

### Rent based on vacancy rate

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

### Vacancy rent

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

### NOI margin

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



## Key ratio calculations

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide useful supplemental information for investors and company management since they enable evaluation of the

company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies. Amounts in SEK million.

<b>Profit from property management</b>	<b>Jan–Dec 2023</b>	<b>Jan–Dec 2022</b>	<b>Oct–Dec 2023</b>	<b>Oct–Dec 2022</b>
Profit after net interest income/expense	2,267	2,317	482	370
Reversal				
<i>Changes in value, joint ventures</i>	91	-35	97	160
<i>Tax, joint ventures</i>	-13	27	-18	-19
<b>Profit from property management</b>	<b>2,345</b>	<b>2,309</b>	<b>560</b>	<b>511</b>

<b>Operating cash flow</b>	<b>Jan–Dec 2023</b>	<b>Jan–Dec 2022</b>	<b>Oct–Dec 2023</b>	<b>Oct–Dec 2022</b>
Profit from property management	2,345	2,309	560	511
Dividends from joint ventures	45	21	0	0
Tax paid	-17	-113	59	-5
Reversal				
<i>Loss from property management, participations in joint ventures</i>	-65	-74	-8	-23
<i>Depreciation</i>	20	17	6	10
<b>Operating cash flow</b>	<b>2,329</b>	<b>2,160</b>	<b>616</b>	<b>493</b>

<b>Interest-coverage ratio</b>	<b>Jan–Dec 2023</b>	<b>Jan–Dec 2022</b>	<b>Oct–Dec 2023</b>	<b>Oct–Dec 2022</b>
Net operating income	3,631	3,032	896	771
Central administrative expenses	-196	-183	-43	-64
Dividends from joint ventures	45	21	—	—
<b>Total</b>	<b>3,480</b>	<b>2,869</b>	<b>853</b>	<b>707</b>
Net interest income/expense	-1,154	-613	-300	-218
<b>Interest-coverage ratio</b>	<b>3.0</b>	<b>4.7</b>	<b>2.8</b>	<b>3.2</b>

<b>NOI margin</b>	<b>Jan–Dec 2023</b>	<b>Jan–Dec 2022</b>	<b>Oct–Dec 2023</b>	<b>Oct–Dec 2022</b>
Rental income	4,818	4,073	1,220	1,069
Other property income	41	23	9	6
<b>Total property income</b>	<b>4,859</b>	<b>4,097</b>	<b>1,229</b>	<b>1,074</b>
Net operating income	3,631	3,032	896	771
<b>NOI margin</b>	<b>74.7%</b>	<b>74.0%</b>	<b>72.8%</b>	<b>71.8%</b>

## Key ratio calculations, cont.

Share of secured debt	31 Dec 2023	31 Dec 2022
Secured debt outstanding	1,000	–
Investment properties	82,624	84,879
<b>Share of secured debt</b>	<b>1.2%</b>	<b>0.0%</b>
Loan-to-value ratio	31 Dec 2023	31 Dec 2022
Non-current interest-bearing liabilities	41,608	41,064
Current interest-bearing liabilities	9,216	8,503
Cash and cash equivalents	-1,593	-526
<b>Net debt</b>	<b>49,230</b>	<b>49,041</b>
Investment properties	82,624	84,879
Investments in joint ventures	1,631	1,665
<b>Total</b>	<b>84,255</b>	<b>86,544</b>
<b>Loan-to-value ratio</b>	<b>58.4%</b>	<b>56.7%</b>
Property yield	31 Dec 2023	31 Dec 2022
Net operating income according to income statement	3,631	3,032
Adjusted for 12-month holding period and exchange rate	-45	138
Adjusted for development properties	-100	-134
<b>Adjusted net operating income</b>	<b>3,486</b>	<b>3,036</b>
Investment properties	82,624	84,879
Adjusted for development properties	-7,871	-11,464
<b>Adjusted market value of properties</b>	<b>74,753</b>	<b>73,415</b>
<b>Property yield</b>	<b>4.7%</b>	<b>4.1%</b>

Debt-coverage ratio	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	1,593	526
Undrawn committed credit facilities	13,623	13,500
<b>Available liquidity</b>	<b>15,216</b>	<b>14,026</b>
Short-term borrowings	9,216	8,503
<b>Debt-coverage ratio</b>	<b>165%</b>	<b>165%</b>
Equity/assets ratio	31 Dec 2023	31 Dec 2022
Equity	28,156	30,028
Total assets	89,231	89,447
<b>Equity/assets ratio, %</b>	<b>31.6%</b>	<b>33.6%</b>
Total return	Jan–Dec 2023	Jan–Dec 2022
Net operating income	3,631	3,032
Value change, investment properties	-5,287	589
<b>Total</b>	<b>-1,656</b>	<b>3,621</b>
Opening value investment properties	84,879	75,737
Closing value investment properties	82,624	84,879
Adjustment of value change for the period	5,287	-589
<b>Adjusted average property value</b>	<b>86,395</b>	<b>80,014</b>
<b>Total return</b>	<b>-1.9%</b>	<b>4.5%</b>

**Questions and more information**

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

**Financial calendar**

Annual Report 2023	28 Mar 2024
Interim report, Jan–Mar 2024	24 Apr 2024
Annual General Meeting	24 Apr 2024
Half-year report, Jan–Jun 2024	12 Jul 2024

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