

# Q3

## Interim report 2022

### Summary January-September 2022

- » Rental income increased 13 per cent to SEK 3,005 million (2,668).
- » Profit from property management increased 13 per cent to SEK 1,798 million (1,587).
- » Changes in the value of properties amounted to SEK 2,721 million (4,908), of which SEK -1,780 million pertained to the third quarter. Changes in the value of financial instruments amounted to SEK 201 million (139).
- » Profit after tax for the period decreased to SEK 3,970 million (5,404).
- » The market value of the properties amounted to SEK 85,004 million (73,516).
- » During the period, SEK 2,838 million (2,955) was invested in the existing property portfolio.
- » During the period, 26 properties (35) were acquired for SEK 1,923 million (3,218).

### Significant events during the third quarter

- » Hemsö increased its credit facilities by SEK 2 billion, of which SEK 1 billion from Handelsbanken and a SEK 1 billion increase in the underwriting commitment from the Third Swedish National Pension Fund.
- » Hemsö signed a 15-year rental agreement with Ambea for the expansion, modernisation and development of Villa Sarvträsk, an existing nursing home in Nacka. The investment amounted to SEK 130 million.
- » The City of Stockholm granted Hemsö two land-use agreements totalling 20,000 sqm for the development of a training facility for Djurgården Hockey Club in Tallkrogen, and a sports centre in Bromma.
- » Standard and Poor's affirmed Hemsö's credit rating of A- with a stable outlook.

### Hemsö in summary

	Jan-Sep 2022	Jan-Sep 2021	Oct 2021-Sep 2022	Jan-Dec 2021
Rental income, SEK million	3,005	2,668	3,951	3,614
Profit from property management, SEK million	1,798	1,587	2,356	2,145
Profit after tax, SEK million	3,970	5,404	6,755	8,189
Operating cash flow, SEK million	1,667	1,408	2,203	1,944
Loan-to-value ratio at period-end, %	54.8	57.0	54.8	54.3
Interest-coverage ratio, times	5.9	5.4	6.1	5.7
Market value of properties at period-end, SEK million	85,004	73,516	85,004	75,737
NOI margin, %	74.8	76.0	74.5	75.4
Economic occupancy rate at period-end, %	97.9	98.0	97.9	97.9
Rental duration at period-end, years	9.8	9.6	9.8	9.6
Lettable area at period-end, tsqm	2,339	2,226	2,339	2,218



## CEO statement

As we close the third quarter, the world around us remains turbulent. The war in Ukraine is ongoing, electricity prices are surging, inflation and interest rates are rising, and consumption is falling. The world is uncertain for both individuals and businesses. At the same time, everyday life is rolling along with work and private commitments that cannot be postponed.

Investments in schools, nursing homes and other social infrastructure cannot be postponed either. Regardless of events in the world around us. There is a structural shortage of school places and nursing home beds and many public properties need to be modernised. More than 65 per cent of schools in Sweden are over 40 years old. To date this year, Hemsö has contributed 5,900 new school places and 405 nursing home beds.

### Climate-smart solutions

The energy crisis could accelerate the development of, and increase demand for, smart solutions in property technology and renewable energy. To reduce electricity consumption and secure sustainable energy sources, Hemsö has been working with energy efficiencies and a switch to renewable energy sources, such as geothermal and solar energy, for a long time. Our major focus on digitisation is enabling more efficient control of the properties.

Sustainability is a major and central issue for the construction and property sector. Our sector accounts for nearly 40 per cent of global CO<sub>2</sub> emissions. The major source is construction.

We use environmental certification to help us improve the sustainability of our property portfolio and have intensified our focus on climate-related issues. Carbon footprint calculations provide us with data for making more sustainable decisions about design and materials. In August, Sweden's first Zero-CO<sub>2</sub>-certified nursing home opened in Tyresö outside Stockholm, and contains many sustainable solutions – recycled brick, climate enhanced concrete, solar panels and a frame that is largely made with cross-laminated timber. We gain experience from our various development projects, and Sköndalsvillan has been important in this respect.

Hemsö has the willpower, the expertise and the financial muscle required to invest in and pursue solutions that make both new development and existing properties more sustainable. Our long-term majority owner, the Third Swedish National Pension Fund, also stands firmly behind Hemsö.

### Stable financing

We also see stability and a long-term approach in our financing activities. Despite a fragile market, we still have good access to capital markets, albeit at higher borrowing costs. During both the COVID-19 pandemic and the most recent half-year, we maintained access to bond markets.

In the third quarter, we issued bonds of SEK 2.6 billion in Swedish and European bond markets. The average duration is eight years and the average margin is 120 basic points. Due to higher base rates, our borrowing costs will increase. However, our long loan maturities and fixed-rate periods combined with strong cash flow will soften the effect on Hemsö. Our interest-coverage ratio, which peaked at 6.5 times in the second quarter, fell back to 6.1 times in the third quarter and is expected to gradually decrease, albeit from a high level.

### Own and rent public properties

The issue of whether the public sector should own or rent public properties has been widely debated in Swedish media. During this election year, criticism of private property players increased as the election date moved closer. The topic also generated some attention in Finnish media.

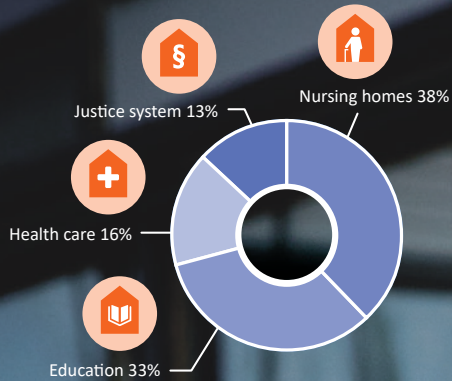
A nuanced discussion is needed. Those municipalities that have opted to work with a private property player have good reasons for doing so. The media discourse is rarely interested in that point of view. I think that's unfortunate.

The public sectors of Sweden, Finland and Germany need help to meet the need for more schools, nursing homes, sports centres and other social infrastructure. Especially when the global situation is fragile. Hemsö's operations are stable, and we have the capacity to meet tomorrow's needs together with our tenants.

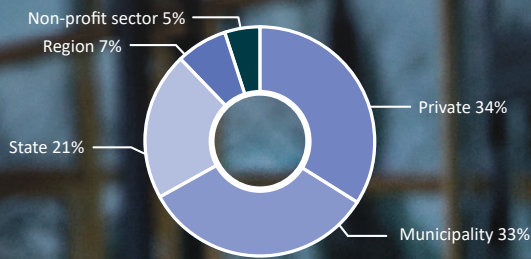
I have many good examples from Hemsö's 13 years of operations where we have worked together with municipalities and regions to solve many of their challenges. We have a portfolio with high-quality properties and satisfied tenants. Hemsö has come in as a partner with solutions and financing that have made a difference for municipalities. It's not about renting or owning – it's about both. And in that mix, help is available from a competent and long-term partner like Hemsö, whose profit is largely returned to Swedish pensioners.

Nils Styf, CEO

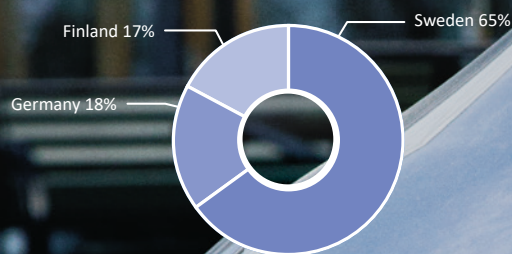
Contracted rent per property category



Contracted rent per customer category



Market value of properties



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 rental agreements and stable tenants.
- The Third Swedish National Pension Fund is majority owner.
- The total value of Hemsö's property portfolio is SEK 85.0 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

# Income, costs and profit

Profit/loss items relate to the January-September 2022 period, 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.

## Rental income

Rental income rose 13 per cent to SEK 3,005 million (2,668), primarily attributable to completed development projects and acquisitions. Rental income rose 8 per cent in Sweden, 23 per cent in Germany and 21 per cent in Finland.

Rental income in the comparable portfolio rose SEK 119 million. Exchange rate fluctuations had a positive impact of SEK 33 million on rental income.

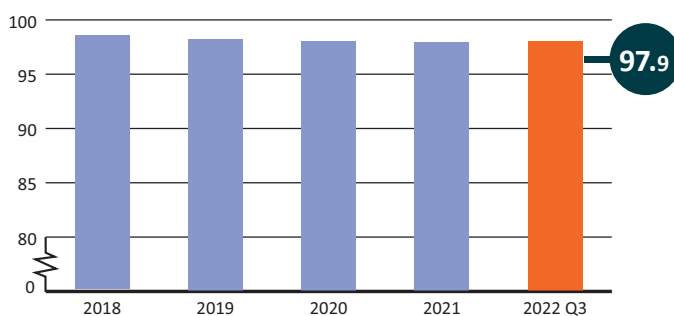
At period-end, contracted annual rent increased and amounted to SEK 4,222 million (3 769), before rent reductions of SEK 40 million (45). Economic vacancies amounted to SEK 92 million (76). The economic occupancy rate amounted to 97.9 per cent (98.0).

Rental agreements amounting to annual rent of SEK 47 million will be subject to renegotiation throughout the remainder of 2022, corresponding to 1 per cent of Hemsö's contracted rental income. The rental duration increased to 9.8 years (9.6) due to the high number of completed development projects with long-term rental agreements.

## Property costs

Property costs amounted to SEK 761 million (646), up SEK 116 million. Costs rose due to a larger property portfolio and higher operating costs, primarily the result of higher energy costs. Maintenance costs increased SEK 10 million year-on-year. In the comparable portfolio, property costs rose SEK 82 million, or 14 per cent.

## Economic occupancy rate, %



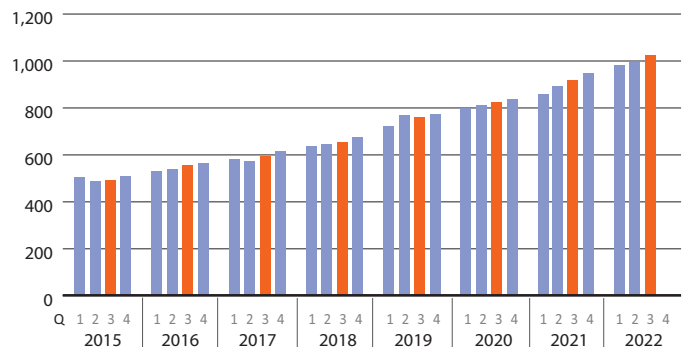
## Vacancy changes

SEK million	Jan-Sep 2022
Opening vacancy	85
Terminated rental agreements	13
Adjusted for vacancy rents	9
New rental agreements	-17
Acquired	3
Divested	-
<b>Closing vacancy</b>	<b>92</b>

## Rental maturity

Year	Annual rent, SEK million	Share, %
2022	47	1
2023	253	6
2024	204	5
2025	268	6
2026	213	5
2027	240	6
2028	306	7
2029	206	5
2030	262	6
2031	311	7
>2031	1,912	45
<b>Total</b>	<b>4,222</b>	<b>100</b>

## Rental income, SEK million



# SEK 3,005 million

## Rental income

### Net operating income

Net operating income rose 11 per cent to SEK 2,261 million (2,039). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin decreased to 74.8 per cent (76.0), mainly due to higher energy costs.

In the comparable portfolio, net operating income increased to SEK 1,942 million (1,909) due to higher rental income and a positive impact of exchange rate fluctuations.

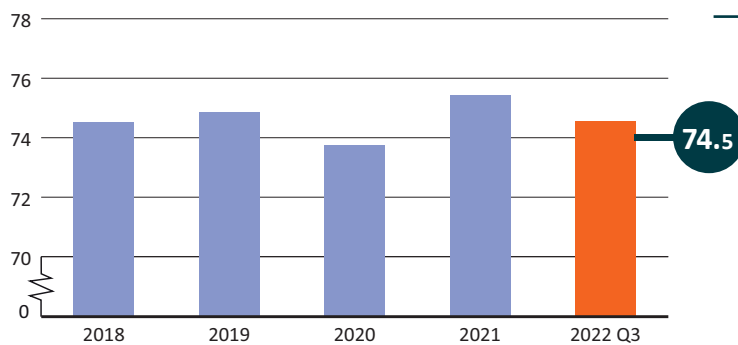
### Comparable portfolio

	30 Sep 2022	30 Sep 2021	Change
No. of properties	350	350	–
Market value of properties, SEK million	66,065	59,823	10.4%
Property yield, %	3.9	4.2	-0.3

SEK million	Jan-Sep 2022	Jan-Sep 2021	Change, %
Rental income	2,593	2,474	4.8
Other income	14	16	-11.6
Operating costs	-459	-389	17.9
Maintenance costs	-150	-143	4.8
Other costs	-56	-49	13.2
<b>Net operating income</b>	<b>1,942</b>	<b>1,909</b>	<b>1.8</b>

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



### Administration

Administrative expenses for the period rose year-on-year to SEK 119 million (113). The increase was mainly attributable to higher personnel costs due to more employees.

### Financial items

Net financial expense increased to SEK -395 million (-372). The change in net financial expense was attributable to increased interest rates and higher margins in new funding, as well as an increase in interest-bearing liabilities. The company's interest-rate derivatives were restructured at the beginning of the year, which has offset interest rate increases to some extent.

The average interest rate was 1.5 per cent (1.1) due to the increase in borrowing costs. The fixed-rate period was 5.7 years (6.2) and interest-bearing liabilities rose to SEK 48,792 million (43,067).

### Financial items

SEK million	Jan-Sep 2022	Jan-Sep 2021
Interest income	2	1
Other financial income	12	26
Interest expense	-351	-341
Other financial expenses	-35	-39
Ground leases and leasehold properties	-23	-19
<b>Total financial items</b>	<b>-395</b>	<b>-372</b>

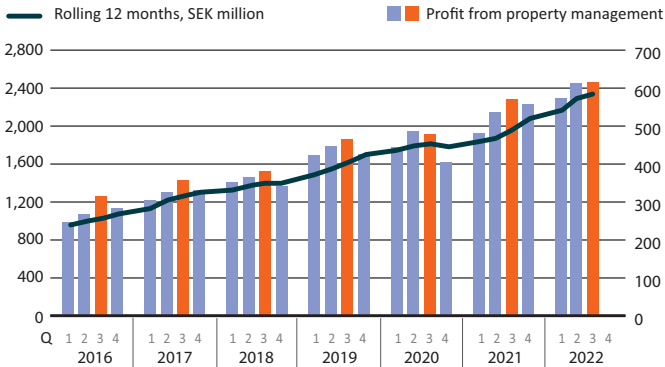
# SEK 2,261 million

## Net operating income

## Profit from property management

Profit from property management rose 13 per cent to SEK 1,798 million (1,587), mainly attributable to a larger property portfolio. Exchange-rate fluctuations had a positive impact of SEK 24 million on profit from property management.

### Profit from property management, SEK million



## Change in value of investment properties

Change in the value of investment properties for the period was SEK 2,721 million (4,908), of which unrealised value changes amounted to SEK 2,752 million (4,900). This corresponds to an increase of 3.6 per cent (7.9). Value change attributable to property management and development projects was SEK 1,873 million (1,553), or 2.5 per cent (2.5). Value change from property management was positively impacted by the current high rate of inflation, while a major share of the increase from development projects was attributable to reduced execution risk.

Value change related to market factors amounted to SEK 879 million (3,347), up 1.2 per cent (5.4), and was due to a downward adjustment of yield requirements in the first half of 2022.

In the third quarter high inflation and rapidly rising interest rates had a major impact on the transaction market. While few transactions were communicated in Sweden, a small number of completed transactions combined with cancelled and paused transactions are expected to support higher yield requirements in all segments compared with the first half of 2022. Excluding development properties, the total property yield in Sweden was 3.7 per cent compared with 3.5 per cent in the preceding quarter, and 3.8 per cent at year-end. Overall, there were no transactions in Finland or Germany that indicated a change in price levels, whereby Hemsö's market values abroad have remained generally unchanged compared with the first half year.

Due mainly to higher yield requirements in Sweden, the change in value of Hemsö's investment properties during the third quarter, amounted to SEK -1,780 million.

During the year, the Justice system category – mainly comprising police headquarters with long-term rental agreements with the Swedish Police Authority – accounted for the largest decrease in yield requirements. Market demand for these properties is high, especially in times of uncertainty. The property yield for the Justice system category, excluding development properties, was 4.3 per cent, compared with 4.2 per cent in the preceding quarter and 4.6 per cent at year-end.

The property yield for the entire property portfolio, excluding development properties, was 3.9 per cent (4.3), compared with 3.8 per cent in the preceding quarter and 4.0 per cent at the end of 2021. The total return was 10.9 per cent (14.8).

Market value of properties

**SEK 85.0 billion**

Properties

**468**

Lettable area

**2,339 tsqm**

## Unrealised value changes, properties, Jan-Sep 2022

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	1,460	106	308	<b>1,873</b>
– Market factors	405	328	146	<b>879</b>
<b>Total unrealised value changes</b>	<b>1,865</b>	<b>434</b>	<b>454</b>	<b>2,752</b>

### Change in value of property portfolio

	SEK million	No. of
Market value of properties, opening balance	75,737	441
Acquisitions	1,923	26
Investments in construction, extension and re-developments	2,838	–
Re-allotment	–	2
Divestments	-3	-1
Disposals	-31	–
Exchange-rate fluctuations	1,788	–
Unrealised value changes	2,752	–
<b>Market value of properties, closing balance</b>	<b>85,004</b>	<b>468</b>

### Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 201 million (139) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 27 million (160) on profit. Derivatives attributable to currency risk management had a positive impact of SEK 174 million (-21) on profit.

### Tax

Recognised tax for the period amounted to SEK -900 million (-1,277), of which current tax accounted for SEK -131 million (-116) and deferred tax for SEK -769 million (-1,161). Deferred tax expense 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. Deferred tax liabilities amounted to SEK 6,942 million (5,467) at period-end.

### Earnings

Profit after tax for the period decreased to SEK 3,970 million (5,404). The decline was attributable to lower changes in the value of investment properties.

### Cash flow

Hemsö's operating cash flow rose 18 per cent to SEK 1,667 million (1,408). The increase was mainly attributable to higher profit from property management and lower tax paid. Cash flow from operating activities before changes in working capital was SEK 1,649 million (1,391). The change in working capital was SEK 377 million (575). Investing activities had a negative impact of SEK -4,951 million (-6,406) on cash flow, while increased borrowings, loan repayments and dividends had a positive impact of SEK 3,458 million (4,708) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK 532 million (-362).

### 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 88 million (70) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -159 million (-146), mainly attributable to higher personnel costs due to more employees. Financial items amounted to an expense of SEK -86 million (income: 223). Financial items include interest income of SEK 514 million (500), interest expense of SEK -386 million (-374), profit of SEK 432 million (284) from participations in Group companies, and exchange-rate differences of SEK -646 million (-187). Changes in the value of financial instruments amounted to SEK -49 million (142) and comprehensive income for the period amounted to SEK -76 million (288).

### 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-Sep 2022	Jan-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	30 Sep 2022	30 Sep 2021
Sweden East	710	687	531	523	23,223	21,161
Sweden Central	374	351	252	239	10,023	8,294
Sweden North	496	442	371	341	13,490	11,791
Sweden South	305	269	203	184	8,905	7,611
Germany	518	423	457	382	14,961	12,501
Finland	602	497	446	370	14,403	12,159
<b>Total</b>	<b>3,005</b>	<b>2,668</b>	<b>2,261</b>	<b>2,039</b>	<b>85,004</b>	<b>73,516</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. In the fourth quarter of 2021, Hemsö's property portfolio in Östergötland was transferred from Central/North to the West region. At the same time, the Central/North region was renamed North and the West region was renamed Central. The comparative figures have been restated to reflect the new allocation. The Group is managed and reported in six segments: Finland, Germany and four segments in Sweden – East, Central, North and South.

## Property portfolio

Of the market value of properties of SEK 85,004 million (73,516), 65 per cent (66) was attributable to Sweden, 18 per cent (17) to Germany and 17 per cent (17) to Finland.

At period-end, Hemsö owned properties in 64 municipalities in Sweden, 63 municipalities in Germany and 31 municipalities in 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 30 September 2022, Hemsö's property portfolio comprised 468 properties (426) with a total lettable area of 2,339 tsqm (2,226).

### Property transactions

Quarter	No. of	Value, SEK million	Area, sqm
<b>Acquisitions</b>			
Q1	17	1,316	68,636
Q2	7	110	3,854
Q3	2	497	–
<b>Total</b>	<b>26</b>	<b>1,923</b>	<b>73,589</b>
<b>Divestments</b>			
Q1	–	–	–
Q2	1	3	–
Q3	–	–	–
<b>Total</b>	<b>1</b>	<b>3</b>	<b>–</b>

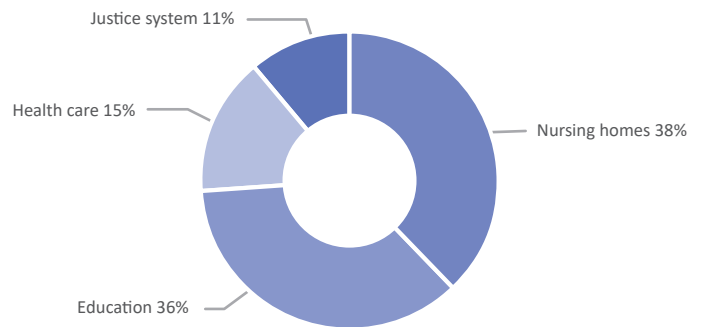
### Investments

Investments pertain to investments in existing properties and new development. 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 period, SEK 2,838 million (2,955) was invested, of which SEK 2,250 million (2,192) pertained to construction, extension and re-developments and SEK 588 million (763) to improvements and new lettings.

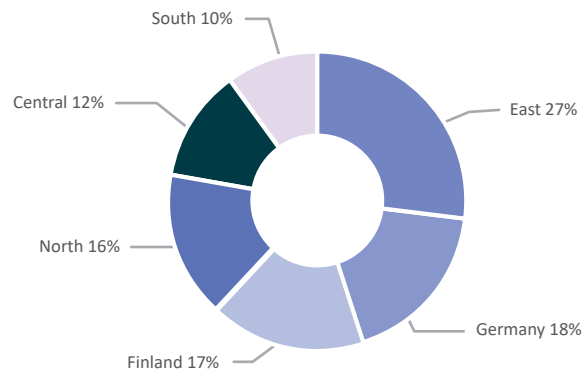
### Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	239	145	58	26	<b>468</b>
Lettable area, tsqm	1,013	782	318	226	<b>2,339</b>
Rental duration, years	9.3	11.7	8.1	8.1	<b>9.8</b>
Market value of properties, SEK million	32.4	30.5	12.5	9.6	<b>85.0</b>
Rental income, SEK million	1,155	978	489	383	<b>3,005</b>
Net operating income, SEK million	874	750	337	300	<b>2,261</b>
Economic occupancy rate, %	98.6	98.6	96.5	95.6	<b>97.9</b>
Property yield, %	3.9	3.9	3.8	4.3	<b>3.9</b>

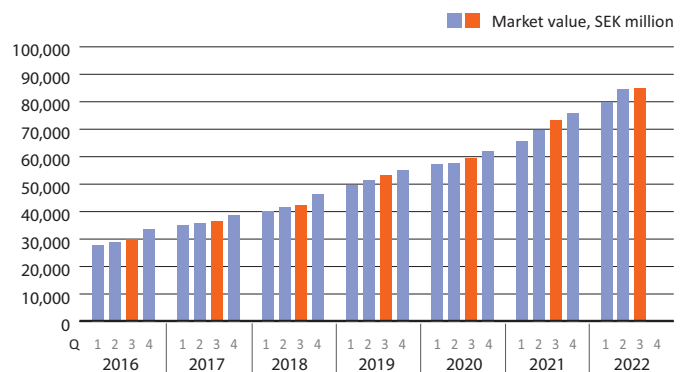
### Market value of properties per property category



### Market value of properties per segment



### Market value of properties, SEK million





## Tenants

Hemsö's business model is based on long-term rental agreements with public-sector tenants, or with private operators that are taxpayer-funded. Hemsö's rental agreements have indexation clauses allowing the rent to increase by 90 per cent of each country's consumer price index (CPI).

Of Hemsö's total rental income, 95 per cent was derived from taxpayer-funded services. Public-sector tenants accounted for 61 per cent of contracted annual rent. Contracted annual rent amounted to 33 per cent with municipal operators, 21 per cent with state operators and and 7 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 Authority, Region Stockholm, AcadeMedia, the City of Turku (Fin) and Attendo, which jointly accounted for 21 per cent of the rental income. Of Hemsö's 20 largest tenants, 12 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.

In Germany, Hemsö is able to obtain collateral for rental income through pledges of the operators' entitlements to municipal contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 53 million, of which EUR 11 million is secured through pledges. If pledges are included, 41 per cent of rental income in Germany is derived from public-sector tenants.

## Hemsö's 20 largest tenants

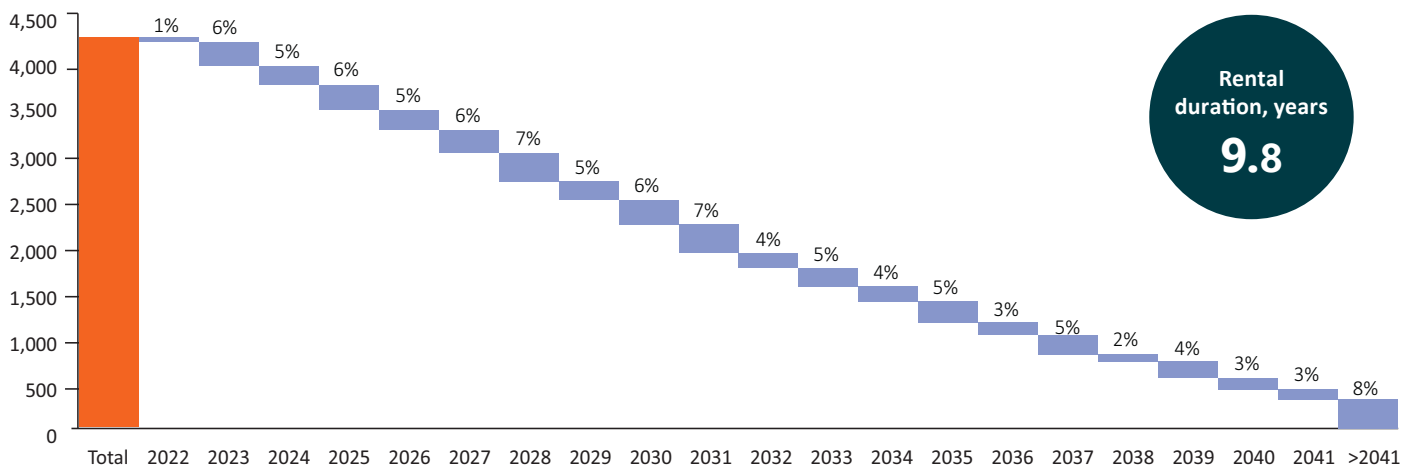
Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Swedish Police	State	224	5.4	33
Region Stockholm	Region	201	4.8	76
Academedialia	Private	166	4.0	22
City of Turku (FI)	Municipality	164	3.9	13
Attendo	Private	139	3.3	75
Ministry of Justice (FI)	State	127	3.0	13
AWO (GER)	Non-profit	110	2.6	12
City of Västerås	Municipality	108	2.6	21
Mälardalen University	State	105	2.5	3
International English School	Private	82	2.0	11
Alloheim (GER)	Private	80	1.9	10
Ambea	Private	77	1.8	10
Norrköping Municipality	Municipality	74	1.8	15
The City of Lahti (FI)	Municipality	65	1.5	5
Karolinska Institute	State	64	1.5	4
HEWAG (GER)	Private	64	1.5	9
North Rhine-Westphalia (GER)	State	60	1.4	1
Västra Götaland Region	Region	59	1.4	63
Gävle Municipality	Municipality	53	1.3	20
Mehiläinen (FI)	Private	52	1.2	9
<b>Total</b>		<b>2,074</b>	<b>49.6</b>	<b>425</b>

## Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish municipalities	940	23
Swedish state	501	12
Swedish regions	309	7
Finnish municipalities	382	9
Finnish state	240	6
German state/states	127	3
German municipalities	55	1
<b>Total</b>	<b>2,554</b>	<b>61</b>

Public-sector tenant  
 Private-sector tenant  
 (FI) = Finland  
 (GER) = Germany

## Rental maturity, annual rent, SEK million



Rental duration, years

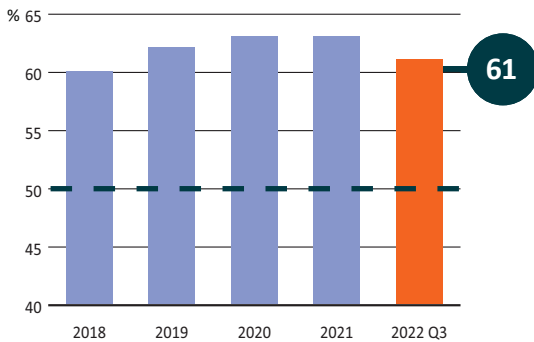
9.8

## 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.

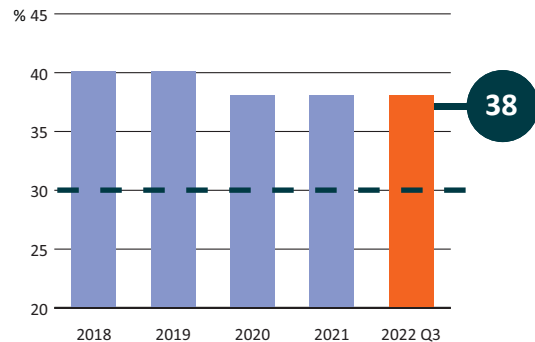
### Public-sector tenants

– At least 50 per cent of rental income



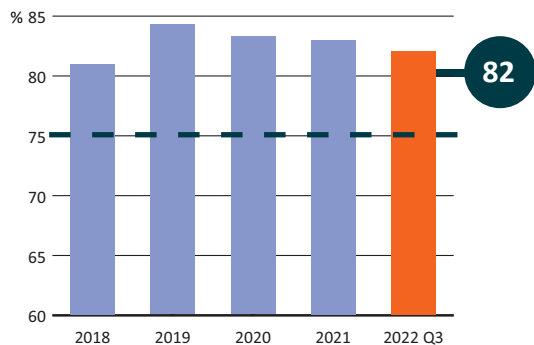
### Nursing homes

– At least 30 per cent of rental income



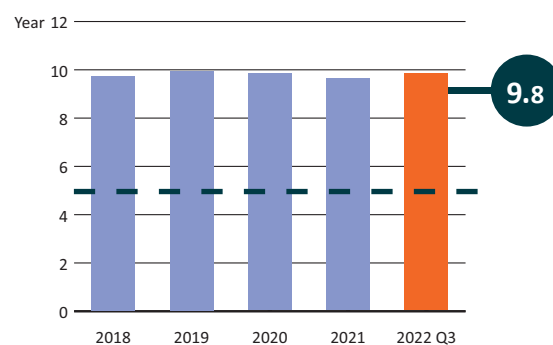
### Metropolitan areas and large cities

– At least 75 per cent of rental income



### Rental duration

– At least 5 years



## Property valuation

Hemsö measures the fair value of its investment properties in accordance with IAS 40. The market value of all properties is determined each quarter. The market value is determined using external valuations and Hemsö's internal calculation model. During the period, the entire Finnish and German property portfolios were valued externally by JLL and CBRE, respectively. 90 per cent of the Swedish portfolio has been valued externally by Cushman & Wakefield. 93 per cent of the total portfolio has therefore been valued externally. The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. At period-end, the fair value of properties was SEK 85,004 million (73,516).

## Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 30 September 2022. 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.

## Earning capacity

SEK million	30 Sep 2022	30 Sep 2021	Change, %
Rental income	4,181	3,725	12
Property costs	-1,015	-888	14
<b>Net operating income</b>	<b>3,167</b>	<b>2,837</b>	<b>12</b>
Central administrative expenses	-165	-155	6
Associated companies	106	44	141
Financial items	-771	-482	60
<b>Profit from property management</b>	<b>2,337</b>	<b>2,243</b>	<b>4</b>

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 financial income is 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 associated companies does not include 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.

# Development projects

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

Development projects	Municipality	Category	Type of inv.	Certification	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Nya Novum	Huddinge	Health care	R	BREEAM	49,000	910	659	34	61	2024
Silverkällan	Gothenburg	Nursing home	C	Miljöbyggnad	13,200	500	34	40	96	2022
Stavsborgsskolan	Nacka	Education	C	Miljöbyggnad	13,000	327	192	32	100	2023
IES Staffanstorps	Staffanstorps	Education	C	Miljöbyggnad	7,000	300	15	16	100	2022
Lilla Tensta	Stockholm	Education	R	–	16,800	285	196	30	0	2023
Kronåsen Campus	Uppsala	Education	R	–	16,200	250	229	34	100	2023
Vågen Vilunda	Upplands Väsby	Nursing home	C	Nordic Swan	6,200	226	26	15	100	2022
Büttelborn	Büttelborn	Nursing home	C	–	6,200	181	81	12	100	2022
Paavola Campus <sup>1)</sup>	Lahti	Education	R	–	6,500	178	98	17	100	2023
Kleinmachnow	Potsdam-Mittelmark	Nursing home	C	–	6,700	177	7	10	100	2022
Bylegård	Täby	Nursing home	C	Miljöbyggnad	5,600	155	8	12	100	2022
Växthusets sports centre	Lund	Education	C	Miljöbyggnad	4,700	123	52	8	100	2023
Lauritsa	Villmanstrand	Justice system	C	–	3,100	116	31	8	100	2022
Raksila	Oulu	Justice system	C	BREEAM	2,300	102	67	7	100	2023
<b>Total</b>					<b>156,500</b>	<b>3,830</b>	<b>1,695</b>	<b>274</b>		

Public-sector tenant Private-sector tenant Type of investment: C=Construction R=Re-development

<sup>1)</sup> in total, 4 of 5 development projects were completed by Q3 2022

## 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 3,830 million, of which the

remaining investment amount was SEK 1,695 million. The total volume of ongoing construction and re-development projects amounted to SEK 5,642 million, of which the remaining investment amount was SEK 2,451 million.

## Major completed development projects, 2022

Completed	Development projects	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate, %
Q1	Kuparitie 2	Helsinki	Nursing home	–	3,000	81	12	7	99
Q2	Vasastan Campus	Stockholm	Education	–	11,400	280	12	38	100
Q2	Paavola Campus	Lahti	Education	–	7,900	162	20	17	100
Q2	Södra Källtorp Assisted living facility	Västerås	Nursing home	Miljöbyggnad	2,300	106	25	5	65 <sup>1)</sup>
Q2	Espoo family centre	Espoo	Health care	–	4,900	122	10	16	100
Q3	IES Trelleborg	Trelleborg	Education	Miljöbyggnad	11,200	351	20	27	100
Q3	Sköndalsvillan	Tyresö	Nursing home	Miljöbyggnad	6,900	341	20	15	98
Q3	IES Telestadshöjden	Växjö	Education	LEED	7,200	311	20	15	100
Q3	Arkadiankatu 24	Helsinki	Education	BREEAM	5,800	199	15	17	100
Q3	Vikhem sports centre	Staffanstorps	Education	Miljöbyggnad	4,300	98	10	7	100
Q3	Nordic International School	Norrköping	Education	–	5,100	66	10	16	100
Q3	Nordtag preschool	Kungälv	Education	Nordic Swan	2,100	65	15	5	100
Q3	Hoivamme	Mäntsälä	Nursing home	–	1,200	53	12	3	100
Q3	S:t Jörgen	Gothenburg	Nursing home	–	9,000	49	10	12	100
Q3	Brogårda assisted living	Bjuv	Nursing home	Miljöbyggnad	1,000	31	25	2	100
Q3	Paavola Campus	Lahti	Education	–	1,800	30	20	4	100
Q3	S:t Lars Park, Building 82	Lund	Health care	–	1,800	28	5	2	100
Q3	Nordic International School	Ystad	Education	–	2,800	21	15	7	100
<b>Total</b>					<b>89,700</b>	<b>2,392</b>	<b>16</b>	<b>215</b>	

Public-sector tenant Private-sector tenant

<sup>1)</sup> The vacancy is attributable to rental housing. Letting is in progress.

## Sustainability

### Social sustainability

As a long-term owner, property manager and developer of public properties, Hemsö has a key role to play in creating the conditions for social sustainability. Every year, Hemsö's development projects add thousands of new nursing home beds and school places. By meeting the growing need for social infrastructure, Hemsö is creating social value.

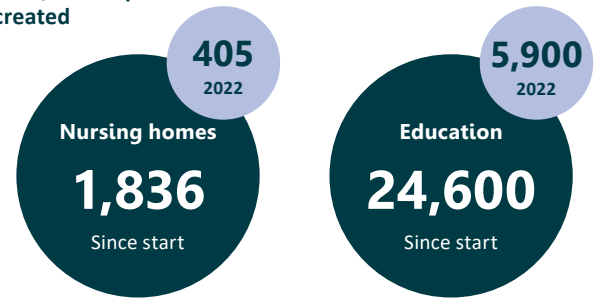
### Energy and climate

Energy use and climate impact are crucial sustainability topics for Hemsö and are prioritised from both an environmental and economic perspective. We place exacting demands on environmental and energy performance in connection with new development, and work continuously with energy and operational optimisation, as well as sustainable energy sources in the existing portfolio. Hemsö is investing in PV systems and geothermal energy, for example. Energy efficiencies continued to yield results by reducing energy use compared with the year-on-year period. As in the previous quarter, the results were impacted by a large property that is currently undergoing re-development and not therefore included in the statistics.

### Environmental certification

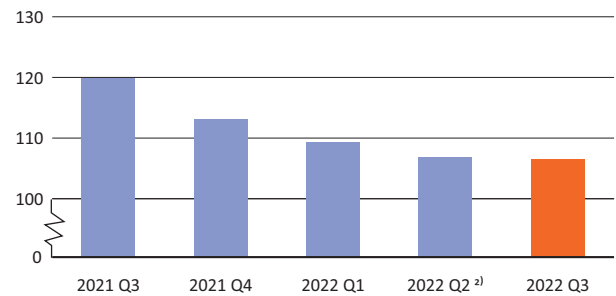
One of Hemsö's targets is to certify all new development and some of the existing portfolio. At the end of the third quarter, 25 per cent of the property portfolio had been certified, based on area. The number of certified buildings is steadily increasing as more existing buildings are certified and more newly developed buildings are added to the portfolio. Hemsö certifies its buildings under several different systems: Miljöbyggnad, Nordic Swan, BREEAM, DGNB, LEED, NollCO<sub>2</sub>, and BREEAM in-use.

### Beds/School places created



The totals pertain to the number of beds/School places that Hemsö has added through completed development projects between 2009 and the third quarter of 2022.

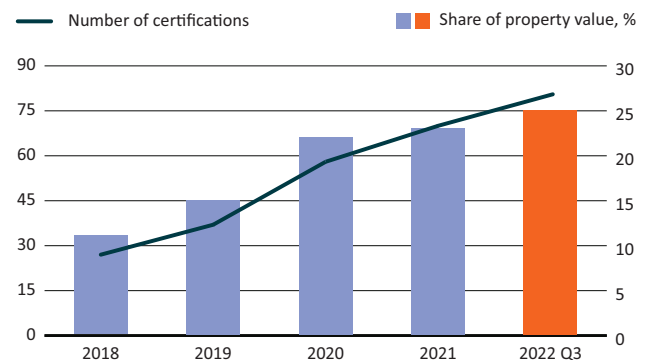
### Energy use, kWh/m<sup>2</sup>, rolling 12-month period <sup>1)</sup>



<sup>1)</sup> Pertains to energy use in Sweden (heating + electricity) in total portfolio.

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

### 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.



### Carbon footprint calculation in the initial phase of development projects

Several of the parameters that control a construction project's carbon footprint are established at a very early stage of the project process, such as when plans are drawn up for planning permission or for the initial project design. However, tools for estimating the carbon footprint of a building at such an early stage and then making climate-smart decisions, have not been available. Hemsö has therefore pursued two pilot projects to accelerate the development of such tools. In the third quarter, a browser-based tool developed jointly by Plant and Hemsö became ready to use. The tool allows Hemsö to study the carbon footprint simply and efficiently using early-stage project parameters such as the building's shape, size and number of floors, as well as various building technology choices, and thereby make decisions that are more sustainable.

## Associated companies

At 30 September 2022, Hemsö owned participations in three associated companies: Turku Technology Properties Oy (TTP), Lanthem Samhällsfastigheter AB (Lanthem) and Hemtag Fastigheter AB (Hemtag). These companies are reported in Hemsö's consol-

idated accounts using the equity method. The participation in TTP is recognised at SEK 1,528 million (1,008), the participation in Lanthem at SEK 218 million (160) and the participation in Hemtag at SEK 2 million (–). Total participations in associated companies amounted to SEK 1,748 million (1,168).

### Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. In the third quarter of 2022, Hemsö acquired additional shares and now 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 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 30 September 2022, 65 per cent of rental income was derived from public-sector tenants and the rental duration was eight years.



TTP	30 Sep 2022	30 Sep 2021
Shareholding, %	52	44
Rental value, SEK million	391	307
No. of properties	26	25
Economic occupancy rate, %	96	98
Market value of properties, SEK million	5,253	4,422
Rental duration, years	8	8
Share of public-sector tenants, %	65	64

### 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 five nursing homes and school properties from Lantmännen. The ongoing development projects mainly belong to these two categories. During the year, Lanthem had two ongoing new development projects for nursing homes, of which one was completed in the third quarter with the City of Malmö as the tenant. Ownership of Lanthem Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.



Lanthem	30 Sep 2022	30 Sep 2021
Shareholding, %	50	50
Rental value, SEK million	35	21
No. of properties	5	5
Economic occupancy rate, %	100	100
Market value of properties, SEK million	752	519
Rental duration, years	12	8
Share of public-sector tenants, %	48	30

### Profit from associated companies, Jan-Sep 2022

SEK million	TTP	Lanthem	Other	Total
Profit/loss from property management	48	4	-1	51
Value changes, investment properties	–	6	–	6
Value changes, financial instruments	189	–	–	189
Tax	-44	-2	–	-46
<b>Profit/loss recognised</b>	<b>194</b>	<b>8</b>	<b>-1</b>	<b>200</b>

## Financing

The overall objective of Hemsö's financing activities is to secure a stable capital structure, and an optimal net financial position within given 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 period-end, the loan-to-value ratio was 54.8 per cent (57.0) and the interest-coverage ratio was 6.1 times (4.8).

Hemsö issues bonds in Swedish and European capital markets and commercial paper in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks and the Third Swedish National Pension Fund, which diversifies the company's funding sources. Hemsö has a credit rating of A+ from Fitch Ratings, and A- from Standard & Poor's.

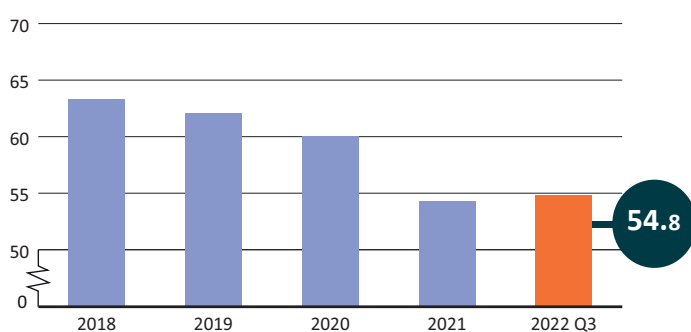
### Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A+	F1+	Stable	30 Mar 2022
Standard & Poor's	A-	A-2	Stable	6 Sep 2022

### Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 48,792 million (43,067). The increase was attributable to the recent year's net investments. During the year, Hemsö's bond issuance totalled SEK 6,199 million (of which SEK 2,571 million in the third quarter) with maturities ranging from two to 20 years. Hemsö issued a 20-year bond in JPY corresponding to SEK 771 million. The currency risk associated with this loan has been eliminated with a cross currency swap.

### Loan-to-value ratio, %



At period-end, Hemsö had undrawn committed credit facilities totalling SEK 13,500 million (11,500), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents amounted to SEK 1,214 million (533). Available liquidity therefore totalled SEK 14,714 million (12,033). The debt-coverage ratio was 188 per cent (135).



### Sources of funding, SEK million

	Q3 2022	Q3 2021
Bonds, SEK	15,135	13,107
Bonds, EUR	19,034	17,467
Bonds, AUD, JPY, NOK, USD	4,511	2,833
<b>Total bonds</b>	<b>38,680</b>	<b>33,407</b>
Commercial papers, SEK	4,432	5,213
European Investment Bank, SEK, EUR	4,061	2,882
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	819	765
<b>Total interest-bearing liabilities</b>	<b>48,792</b>	<b>43,067</b>

### Capital structure, SEK million

	Q3 2022	Q3 2021
Interest-bearing liabilities	48,792	43,067
Cash and cash equivalents	1,214	533
<b>Net debt</b>	<b>47,578</b>	<b>42,534</b>
Market value of properties	85,004	73,516
Investments in associated companies	1,748	1,168
<b>Total</b>	<b>86,753</b>	<b>74,684</b>
<b>Loan-to-value ratio</b>	<b>54.8%</b>	<b>57.0%</b>
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

Hemsö uses derivatives to hedge the company's currency and interest-rate risk. Since Hemsö is increasingly raising loans with a fixed rate, Hemsö redeemed all remaining interest-rate derivatives in the first quarter of 2022.

At period-end, the nominal value of the interest-rate derivatives was SEK 0 million (4,800). The nominal value of derivatives used to manage currency risk corresponded to SEK 7,868 million (2,671). Currency exposure amounted to 1.8 per cent (9.9) of equity.

At period-end, the average loan maturity was 6.5 years (6.5) and the average fixed-rate period was 5.7 years (6.2). The average interest rate was 1.5 per cent (1.1).



Hemsö signed an agreement to acquire a nursing home in Chemnitz, Germany

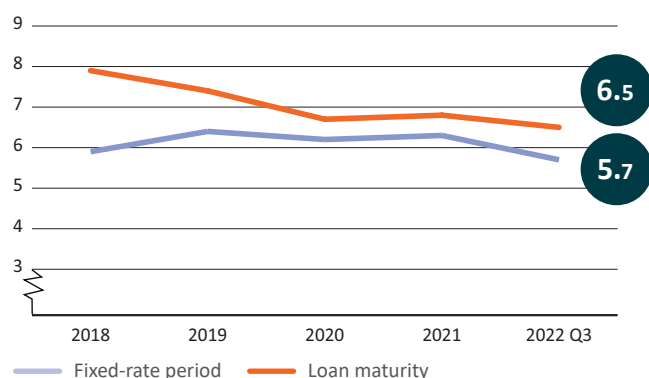
### Committed credit facilities and underwriting commitments, SEK million

	Q3 2022	Q3 2021
Banks	7,500	6,500
Third Swedish National Pension Fund	6,000	5,000
<b>Total committed credit facilities</b>	<b>13,500</b>	<b>11,500</b>
Cash and cash equivalents	1,214	533
<b>Available liquidity</b>	<b>14,714</b>	<b>12,033</b>
Short-term borrowings	7,840	8,912
Debt-coverage ratio	188%	135%

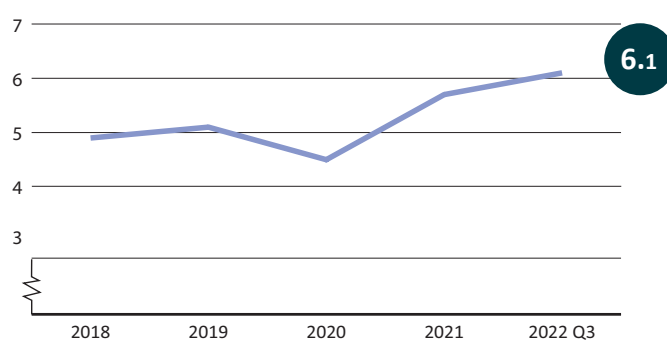
### Currency exposure, SEK million

	Q3 2022	Q3 2021
Properties, EUR	29,363	24,660
Associated companies, EUR	1,528	1,008
Cash, EUR	645	89
<b>Assets, EUR</b>	<b>31,536</b>	<b>25,757</b>
Debt, EUR	23,113	20,314
Currency swaps, EUR	7,868	2,671
<b>Exposure, EUR</b>	<b>555</b>	<b>2,772</b>
Debt AUD, JPY, NOK, SEK, USD	8,111	2,833
Currency swaps AUD, JPY, NOK, SEK, USD	-8,111	-2,833
<b>Exposure AUD, NOK, SEK, USD</b>	<b>0</b>	<b>0</b>
Currency hedging	–	-243
<b>Currency exposure</b>	<b>555</b>	<b>2,529</b>
Equity	31,449	25,646
<b>Currency exposure</b>	<b>1.8%</b>	<b>9.9%</b>

### Loan maturity and fixed-rate period, years



### Interest-coverage ratio, times (rolling 12-month period)



### Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 60%	54.8%
Loan maturity	At least 3 years	6.5 years
Debt-coverage ratio	At least 125%	188%
Share of secured debt	Max. 20%	0.0%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	6.1 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.7 years
Fixed-rate maturity	Max. 40% within 12 months	29%
<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	1.8%



Hemsö contributed with several works of art to the Wall Street Stockholm festival



In August, the Vittra elementary school opened in Norrköping, with expanded school premises and room for more students

### 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, %
2022	700	700	1	11,653	24
2023	3,501	3,501	7	2,895	6
2024	16,004	4,504	9	1,583	3
2025	3,900	2,900	6	1,550	3
2026	7,806	6,806	14	6,006	12
2027	2,164	2,164	4	1,664	3
2028	5,525	5,525	11	5,425	11
2029	4,430	4,430	9	4,430	9
2030	2,277	2,277	5	2,277	5
>2030	11,552	11,552	24	11,309	23
<b>Total</b>	<b>57,859</b>	<b>44,359</b>	<b>91</b>	<b>48,792</b>	<b>100</b>
Commercial papers		4,432	9		
<b>Total</b>		<b>48,792</b>	<b>100</b>		



## Quarterly overview

Amounts in SEK million	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
<b>Income statement</b>									
Rental income	1,025	996	983	946	917	894	857	838	824
Other income	6	5	6	7	5	6	6	7	5
Property costs	-241	-241	-279	-251	-200	-209	-236	-252	-203
<b>Net operating income</b>	<b>790</b>	<b>760</b>	<b>711</b>	<b>703</b>	<b>722</b>	<b>690</b>	<b>627</b>	<b>592</b>	<b>626</b>
Central administrative expenses	-39	-41	-39	-43	-41	-41	-31	-45	-39
Profit from participations in associated companies	23	96	81	98	0	18	61	8	12
<b>Operating profit</b>	<b>774</b>	<b>815</b>	<b>754</b>	<b>759</b>	<b>681</b>	<b>667</b>	<b>657</b>	<b>555</b>	<b>599</b>
Financial items	-152	-129	-114	-114	-122	-125	-125	-157	-124
<b>Profit after financial items</b>	<b>622</b>	<b>686</b>	<b>640</b>	<b>644</b>	<b>559</b>	<b>542</b>	<b>533</b>	<b>398</b>	<b>475</b>
<i>- of which Profit from property management</i>	<i>614</i>	<i>612</i>	<i>572</i>	<i>558</i>	<i>570</i>	<i>537</i>	<i>481</i>	<i>403</i>	<i>478</i>
Value change, properties	-1,780	2,766	1,734	2,679	2,404	1,915	589	1,809	299
Value change, financial instruments	133	70	-3	70	27	72	40	20	27
<b>Profit/loss before tax</b>	<b>-1,024</b>	<b>3,522</b>	<b>2,371</b>	<b>3,394</b>	<b>2,990</b>	<b>2,529</b>	<b>1,162</b>	<b>2,226</b>	<b>801</b>
Current tax	-39	-53	-40	10	-35	-44	-37	-3	-29
Deferred tax	243	-613	-398	-618	-532	-439	-189	-421	-119
<b>Profit/loss for the period</b>	<b>-820</b>	<b>2,856</b>	<b>1,934</b>	<b>2,785</b>	<b>2,423</b>	<b>2,046</b>	<b>935</b>	<b>1,801</b>	<b>653</b>
Other comprehensive income	51	94	53	-3	20	-21	62	-145	0
<b>Comprehensive income for the period</b>	<b>-769</b>	<b>2,950</b>	<b>1,987</b>	<b>2,782</b>	<b>2,443</b>	<b>2,025</b>	<b>997</b>	<b>1,656</b>	<b>654</b>
<b>Balance sheet</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>	<b>Q3 2020</b>
Investment properties	85,004	84,683	79,987	75,737	73,516	69,619	65,528	62,240	59,658
Right-of-use assets	849	843	801	759	724	723	730	605	611
Participations in associated companies	1,748	1,475	1,363	1,271	1,168	1,160	771	698	719
Derivatives	389	237	309	161	33	-	-	-	-
Other assets	1,180	992	865	892	730	706	781	758	680
Cash and cash equivalents and short-term investments	1,214	325	795	687	533	519	1,673	891	1,249
<b>Total assets</b>	<b>90,384</b>	<b>88,554</b>	<b>84,121</b>	<b>79,508</b>	<b>76,705</b>	<b>72,727</b>	<b>69,483</b>	<b>65,193</b>	<b>62,917</b>
Equity	31,449	32,215	30,337	28,350	25,646	22,203	21,079	20,082	18,443
Deferred tax liabilities	6,942	7,143	6,519	6,082	5,467	4,923	4,497	4,270	3,875
Derivatives	-	-	-	-	-	32	95	231	293
Interest-bearing liabilities	48,792	46,361	44,375	42,498	43,067	43,097	41,626	38,652	38,431
Lease liabilities	849	843	801	759	724	723	730	605	611
Non-interest-bearing liabilities	2,352	1,992	2,089	1,819	1,800	1,748	1,457	1,353	1,264
<b>Total equity and liabilities</b>	<b>90,384</b>	<b>88,554</b>	<b>84,121</b>	<b>79,508</b>	<b>76,705</b>	<b>72,727</b>	<b>69,483</b>	<b>65,193</b>	<b>62,917</b>
<b>Key ratios</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>	<b>Q3 2020</b>
<b>Financial ratios</b>									
Loan-to-value ratio, %	54.8	53.4	53.6	54.3	57.0	60.1	60.2	60.0	61.6
Interest-coverage ratio, times <sup>1)</sup>	6.1	6.3	6.0	5.7	4.8	4.7	4.7	4.5	5.0
Operating cash flow, SEK million	562	573	532	536	533	517	379	421	445
<b>Property-related key ratios</b>									
Property yield, %	3.9	3.8	4.0	4.0	4.3	4.4	4.5	4.5	4.6
Total return, % <sup>1)</sup>	10.9	17.2	16.9	15.8	14.8	11.7	9.0	8.5	6.8
Economic occupancy rate, %	97.9	97.6	97.9	97.9	98.0	97.9	98.0	97.9	97.9
NOI margin, %	76.6	75.9	71.8	73.7	78.3	76.7	72.6	70.1	75.5
No. of properties	468	466	458	441	426	421	408	392	381
Lettable area, tsqm	2,339	2,311	2,286	2,218	2,226	2,155	2,101	2,005	1,954

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

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Oct 2021-Sep 2022	Jan-Dec 2021
Rental income	3,005	2,668	1,025	917	3,951	3,614
Other income	18	17	6	5	25	24
Operating costs	-533	-430	-154	-117	-699	-595
Maintenance costs	-165	-155	-65	-61	-236	-226
Other property costs	-63	-61	-23	-22	-77	-75
<b>Net operating income</b>	<b>2,261</b>	<b>2,039</b>	<b>790</b>	<b>722</b>	<b>2,964</b>	<b>2,742</b>
Central administrative expenses	-119	-113	-39	-41	-161	-156
Profit from participations in associated companies	200	79	23	0	298	177
- of which profit from property management	51	33	15	11	62	45
- of which changes in value	195	58	10	-14	320	183
- of which tax	-46	-12	-2	3	-84	-50
<b>Operating profit</b>	<b>2,343</b>	<b>2,006</b>	<b>774</b>	<b>681</b>	<b>3,101</b>	<b>2,764</b>
Financial items	-395	-372	-152	-122	-509	-486
<b>Profit after financial items</b>	<b>1,947</b>	<b>1,634</b>	<b>622</b>	<b>559</b>	<b>2,592</b>	<b>2,278</b>
- of which Profit from property management	<b>1,798</b>	<b>1,587</b>	<b>614</b>	<b>570</b>	<b>2,356</b>	<b>2,145</b>
Value change, investment properties	2,721	4,908	-1,780	2,404	5,400	7,587
Value change, financial instruments	201	139	133	27	271	209
<b>Profit/loss before tax</b>	<b>4,869</b>	<b>6,681</b>	<b>-1,024</b>	<b>2,990</b>	<b>8,263</b>	<b>10,075</b>
Current tax	-131	-116	-39	-35	-121	-107
Deferred tax	-769	-1,161	243	-532	-1,387	-1,779
<b>Profit/loss for the period</b>	<b>3,970</b>	<b>5,404</b>	<b>-820</b>	<b>2,423</b>	<b>6,755</b>	<b>8,189</b>
<b>Profit for the period attributable to</b>						
Parent Company shareholders	3,823	5,236	-768	2,371	6,540	7,953
Non-controlling interests	146	168	-52	52	215	236
<b>Other comprehensive income</b>						
Profit/loss for the period	3,970	5,404	-820	2,423	6,755	8,189
Translation difference	198	61	51	20	195	58
<b>Comprehensive income for the period</b>	<b>4,168</b>	<b>5,465</b>	<b>-769</b>	<b>2,443</b>	<b>6,950</b>	<b>8,247</b>
<b>Comprehensive income for the period attributable to</b>						
Parent Company shareholders	4,018	5,297	-718	2,391	6,732	8,011
Non-controlling interests	150	168	-51	53	218	236

## Group – Condensed statement of financial position

Amounts in SEK million	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>ASSETS</b>			
Investment properties	85,004	73,516	75,737
Right-of-use assets	849	724	759
Participations in associated companies	1,748	1,168	1,271
Derivatives	389	33	161
Other non-current assets	43	36	39
<b>Total non-current assets</b>	<b>88,033</b>	<b>75,478</b>	<b>77,967</b>
Current receivables	1,137	694	853
Cash and cash equivalents	1,214	533	687
<b>Total current assets</b>	<b>2,350</b>	<b>1,227</b>	<b>1,541</b>
<b>TOTAL ASSETS</b>	<b>90,383</b>	<b>76,705</b>	<b>79,508</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>31,449</b>	<b>25,646</b>	<b>28,350</b>
Deferred tax liabilities	6,942	5,467	6,082
Non-current interest-bearing liabilities	40,952	34,154	34,898
Lease liabilities	849	724	759
<b>Total non-current liabilities</b>	<b>48,743</b>	<b>40,346</b>	<b>41,738</b>
Current interest-bearing liabilities	7,840	8,912	7,600
Other current liabilities	2,352	1,800	1,819
<b>Total current liabilities</b>	<b>10,192</b>	<b>10,712</b>	<b>9,419</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>90,383</b>	<b>76,705</b>	<b>79,508</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 2021	1	7,535	148	11,790	608	20,082
Dividends	–	-700	–	-205	0	-905
Shareholder contributions received	–	1,000	–	–	–	1,000
Contribution from minority interests	–	–	–	–	4	4
Comprehensive income (1 Jan 2021-30 Sep 2021)	–	–	61	5,236	168	5,465
<b>Closing equity, 30 Sep 2021</b>	<b>1</b>	<b>7,835</b>	<b>209</b>	<b>16,821</b>	<b>780</b>	<b>25,646</b>
Opening equity, 1 Oct 2021	1	7,835	209	16,821	780	25,646
Contribution from minority interests	–	–	–	–	1	1
Minority acquisition	–	–	–	–	-4	-4
Minority divestment	–	–	–	–	-76	-76
Comprehensive income (1 Oct 2021-31 Dec 2021)	–	–	-3	2,717	69	2,783
<b>Closing equity, 31 Dec 2021</b>	<b>1</b>	<b>7,835</b>	<b>206</b>	<b>19,538</b>	<b>769</b>	<b>28,350</b>
Opening equity, 1 Jan 2022	1	7,835	206	19,538	769	28,350
Dividends	–	–	–	-1,072	–	-1,072
Contribution from minority interests	–	–	–	–	3	3
Comprehensive income (1 Jan 2022-30 Sep 2022)	–	–	195	3,823	150	4,168
<b>Closing equity, 30 Sep 2022</b>	<b>1</b>	<b>7,835</b>	<b>401</b>	<b>22,290</b>	<b>922</b>	<b>31,449</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Oct 2021-Sep 2022	Jan-Dec 2021
<b>Operating activities</b>						
Profit/loss from property management <i>Adjusted for non-cash items in profit from property management</i>	1,798	1,587	614	570	2,356	2,145
Loss from property management participations in associated companies	-51	-33	-15	-11	-62	-45
Depreciation <i>Adjusted for other non-cash items</i>	7	10	-2	3	12	15
Exchange differences, unrealised	2	0	3	20	-6	-9
Tax paid	-107	-173	-36	-50	-123	-189
<b>Cash flow before changes in working capital</b>	<b>1,649</b>	<b>1,391</b>	<b>564</b>	<b>532</b>	<b>2,176</b>	<b>1,917</b>
Increase (+)/decrease (-) in working capital	377	575	248	42	399	597
<b>Cash flow from operating activities</b>	<b>2,026</b>	<b>1,965</b>	<b>812</b>	<b>574</b>	<b>2,575</b>	<b>2,514</b>
<b>Investing activities</b>						
Acquisition of properties	-1,923	-3,218	-497	-520	-2,162	-3,456
Investments in construction, extension and re-developments	-2,838	-2,955	-878	-925	-4,017	-4,133
Property divestments	2	148	-	141	1,732	1,878
Investments in financial assets	-210	-399	-210	24	-212	-400
Dividends from associated companies	20	17	0	0	20	17
Other non-current assets	-2	-1	0	0	-6	-4
<b>Cash flow from investing activities</b>	<b>-4,951</b>	<b>-6,406</b>	<b>-1,586</b>	<b>-1,281</b>	<b>-4,645</b>	<b>-6,099</b>
<b>Financing activities</b>						
Interest-bearing loans raised	9,688	9,169	3,519	776	11,145	10,626
Repayment of interest-bearing liabilities	-5,141	-5,175	-1,831	-1,019	-7,306	-7,340
Financial instruments realised	-20	-15	-2	-20	-24	-19
Shareholder contributions received	-	1,000	-	1,000	-	1,000
Contributions from non-controlling interests	3	4	3	0	4	5
Dividends paid	-1,072	-905	-	0	-1,072	-905
<b>Cash flow from financing activities</b>	<b>3,458</b>	<b>4,078</b>	<b>1,689</b>	<b>736</b>	<b>2,746</b>	<b>3,367</b>
<b>Cash flow for the period</b>	<b>532</b>	<b>-362</b>	<b>916</b>	<b>29</b>	<b>677</b>	<b>-218</b>
Opening cash and cash equivalents	687	891	325	519	533	891
Exchange-rate differences in cash and cash equivalents	-6	3	-27	-15	4	14
<b>Cash and cash equivalents at period-end</b>	<b>1,214</b>	<b>533</b>	<b>1,214</b>	<b>533</b>	<b>1,214</b>	<b>687</b>
<b>Operating cash flow</b>	<b>1,667</b>	<b>1,408</b>	<b>562</b>	<b>512</b>	<b>2,203</b>	<b>1,944</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan-Sep 2022	Jan-Sep 2021	Oct 2021-Sep 2022	Jan-Dec 2021
Net sales	88	70	124	96
Central administrative expenses	-159	-146	-216	-192
Other operating income	0	0	0	0
<b>Operating profit</b>	<b>-72</b>	<b>-76</b>	<b>-92</b>	<b>-96</b>
Financial items	-86	223	765	179
Value change, financial instruments	-49	142	192	166
Appropriations	-	-	-26	361
<b>Profit/loss before tax</b>	<b>-206</b>	<b>289</b>	<b>835</b>	<b>610</b>
Recognised tax	130	-1	-34	-39
<b>Profit/loss for the period</b>	<b>-76</b>	<b>288</b>	<b>801</b>	<b>570</b>
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-76</b>	<b>288</b>	<b>801</b>	<b>570</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	30 Sep 2022	30 Sep 2021	31 Dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4	1	2
Equipment	3	3	3
Shares and participations in Group companies	15,720	7,859	7,962
Deferred tax assets	25	25	19
Non-current receivables	36,183	34,920	33,862
<b>Total non-current assets</b>	<b>51,935</b>	<b>42,809</b>	<b>41,849</b>
<b>Current assets</b>			
Current receivables	2,421	1,072	6,901
Cash and cash equivalents	-	0	0
<b>Total current assets</b>	<b>2,421</b>	<b>1,072</b>	<b>6,901</b>
<b>TOTAL ASSETS</b>	<b>54,355</b>	<b>43,881</b>	<b>48,749</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,350	5,216	5,498
<b>Untaxed reserves</b>			
Tax allocation reserve	43	43	43
<b>Liabilities</b>			
Deferred tax liabilities	29	28	29
Interest-bearing liabilities	48,765	38,004	42,477
Non-interest-bearing liabilities	1,169	590	702
<b>Total liabilities</b>	<b>49,963</b>	<b>38,622</b>	<b>43,208</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>54,355</b>	<b>43,881</b>	<b>48,749</b>

## Other information

### Significant events after period-end

No significant events occurred after period-end.

### New auditors

The Annual General Meeting in April 2022 elected KPMG as Hemsö's new auditors. Peter Dahllöf was elected Auditor-In-Charge.

### Employees

At period-end, Hemsö had 159 employees, of whom 74 were women and 85 men. Of these employees, 52 worked with asset and property management and 29 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 133 are employed in Sweden, 16 in Finland and 10 in Germany.

### Risks and uncertainties

Hemsö is analysing all of the material risks of the company on account of the ongoing war in Ukraine and is monitoring developments. Hemsö has a long loan maturity and fixed-rate period, which means that raised credit margins or higher interest rates in the short term have limited affect on the company's net income. Access to building materials and delayed deliveries could affect Hemsö's project activities.

For more detailed information, refer to page 69 of the 2021 Annual Report. In addition to the above, no changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 69–76 of the 2021 Annual Report.

### Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2021 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 accounts. Hemsö Norden KB currently owns 27 investment properties through a limited partnership.

Hemsö owns 52 per cent of the shares in Turku Technology Properties Oy, which owns 26 public properties in Turku through subsidiaries. This company is not included in the consolidated accounts. In addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. This company is not included in the consolidated accounts.

Lanthem Samhällsfastigheter owns five 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.

### 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 2021 Annual Report, pages 92-95. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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/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 2022

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**

The Board of Directors and Chief Executive Officer hereby certify that this half-year report provides a true and fair view of the Parent Company and the Group's operations, financial

position and earnings and describes significant risks and uncertainties faced by the company and those companies included in the Group.

Stockholm, as of the date of our electronic signature

*Pär Nuder, Chairman of the Board*

*David Mindus, Board member*

*Maria Björklund, Board member*

*Johanna Skogestig, Board member*

*Kerstin Hessius, Board member*

*Johan Thorell, Board member*

*Nils Styf, Chief Executive Officer*

# Auditor's review

Hemsö Fastighets AB (Corp. Reg. No. 556779-8169)

## Introduction

We have reviewed the condensed interim financial information (the interim report) for Hemsö Fastighets AB at 30 September 2022 and the nine-month period that ended on this date. The Board of Directors and Chief Executive Officer are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish 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 performed our review in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review is made by making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with International Standards on Auditing (ISA) and the auditing standards generally accepted in Sweden. These review procedures do not allow us to obtain such an assurance that we become aware of all of the important circumstances that could have been identified if an audit had been carried out.

The conclusion expressed on the basis of a review does not therefore have the same assurance as a conclusion based on an audit.

## Conclusion

Based on our review, no circumstances have arisen that give us reason to believe that this interim report has not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group, and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, as of the date of our electronic signature.

KPMG AB

Peter Dahllöf  
Authorised Public Accountant



# Definitions

## Financial definitions

### Share of secured debt

Interest-bearing secured debt in relation to the market value of properties.

### Loan-to-value ratio

Interest-bearing net debt in relation to market value of properties and investments in associated companies.

### 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 from property management

Profit or loss after financial items after reversal of changes in value and tax from participations in associated companies.

### 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 associated companies

Share of equity in associated companies and loans to associated companies.

### Loan maturity

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

### Short-term borrowings

Loan maturities within 12 months.

### MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

### 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 profit from property management in associated companies less tax paid, plus dividends from associated companies.

### Interest-coverage ratio

Operating profit in relation to financial items.

### Operating profit

Net operating income plus share of profit from participations in associated companies and administrative expenses.

### Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

### 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, associated companies, cash and foreign currency loans 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.

### Rental duration

The weighted average remaining rental 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

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

### 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 a property for which tenants can be charged 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>Property yield</b>	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>
Net operating income according to income statement	2,964	2,631
Adjusted for 12-month holding period	63	77
Adjusted for development properties	-123	-226
<b>Adjusted net operating income</b>	<b>2,904</b>	<b>2,483</b>
Market value of properties	85,004	73,516
Adjusted for development properties	-11,306	-15,251
<b>Adjusted market value of properties</b>	<b>73,699</b>	<b>58,265</b>
<b>Property yield</b>	<b>3.9%</b>	<b>4.3%</b>

<b>Total return</b>	<b>Oct 2021-Sep 2022</b>	<b>Oct 2020-Sep 2021</b>
Net operating income	2,964	2,631
Value change, properties	5,400	6,709
<b>Total</b>	<b>8,364</b>	<b>9,340</b>
Opening market value of properties	73,516	59,658
Closing market value of properties	85,004	73,516
Adjustment of value change for the period	-5,400	-6,709
<b>Adjusted average property value</b>	<b>76,560</b>	<b>63,233</b>
<b>Total return</b>	<b>10.9%</b>	<b>14.8%</b>

<b>Profit from property management</b>	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>
Profit after financial items	1,947	1,634
Reversal		
<i>Value changes, associated companies</i>	-195	-59
<i>Tax, associated companies</i>	46	12
<b>Profit from property management</b>	<b>1,798</b>	<b>1,587</b>

<b>Interest-coverage ratio</b>	<b>Oct 2021-Sep 2022</b>	<b>Oct 2020-Sep 2021</b>
Operating profit	3,101	2,561
Net financial items	-509	-529
<b>Interest-coverage ratio</b>	<b>6.1 times</b>	<b>4.8 times</b>

<b>Operating cash flow</b>	<b>Jan-Sep 2022</b>	<b>Jan-Sep 2021</b>
Profit/loss from property management	1,798	1,587
Dividends from associated companies	20	17
Tax paid	-107	-173
Reversal		
<i>Property management participations in associated companies</i>	-51	-33
<i>Depreciation</i>	7	10
<b>Operating cash flow</b>	<b>1,667</b>	<b>1,408</b>

<b>Loan-to-value ratio</b>	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>
Interest-bearing debt	48,792	43,067
Cash and cash equivalents	-1,214	-533
<b>Net debt</b>	<b>47,578</b>	<b>42,534</b>
Market value of properties	85,004	73,516
Investments in associated companies	1,748	1,168
<b>Total</b>	<b>86,753</b>	<b>74,684</b>
<b>Loan-to-value ratio</b>	<b>54.8%</b>	<b>57.0%</b>

<b>Debt-coverage ratio</b>	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>
Cash and cash equivalents	1,214	533
Undrawn committed credit facilities	13,500	11,500
Available liquidity	14,714	12,033
Short-term borrowings	7,840	8,912
<b>Debt-coverage ratio</b>	<b>188%</b>	<b>135%</b>

<b>Share of secured debt</b>	<b>30 Sep 2022</b>	<b>30 Sep 2021</b>
Secured debt outstanding	–	–
Market value of properties	85,004	73,516
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

<b>NOI margin</b>	<b>Jan-Sep 2022</b>	<b>Jan-Sep 2021</b>
Rental income	3,005	2,668
Other property income	18	17
<b>Total property income</b>	<b>3,023</b>	<b>2,685</b>
Net operating income	2,261	2,039
<b>NOI margin</b>	<b>74.8%</b>	<b>76.0%</b>

**Questions and more information**

For more information, please contact:

CEO, Nils Styf, phone: +46 (0)8 501 170 01, e-mail: nils.styf@hemso.se

CFO and Deputy CEO, Rutger Källén, phone: +46 (0)8 501 170 35, e-mail: rutger.kallen@hemso.se

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

**Financial calendar**

Year-end report, Jan-Dec 2022	2 Feb 2023
Annual Report	30 Mar 2023
Interim report, Jan-Mar 2023	27 Apr 2023
Annual General Meeting	27 Apr 2023
Half-year report, Jan-Jun 2023	14 Jul 2023



**Accessible  
Reliable  
Progressive**