

Q4

Year-end report 2022

Summary, January-December 2022

- » Rental income increased 13 per cent to SEK 4,073 million (3,614).
- » Profit from property management increased 8 per cent to SEK 2,309 million (2,145).
- » Changes in the value of properties amounted to SEK 589 million (7,587), and changes in the value of financial instruments to SEK 251 million (209).
- » Profit after tax for the year decreased to SEK 2,563 million (8,189).
- » The market value of the properties amounted to SEK 84,879 million (75,737).
- » During the year, SEK 3,809 million (4,133) was invested in the existing property portfolio.
- » During the year, 43 properties (38) were acquired for SEK 2,867 million (3,456), and seven properties (five) were divested for SEK 414 million (2,030).

Significant events during the fourth quarter

- » Hemsö signed a 12-year rental agreement with Medtanken Group for 1,000 sqm healthcare centre in a building under construction in central Gothenburg.
- » Hemsö acquired the Kymenlaakso Psychiatric Hospital in Kouvola, Finland for EUR 13.7 million. The rental agreement has a 20-year term.
- » Hemsö acquired a property in Halmstad with a lettable area of 8,000 sqm, with existing development rights for an additional 8,000 sqm.
- » Hemsö signed a land-use agreement with the City of Stockholm for the development of a 10,000 sqm sports centre in Bromma in Stockholm. The new facility will house Sweden's first ice rink designed for figure skating.
- » In the 2022 Global Real Estate Sustainability Benchmark (GRESB), Hemsö's score in the existing properties category rose to 88 points of a possible 100, a 5-point increase year-on-year.

Hemsö in summary

	Jan-Dec 2022	Jan-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
Rental income, SEK million	4,073	3,614	1,069	946
Profit from property management, SEK million	2,309	2,145	511	558
Profit after tax, SEK million	2,563	8,189	-1,406	2,785
Operating cash flow, SEK million	2,160	1,944	493	536
Loan-to-value ratio at period-end, %	56.7	54.3	56.7	54.3
Interest-coverage ratio, times	4.8	5.7	2.7	6.6
Market value of properties at period-end, SEK million	84,879	75,737	84,879	75,737
NOI margin, %	74.0	75.4	71.8	73.7
Economic occupancy rate at period-end, %	97.9	97.9	97.9	97.9
Rental duration at period-end, years	9.6	9.6	9.6	9.6
Lettable area at period-end, tsqm	2,400	2,218	2,400	2,218



CEO statement

The long-awaited Christmas break was approaching when I held the final information meeting for the year at Hemsö. I told my colleagues that Hemsö stands firm despite all the chaos with rising electricity prices, inflation and interest rates. That is a relief not only for us, but also for our tenants, who can feel assured that Hemsö is a stable landlord regardless of the events in the world around us.

2022 will be a year we remember. The pandemic was followed by the war in Ukraine. Both businesses and individuals are struggling to make ends meet. I was thinking about all of this at the information meeting. The Christmas peace that I enjoy so much, the time spent together with the family when we focus on each other and on just being, should never be taken for granted.

Families that have been separated both temporarily and forever due to war or other disasters. So much suffering that people had to endure during the year. It is also important to remember all the compassion and concern that was shown during the year, all the help offered by individuals, organisations and companies. There is light in the darkness.

Stable financing

We talk a lot about capital markets, cash flow and investments at Hemsö. Behind all the financial estimates, there are people who want to provide the best. A school without bullying. Children playing in school playgrounds. A comfortable place where nursing home employees can enjoy a laugh together or just relax. A beautiful, safe environment where a son can spend a happy moment with his ageing mother.

All of this is still possible thanks to Hemsö's stable shareholders and our continued access to capital markets. In 2022, Hemsö did not need to draw on its credit facilities but issued bonds as usual – with a value of nearly SEK 7 billion and terms of up to 20 years. Our loan maturity and fixed-rate period remain long and despite higher borrowing costs, our operating cash flow is increasing. My assessment is that Hemsö's good access to equity, banking and capital market will also continue moving forward.

Record number of development projects completed

In 2022, we completed 26 schools and nursing homes in Sweden and Finland. Two of these projects are multi-generational buildings with a school and a nursing home under the same roof. The design stimulates interaction between children and elderly people. There are opportunities here to improve the exposure of elderly people to life and movement through both visual contact and joint activities between the two operations. The children can also form a close bond with the older generation.

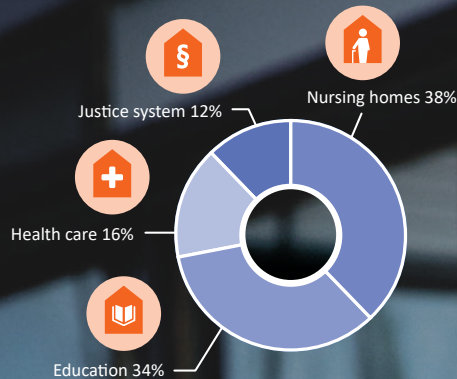
We can do all of this, and continue to do so, thanks to the drive and expertise of my colleagues, our stable financial position and long-term owner the Third Swedish National Pension Fund. And, in my view, none of this is by chance. We do everything that we do by following our hearts and our heads, so our employees, tenants and partners can feel secure.

As part of our work with social sustainability during the year, I met many enthusiasts among our existing and future tenants, as well as civil society. I have been inspired by their commitment and fulfilled by all of the new ideas that are born when diverse people meet and genuine discourse takes place. There is so much more that unites us than divides us.

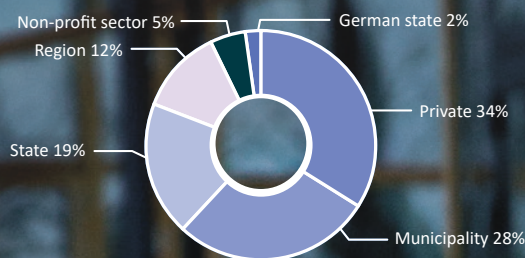
I would like to dedicate this CEO statement to inspiring hope and to remind us all of the positive forces out there.

Nils Styf, CEO

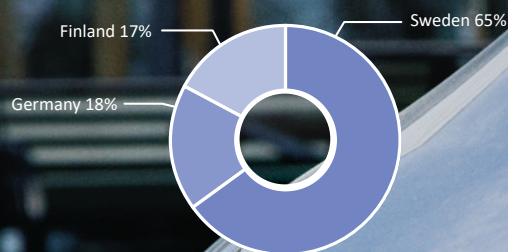
Contracted rent per property category



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 84.9 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 and cash flow items relate to the January-December 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. Key ratio calculations are set out on pages 24-25.

Rental income

Rental income rose 13 per cent to SEK 4,073 million (3,614), primarily attributable to completed development projects and acquisitions. Rental income rose 8 per cent in Sweden, 20 per cent in Germany and 23 per cent in Finland.

Rental income in the comparable portfolio rose SEK 178 million, or 5 per cent. Exchange rate fluctuations had a positive impact of SEK 58 million on rental income.

At period-end, contracted annual rent increased to SEK 4,620 million (3,815) before rent reductions of SEK 55 million (24). Economic vacancies amounted to SEK 98 million (83). The economic occupancy rate was 97.9 per cent (97.9) at period-end.

Rental agreements amounting to annual rent of SEK 248 million will be subject to renegotiation in 2023, corresponding to 5 per cent of Hemsö's contracted rental income. The rental duration was 9.6 years (9.6).

Property costs

Property costs amounted to SEK 1,065 million (896), up SEK 168 million. Costs rose due to a larger property portfolio and higher operating costs, primarily the result of higher energy costs. Maintenance costs increased SEK 16 million year-on-year. In the comparable portfolio, property costs rose SEK 104 million, or 13 per cent.

Vacancy changes

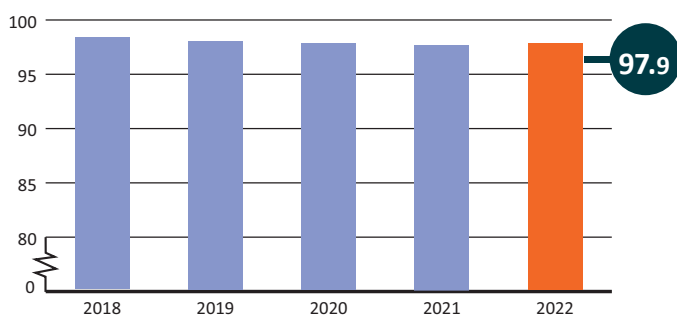
SEK million	Jan-Dec 2022
Opening vacancy	83
Terminated rental agreements	21
Adjusted for vacancy rents	10
New rental agreements	-21
Acquired	3
Exchange-rate fluctuations	2
Closing vacancy	98

Rental maturity

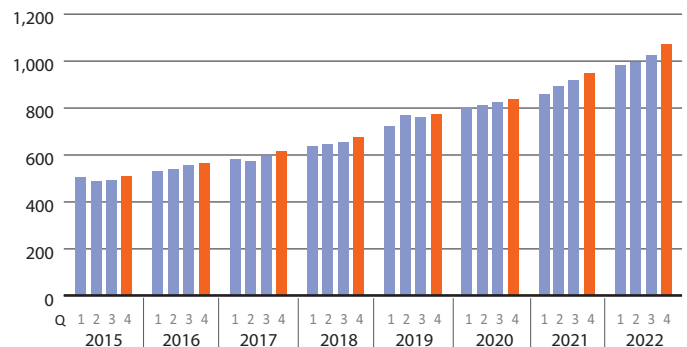
Year	Annual rent, SEK million	Share, %
2023	248	5
2024	255	6
2025	291	6
2026	267	6
2027	283	6
2028	327	7
2029	211	5
2030	289	6
2031	325	7
2032	187	4
>2032	1,937	42
Total	4,620	100



Economic occupancy rate, %



Rental income, SEK million



SEK 4,073 million

Rental income

Net operating income

Net operating income rose 11 per cent to SEK 3,032 million (2,742). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin decreased to 74.0 per cent (75.4), mainly due to higher energy costs. Excluding development properties, Hemsö's property yield amounted to 4.1 per cent (4.0).

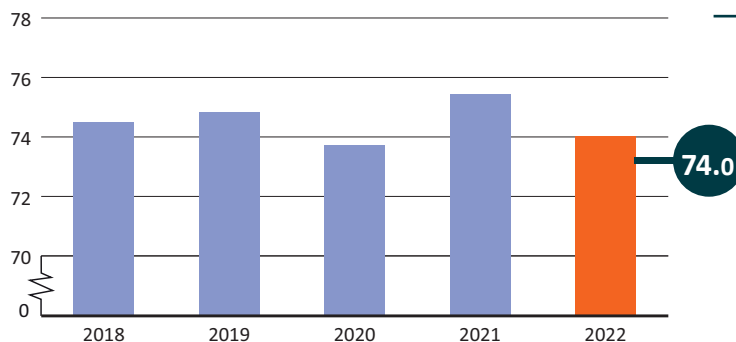
In the comparable portfolio, net operating income increased to SEK 2,563 million (2,493) due to higher rental income and a positive impact of exchange rate fluctuations.

Comparable portfolio

	31 Dec 2022	31 Dec 2021	Change
No. of properties	347	347	-
Market value of properties, SEK million	64,356	61,586	4.5%
Property yield, %	4.1	4.1	0.0

SEK million	Jan-Dec 2022	Jan-Dec 2021	Change, %
Rental income	3,457	3,279	5.4
Other income	18	21	-15.5
Operating costs	-616	-526	17.3
Maintenance costs	-219	-207	6.1
Other costs	-75	-75	0.8
Net operating income	2,563	2,493	2.8

NOI margin, rolling 12-month period, %



Administration

Administrative expenses for the period rose year-on-year to SEK 183 million (156). The increase was mainly attributable to higher personnel costs due to more employees.

Net interest income/expense

Net interest expense amounted to SEK -613 million (-486). The change in net interest was attributable to rising market rates and margin requirements for new loans, as well as an increase in interest-bearing liabilities.

The average interest rate was 1.8 per cent (1.1), an effect of the increase in borrowing costs. The fixed-rate period was 5.6 years (6.3), and interest-bearing liabilities increased to SEK 49,567 million (42,498).

Net interest income/expense

SEK million	Jan-Dec 2022	Jan-Dec 2021
Interest income	6	1
Other financial income	12	43
Interest expense	-546	-450
Other financial expenses	-53	-52
Ground leases and leasehold properties	-31	-28
Total net interest income	-613	-486

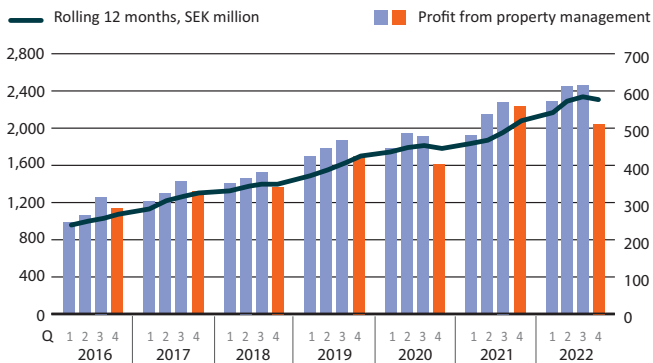
SEK 3,032 million

Net operating income

Profit from property management

Profit from property management rose 8 per cent to SEK 2,309 million (2,145), mainly the result of a larger property portfolio. Exchange-rate fluctuations had a positive impact of SEK 40 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 year amounted to SEK 589 million (7,587), of which unrealised value changes amounted to SEK 603 million (7,579). This corresponds to an increase of 1 per cent (12).

Value change attributable to property management and development projects was SEK 4,336 million (2,732), or 6 per cent (4). Value change from property management was positively impacted by the high rate of inflation in 2022. Value change related to market factors was a negative SEK -3,733 million (4,847), down -5 per cent (8), due to an upward adjustment of yield requirements in the second half of 2022.

At period-end, high inflation and rapidly rising interest rates had a major impact on the transaction market. Few transactions were conducted but are expected to support higher yield requirements in all segments compared with the first half of 2022. However, the uncertainty is greater than usual.

The weighted property yield requirement which was used in the valuation of Hemsö's property portfolio amounted to 4.5 per cent (4.3). In Sweden, the property yield requirement amounted to 4.4 per cent (4.2), in Germany to 4.2 per cent (4.1) and in Finland to 5.2 per cent (4.9).

Properties
480

Market value of
properties
**SEK 84.9
billion**

Unrealised value changes, properties, Jan-Dec 2022

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	3,678	392	266	4,336
– Market factors	-3,010	-93	-629	-3,733
Total unrealised value changes	668	298	-363	603

Unrealised value changes per quarter, 2022

SEK million	Sweden	Germany	Finland	Total
Q1	1,324	4	406	1,734
Q2	2,279	475	13	2,767
Q3	-1,739	-45	35	-1,749
Q4	-1,197	-136	-817	-2,149
Total unrealised value changes	668	298	-363	603

Change in value of property portfolio

	SEK million	No. of
Market value of properties, opening balance	75,737	441
Acquisitions	2,867	43
Investments in construction, extension and re-developments	3,809	
Re-allotment	–	3
Divestments	-414	-7
Disposals	-31	
Exchange-rate fluctuations	2,308	
Unrealised value changes	603	
Market value of properties, closing balance	84,879	480

Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 251 million (209) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 27 million (200) on profit. Derivatives attributable to currency risk management had a positive impact of SEK 224 million (9) on profit.

Tax

Recognised tax for the year amounted to SEK -594 million (-1,885), of which current tax accounted for SEK -190 million (-107) and deferred tax for SEK -403 million (-1,779). 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 6,592 million (6,089) at year-end.

Earnings

Profit after tax for the year decreased to SEK 2,563 million (8,189). The decline was mainly attributable to lower changes in the value of investment properties.

The total return was 4.5 per cent (15.8).

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 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	31 Dec 2022	31 Dec 2021
Sweden East	965	920	721	709	23,249	20,924
Sweden Central	501	471	336	317	9,568	9,006
Sweden North	661	604	484	459	13,544	12,374
Sweden South	425	366	278	241	8,833	8,205
Germany	695	580	606	520	15,426	12,742
Finland	827	672	607	496	14,258	12,486
Total	4,073	3,614	3,032	2,742	84,879	75,737

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. The Group is managed and reported in six segments: Finland, Germany and four segments in Sweden – East, Central, North and South.

Cash flow

Hemsö's operating cash flow rose 11 per cent to SEK 2,160 million (1,944). 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 2,154 million (1,917). The change in working capital was SEK 335 million (597). Investing activities had a negative impact of SEK -6,446 million (-6,099) on cash flow, while borrowings, loan repayments and dividends had a positive impact of SEK 3,816 million (3,367) on cash flow from financing activities. The overall change in cash and cash equivalents was SEK -142 million (-218).

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 118 million (106) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -223 million (-203), mainly attributable to higher personnel costs due to more employees, but also to increased consultancy costs in relation to digitisation projects. Financial items amounted to an expense of SEK -192 million (income: 160). Financial items include interest income of SEK 722 million (671), interest expense of SEK -623 million (-520), profit of SEK 427 million (290) from participations in Group companies, and exchange-rate differences of SEK -714 million (-281). Impairment and reversal of past impairment losses on derivatives amounted to SEK -75 million (185) and profit for the year totalled SEK 518 million (570).

Property portfolio

Of the market value of properties of SEK 84,879 million (75,737), 65 per cent (67) was attributable to Sweden, 18 per cent (17) to Germany and 17 per cent (16) to Finland. At year-end, Hemsö owned properties in 65 municipalities in Sweden, 64 municipalities in Germany and 34 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 31 December 2022, Hemsö's property portfolio comprised 480 properties (441) with a total lettable area of 2,400 tsqm (2,218).

Property transactions

Quarter	No. of	Value, SEK million	Area, sqm
Acquisitions			
Q1	17	1,316	68,636
Q2	7	110	3,854
Q3	2	497	–
Q4	17	944	37,355
Total	43	2,867	109,845
Divestments			
Q1	–	–	–
Q2	1	3	–
Q3	–	–	–
Q4	6	411	8,147
Total	7	414	8,147

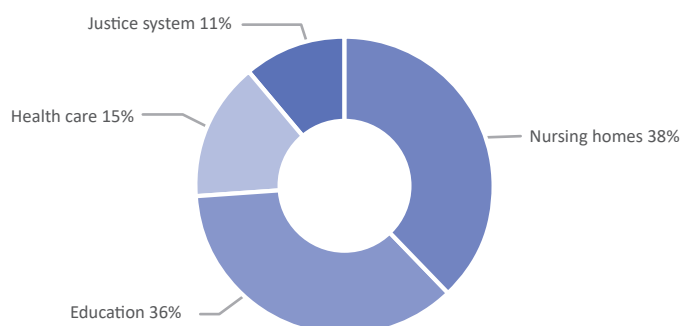
Investments

Investments pertain to investments in new development and 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 3,809 million (4,133) was invested, of which SEK 2,998 million (3,294) pertained to construction, extension and re-developments, and SEK 811 million (839) to improvements and new lettings.

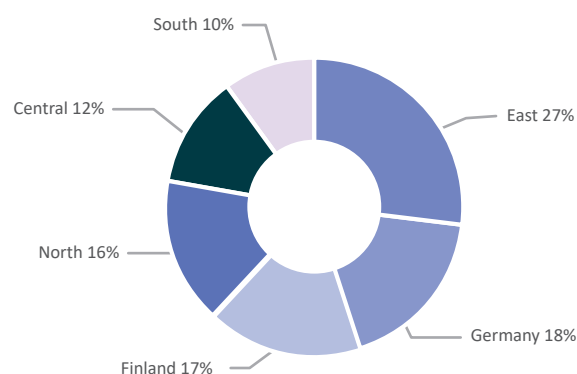
Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	238	151	63	28	480
Lettable area, tsqm	1,037	806	326	231	2,400
Rental duration, years	9.2	11.4	8.2	8.0	9.6
Market value of properties, SEK million	32,470	30,579	12,506	9,323	84,879
Rental income, SEK million	1,556	1,337	666	514	4,073
Net operating income, SEK million	1,158	1,020	454	400	3,032
Economic occupancy rate, %	98.7	97.5	96.5	95.8	97.9
Property yield, %	4.1	4.2	3.9	4.5	4.1

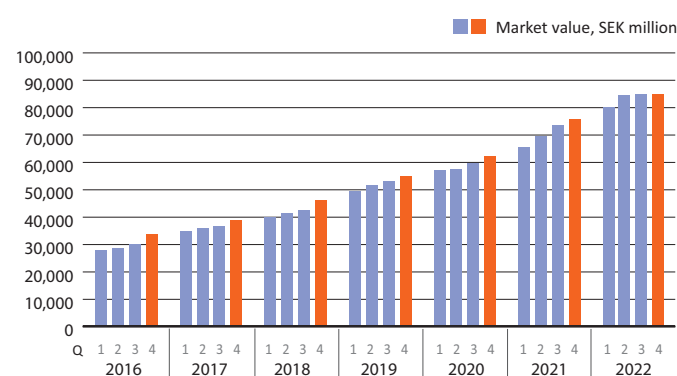
Market value of properties per property category



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. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2022, the CPI was 11 per cent. In Finland and Germany, the inflation results during 2022 amounted to 9 per cent. In Finland and Germany, rents are adjusted periodically. The CPI inflation was 90 per cent in Sweden, 78 per cent in Germany and 100 per cent in Finland.

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 29 per cent with municipal operators, 20 per cent with 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 Authority, Region Stockholm, Academia Media, the Wellbeing Services County of Southwest Finland (Varha) and Attendo, which jointly accounted for 21 per cent of the rental income. Of Hemsö's 20 largest tenants, 13 were public-sector operators. The Wellbeing Services County of Southwest Finland (Varha) is a new region in Finland. The region has taken over the City of Turku's rental agreements for health and social care services.

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.

Hemsö's 20 largest tenants

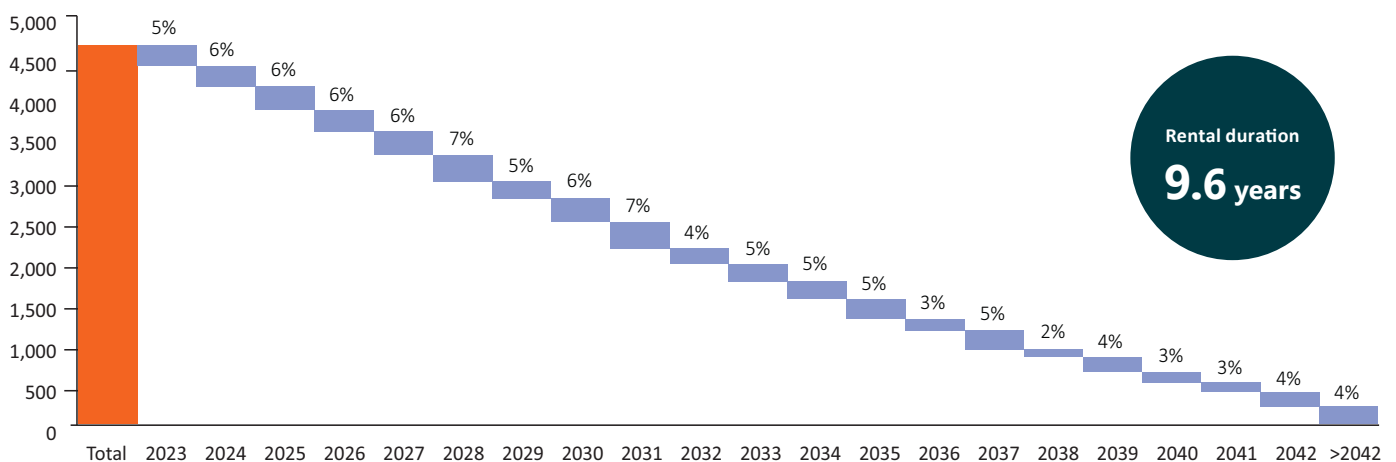
Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Swedish Police	State	238	5.2	33
Region Stockholm	Region	223	4.9	78
Academia Media	Private	184	4.0	22
Wellbeing Services County of Southwest Finland (FI)	Region	158	3.5	17
Attendo	Private	151	3.3	76
Ministry of Justice (FI)	State	132	2.9	13
City of Västerås	Municipality	117	2.6	21
Mälardalen University	State	115	2.5	3
AWO (GER)	Non-profit	106	2.3	12
International English School	Private	87	1.9	11
Ambea	Private	84	1.8	10
Alloheim (GER)	Private	83	1.8	10
Norrköping Municipality	Municipality	80	1.8	15
The Karolinska Institute	State	72	1.6	4
The City of Lahti (Fin)	Municipality	66	1.4	5
HEWAG (GER)	Private	65	1.4	9
Västra Götaland Region	Region	64	1.4	62
North Rhine-Westphalia (GER)	State	61	1.3	1
University of the Arts Helsinki (FI)	State	59	1.3	3
Gävle Municipality	Municipality	58	1.3	20
Total		2,204	48.3	425

Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish municipalities	1,051	23
Swedish state	544	12
Swedish regions	337	7
Finnish municipalities	205	4
Finnish state	257	6
Finnish regions	229	5
German municipalities	49	1
The German federal state	51	1
German states	79	2
Total	2,804	61

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

Rental maturity, annual rent, SEK million



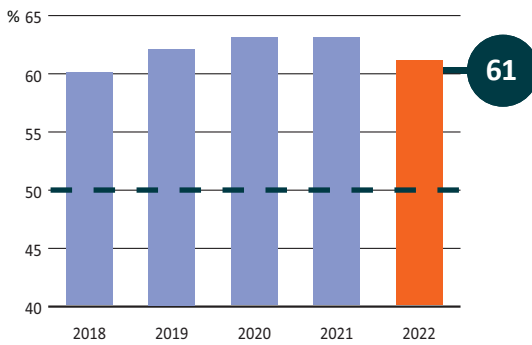
Property frameworks

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.

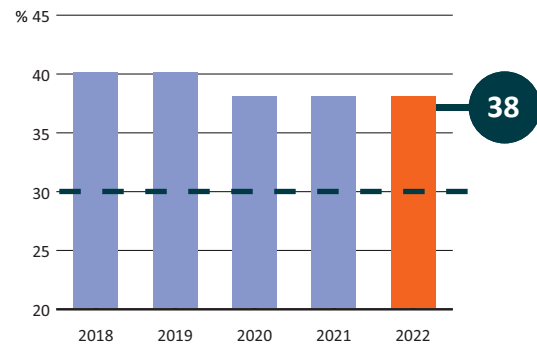
Public-sector tenants

– At least 50 per cent of rental income



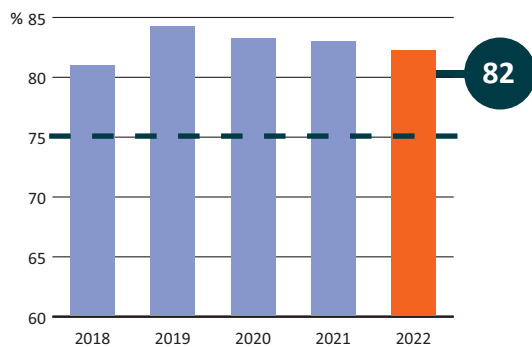
Nursing homes

– At least 30 per cent of rental income



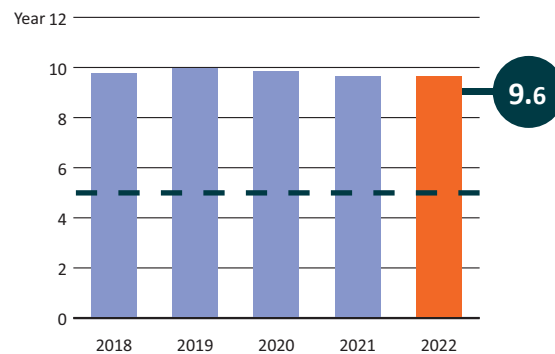
Metropolitan areas and large cities

– 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. Up to 96 per cent of the Swedish portfolio has been valued externally by Cushman & Wakefield. 97 per cent of the total portfolio has therefore been valued externally. The valuation technique falls into Level 3 of the fair value hierarchy in IFRS 13. At period-end, the fair value of properties was SEK 84,879 million (75,737).

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. Property costs are based on actual results over the past 12 months adjusted for

Earnings capacity

SEK million	1 Jan 2023	1 Jan 2022	Change, %
Rental income	4,565	3,791	20
Property costs	-1,107	-894	24
Net operating income	3,458	2,897	19
Central administrative expenses	-185	-156	19
Joint ventures	86	49	75
Net interest income/expense	-927	-514	80
Profit from property management	2,431	2,276	7

the holding period. Administrative expenses are based on the actual outcome over the past 12 months. Net interest income 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 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
Kristiansborg	Västerås	Education	C	Miljöbyggnad	9,900	498	455	24	61	2024
Nya Novum	Huddinge	Health care	R	–	38,700	390	185	0	87	2024
Lilla Tensta	Stockholm	Education	R	–	16,800	367	251	30	0	2023–2026
Stavsborgsskolan	Nacka	Education	C	Miljöbyggnad	13,000	327	100	33	100	2023
Kronåsen Campus	Uppsala	Education	R	–	16,200	250	194	37	100	2023
Kleinmachnow	Potsdam-Mittelmark	Nursing home	C	–	7,600	218	6	11	100	2023
Büttelborn	Groß-Gerau	Nursing home	C	–	6,200	184	50	12	100	2023
Paavola Campus ¹⁾	Lahti	Education	R	–	6,500	177	61	17	100	2023
Växthuset sports centre	Lund	Education	C	Miljöbyggnad	4,700	123	35	8	100	2023
Kristiansborgsbadet	Västerås	Education	R	–	5,100	116	34	4	100	2023
Raksila	Oulu	Justice system	C	BREEAM	2,300	105	104	7	100	2023
Total					127,000	2,756	1,476	181		

Public-sector tenant Private-sector tenant

Type of investment: C=Construction R=Re-development

¹⁾In total, 4 of 5 development projects were completed by Q4 2022

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 2,756 million, of which the

remaining investment amount was SEK 1,476 million. The total volume of ongoing construction and re-development projects amounted to SEK 4,434 million, of which the remaining investment amount was SEK 2,084 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	82	12	7	99
Q2	Vasastan Campus	Stockholm	Education	–	11,400	279	12	38	100
Q2	Paavola Campus	Lahti	Education	–	7,900	165	20	18	100
Q2	Södra Källtorp assisted living	Västerås	Nursing home	Miljöbyggnad	2,300	106	25	5	70 ¹⁾
Q2	Espoo family centre	Espoo	Health care	–	4,900	124	10	17	100
Q3	Sköndalsvillan	Tyresö	Nursing home	Miljöbyggnad	6,900	344	20	15	98
Q3	IES Trelleborg	Trelleborg	Education	Miljöbyggnad	11,200	351	20	27	100
Q3	IES Teledshöjden	Växjö	Education	LEED	7,200	306	20	15	100
Q3	Arkadiankatu 24	Helsinki	Education	BREEAM	5,800	196	15	17	100
Q3	Vikhem sports centre	Staffanstorps	Education	Miljöbyggnad	4,300	97	10	7	100
Q3	Nordic International School	Norrköping	Education	–	5,100	67	10	16	100
Q3	Nordtag preschool	Kungälv	Education	Nordic Swan	2,100	66	15	4	100
Q3	Hoivamme	Mäntsälä	Nursing home	–	1,200	54	12	3	100
Q3	S:t Jörgen	Gothenburg	Nursing home	–	9,000	48	10	12	100
Q3	Brogårda assisted living	Bjuv	Nursing home	Miljöbyggnad	1,000	31	25	2	100
Q3	S:t Lars Park, Building 82	Lund	Health care	BREEAM	1,800	27	5	2	100
Q3	Paavola Campus	Lahti	Education	–	1,800	31	20	4	100
Q3	Nordic International School	Ystad	Education	–	2,800	19	15	7	100
Q4	Silverkällan	Gothenburg	Nursing home	Miljöbyggnad	13,200	525	12	38	100
Q4	IES Staffanstorps	Staffanstorps	Education	Miljöbyggnad	7,000	303	20	17	100
Q4	Vågen Vilunda	Upplands Väsby	Nursing home	Nordic Swan	6,200	223	20	17	100
Q4	Bylegård	Täby	Nursing home	Miljöbyggnad	5,600	156	20	14	100
Q4	Lauritsa fire and rescue station	Villmanstrand	Justice system	–	3,100	118	20	8	100
Q4	Södra Källtorp preschool	Västerås	Education	Miljöbyggnad	2,700	66	23	3	100
Q4	Hoivamme	Kuopio	Nursing home	–	1,200	52	15	3	100
Q4	Tjuvkiil preschool	Kungälv	Education	Nordic Swan	1,300	47	15	3	100
Total					130,000	3,885	16	318	

Public-sector tenant Private-sector tenant

¹⁾The vacancy is attributable to 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.

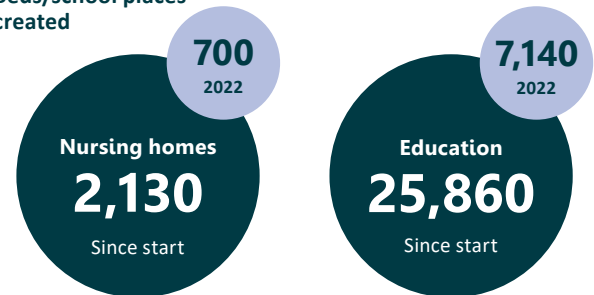
Energy and climate

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 developments, 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.

Environmental certification

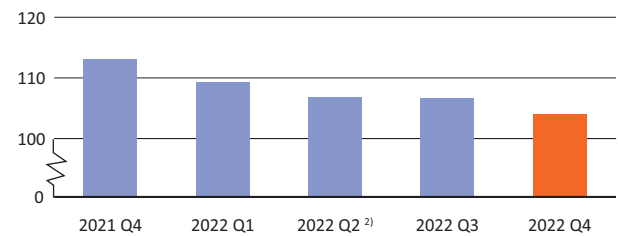
One of Hemsö's targets is to certify all new development and some of the existing portfolio. At the end of the fourth quarter, 26 per cent of the property portfolio had been certified, based on area. The number of certified buildings is steadily increasing as more existing buildings are certified and more newly developed buildings are added to the portfolio. Hemsö certifies its buildings under several different systems: Miljöbyggnad, Nordic Swan, BREEAM, DGNB, LEED, NollCO₂, 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 fourth quarter of 2022.

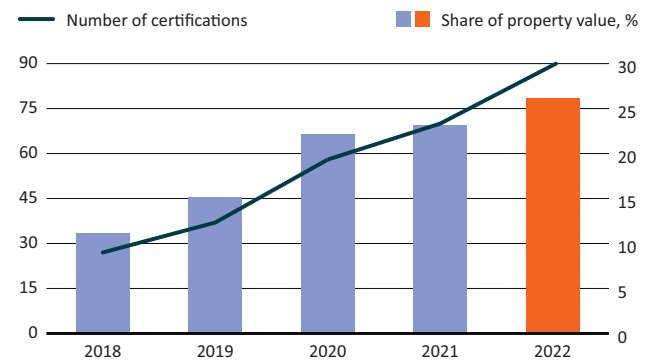
Energy use, kWh/m², rolling 12-month period ¹⁾



¹⁾ Pertains to energy use in Sweden (heating + electricity) in total portfolio.

²⁾ Pertains to the June-May period.

Environmentally certified properties ¹⁾



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



How we are creating a safer and more active Tensta

Earlier in the year, Hemsö acquired Tensta Upper-Secondary School and Tensta Träff and started working during the year to develop the location. Citizen dialogues were held in the area and many Tensta residents requested better lighting in Pilparken, which is adjacent to Campus Tensta, especially from a safety point of view. New façade lighting has been introduced, broken lampposts have been replaced and Christmas lights were installed at the end of November. Between December 2022 and March 2023, we will be focused on activating Pilparken by installing an ice rink. The ice rink is included in our long-term investment in the area to create a vibrant and pleasant place. We also want to create opportunities for outdoor activities during the winter months, and improve the quality of the outdoor environment.

Joint ventures

At 31 December 2022, Hemsö owned participations in three joint ventures: Turku Technology Properties Oy (TTP), Lanthem Samhällsfastigheter AB (Lanthem) and Hemtag Fastigheter AB (Hemtag). These companies are reported in Hemsö's consolidated accounts using the equity method. The participation in TTP is

recognised at SEK 1,463 million (1,059), the participation in Lanthem at SEK 188 million (210) and the participation in Hemtag at SEK 4 million (2). Total participations amounted to SEK 1,655 million (1,271).

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 a joint venture and not included in the Hemsö Group's consolidated accounts.

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 2022, 65 per cent of the rental income was derived from public-sector tenants, and the rental duration was eight years.



TTP	31 Dec 2022	31 Dec 2021
Shareholding, %	52	44
Rental value, SEK million	414	322
No. of properties	27	25
Economic occupancy rate, %	97	98
Market value of properties, SEK million	5,256	4,654
Rental duration, years	8	7
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	31 Dec 2022	31 Dec 2021
Shareholding, %	50	50
Rental value, SEK million	38	22
No. of properties	5	5
Economic occupancy rate, %	100	100
Market value of properties, SEK million	680	679
Rental duration, years	11	8
Share of public-sector tenants, %	46	30

Profit from joint ventures, Jan-Dec 2022

SEK million	TTP	Lanthem	Other	Total
Profit/loss from property management	69	6	-1	74
Value changes, investment properties	-122	-34	-	-156
Value changes, financial instruments	191	-	-	191
Tax	-33	6	-	-27
Profit/loss recognised	105	-22	-1	82

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 year-end, the loan-to-value ratio was 56.7 per cent (54.3) and the interest-coverage ratio for the period was 4.8 times (5.7).

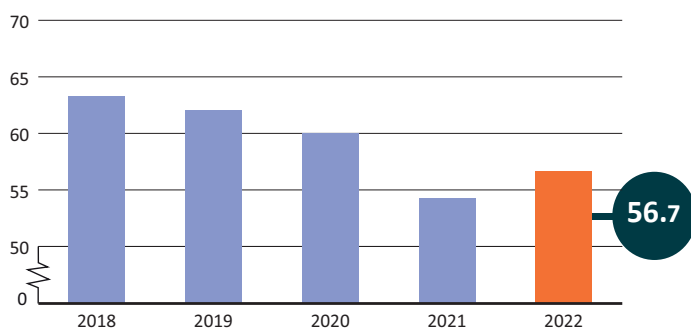
Hemsö has a credit rating of A+ from Fitch Ratings, and A- from Standard & Poor's. Hemsö issues bonds in Swedish and European capital markets and commercial papers in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks and the Third Swedish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

At year-end, Hemsö had undrawn committed credit facilities totalling SEK 13,500 million (12,500), which reduces the company's refinancing risk. Cash and cash equivalents amounted to SEK 526 million (687). Available liquidity therefore totalled SEK 14,026 million (13,187). The debt-coverage ratio was 165 per cent (174).

Interest-bearing liabilities

At year-end, Hemsö's interest-bearing liabilities amounted to SEK 49,567 million (42,498). The increase was attributable to net investment for the year. During the year, Hemsö's bond issuance totalled SEK 6,726 million, of which SEK 500 million in the fourth quarter, with maturities ranging from two to 20 years. Hemsö issued a 20-year bond in JPY corresponding to SEK 792 million. The currency risk associated with this loan has been eliminated with a cross currency swap.

Loan-to-value ratio, %



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

Sustainable
finance
**SEK 13.1
billion**

Sources of funding, SEK million

	31 Dec 2022	31 Dec 2021
Bonds, SEK	14,938	12,617
Bonds, EUR	19,404	17,514
Bonds, AUD, JPY, NOK, USD	4,471	3,423
Total bonds	38,813	33,555
Commercial papers, SEK	4,996	4,490
European Investment Bank, SEK, EUR	4,123	2,887
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	835	767
Total interest-bearing liabilities	49,567	42,498

Capital structure, SEK million

	31 Dec 2022	31 Dec 2021
Interest-bearing liabilities	49,567	42,498
Cash and cash equivalents	526	687
Net debt	49,041	41,811
Market value of properties	84,879	75,737
Investments in joint ventures	1,665	1,271
Total	86,544	77,008
Loan-to-value ratio	56.7%	54.3%
Share of secured debt	0.0%	0.0%

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 year-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 8,020 million (3,187). Currency exposure amounted to 1 per cent (10) of equity.

At year-end, the average loan maturity was 6.3 years (6.8) and the average fixed-rate period was 5.6 years (6.3). The average interest rate was 1.8 per cent (1.1).



Hemsö signed an agreement to acquire a hospital in Kouvola, Finland

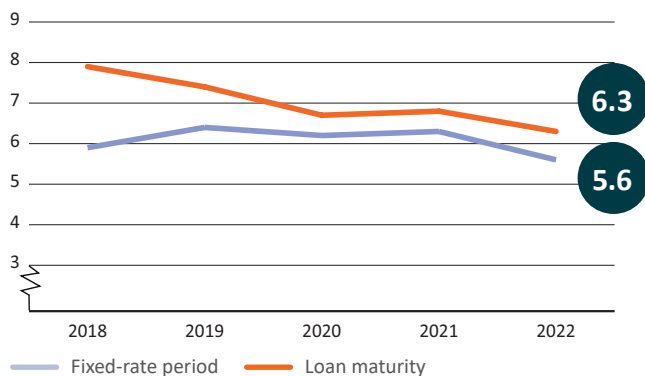
Committed credit facilities and underwriting commitments, SEK million

	31 Dec 2022	31 Dec 2021
Banks	7,500	6,500
Third Swedish National Pension Fund	6,000	5,000
European Investment Bank (EIB)	–	1,000
Total committed credit facilities	13,500	12,500
Cash and cash equivalents	526	687
Available liquidity	14,026	13,187
Short-term borrowings	8,503	7,600
Debt-coverage ratio	165%	174%

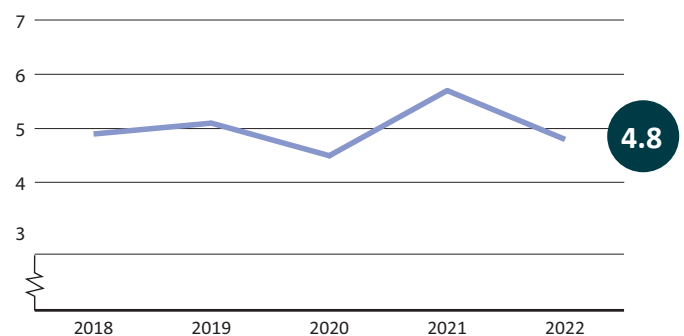
Currency exposure, SEK million

	31 Dec 2022	31 Dec 2021
Properties, EUR	29,684	25,227
Joint ventures, EUR	1,463	1,059
Cash, EUR	665	-6
Assets, EUR	31,812	26,280
Debt, EUR	23,562	20,368
Currency swaps, EUR	8,020	3,187
Exposure, EUR	230	2,725
Debt AUD, JPY, NOK, SEK, USD	8,071	3,423
Currency swaps AUD, JPY, NOK, SEK, USD	-8,071	-3,423
Exposure AUD, JPY, NOK, SEK, USD	0	0
Currency hedging	–	–
Currency exposure	230	2,725
Equity	30,028	28,350
Currency exposure	0.8%	9.6%

Loan maturity and fixed-rate period, years



Interest-coverage ratio, times





An ice rink was inaugurated at Campus Tensta as part of the property's development



In October, Hemsö hosted a guided tour of the new multi-generational building in Gothenburg

Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 60%	56.7%
Loan maturity	At least 3 years	6.3 years
Debt-coverage ratio	At least 125%	165%
Share of secured debt	Max. 20%	0.0%

Interest-rate risk

Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	4.8 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.6 years
Fixed-rate maturity	Max. 40% within 12 months	29%

Counterparty risk

Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
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Currency risk

Currency exposure	Max. 20% of equity	0.8%
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Loan maturity and fixed-rate period

Year	Loans and committed credit facilities, SEK million	Loan maturity		Fixed-rate period	
		Loans, SEK million	Share, %	SEK million	Share, %
2023	3,501	3,501	7	14,234	29
2024	15,033	4,533	9	1,597	3
2025	5,408	3,408	7	2,058	4
2026	7,918	6,918	14	6,118	12
2027	2,196	2,196	4	1,696	3
2028	5,631	5,631	11	5,531	11
2029	4,516	4,516	9	4,516	9
2030	2,315	2,315	5	2,315	5
2031	1,097	1,097	2	1,097	2
>2031	10,456	10,456	21	10,405	21
Total	58,071	44,571	90	49,567	100
Commercial papers		4,996	10		
Total	58,071	49,567	100		

Quarterly overview

Amounts in SEK million	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Income statement									
Rental income	1,069	1,025	996	983	946	917	894	857	838
Other income	6	6	5	6	7	5	6	6	7
Property costs	-303	-241	-241	-279	-251	-200	-209	-236	-252
Net operating income	771	790	760	711	703	722	690	627	592
Central administrative expenses	-64	-39	-41	-39	-43	-41	-41	-31	-45
Profit/loss from participations in joint ventures	-119	23	96	81	98	0	18	61	8
Operating profit	588	774	815	754	759	681	667	657	555
Net interest income/expense	-218	-152	-129	-114	-114	-122	-125	-125	-157
Profit after net interest income	370	622	686	640	644	559	542	533	398
<i>- of which Profit from property management</i>	<i>511</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>
Value change, properties	-2,131	-1,780	2,766	1,734	2,679	2,404	1,915	589	1,809
Value change, financial instruments	50	133	70	-3	70	27	72	40	20
Profit/loss before tax	-1,712	-1,024	3,522	2,371	3,394	2,990	2,529	1,162	2,226
Current tax	-59	-39	-53	-40	10	-35	-44	-37	-3
Deferred tax	365	243	-613	-398	-618	-532	-439	-189	-421
Profit/loss for the period	-1,406	-820	2,856	1,934	2,785	2,423	2,046	935	1,801
Other comprehensive income	-12	51	94	53	-3	20	-21	62	-145
Comprehensive income for the period	-1,418	-769	2,950	1,987	2,782	2,443	2,025	997	1,656
Balance sheet	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Investment properties	84,879	85,004	84,683	79,987	75,737	73,516	69,619	65,528	62,240
Right-of-use assets	932	849	843	801	759	724	723	730	605
Participations in joint ventures	1,655	1,748	1,475	1,363	1,271	1,168	1,160	771	698
Derivatives	247	389	237	309	161	33	-	-	-
Other assets	1,209	1,180	992	865	892	730	706	781	758
Cash and cash equivalents and short-term investments	526	1,214	325	795	687	533	519	1,673	891
Total assets	89,447	90,384	88,554	84,121	79,508	76,705	72,727	69,483	65,193
Equity	30,028	31,449	32,215	30,337	28,350	25,646	22,203	21,079	20,082
Deferred tax liabilities	6,557	6,942	7,143	6,519	6,082	5,467	4,923	4,497	4,270
Derivatives	-	-	-	-	-	-	32	95	231
Interest-bearing liabilities	49,567	48,792	46,361	44,375	42,498	43,067	43,097	41,626	38,652
Lease liabilities	932	849	843	801	759	724	723	730	605
Non-interest-bearing liabilities	2,363	2,352	1,992	2,089	1,819	1,800	1,748	1,457	1,353
Total equity and liabilities	89,447	90,384	88,554	84,121	79,508	76,705	72,727	69,483	65,193
Key ratios	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Financial ratios									
Loan-to-value ratio, %	56.7	54.8	53.4	53.6	54.3	57.0	60.1	60.2	60.0
Interest-coverage ratio, times ¹⁾	4.8	6.1	6.3	6.0	5.7	4.8	4.7	4.7	4.5
Operating cash flow, SEK million	493	562	573	532	536	533	517	379	421
Property-related key ratios									
Property yield, % ¹⁾	4.1	3.9	3.8	4.0	4.0	4.3	4.4	4.5	4.5
Total return, % ¹⁾	4.5	10.9	17.2	16.9	15.8	14.8	11.7	9.0	8.5
Economic occupancy rate, %	97.9	97.9	97.6	97.9	97.9	98.0	97.9	98.0	97.9
NOI margin, %	71.8	76.6	75.9	71.8	73.7	78.3	76.7	72.6	70.1
No. of properties	480	468	466	458	441	426	421	408	392
Lettable area, tsqm	2,400	2,339	2,311	2,286	2,218	2,226	2,155	2,101	2,005

¹⁾ Based on rolling 12-month outcome.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Dec 2022	Jan-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
Rental income	4,073	3,614	1,069	946
Other income	23	24	6	7
Operating costs	-734	-595	-201	-166
Maintenance costs	-242	-226	-77	-71
Other property costs	-89	-75	-26	-14
Net operating income	3,032	2,742	771	703
Central administrative expenses	-183	-156	-64	-43
Profit/loss from participations in joint ventures	82	177	-119	98
- of which profit from property management	74	45	23	11
- of which changes in value	35	183	-160	125
- of which tax	-27	-50	19	-38
Operating profit	2,931	2,764	588	759
Net interest expense	-613	-486	-218	-114
Profit after net interest income/expense	2,317	2,278	370	644
- of which Profit from property management ¹⁾	2,309	2,145	511	558
Value change, investment properties	589	7,587	-2,131	2,679
Value change, financial instruments	251	209	50	70
Profit/loss before tax	3,157	10,075	-1,712	3,394
Current tax	-190	-107	-59	10
Deferred tax	-403	-1,779	365	-618
Profit/loss for the period	2,563	8,189	-1,406	2,785
Profit for the period attributable to				
Parent Company shareholders	2,466	7,953	-1,358	2,717
Non-controlling interests	98	236	-49	68
Other comprehensive income				
Profit/loss for the period	2,563	8,189	-1,406	2,785
Translation difference	187	58	-12	-3
Comprehensive income for the period	2,750	8,247	-1,418	2,782
Comprehensive income for the period attributable to				
Parent Company shareholders	2,648	8,011	-1,370	2,714
Non-controlling interests	103	236	-47	68

¹⁾ For the calculation of Profit from property management, refer to Key ratio calculations on page 24.

Group – Condensed statement of financial position

Amounts in SEK million	31 Dec 2022	31 Dec 2021
ASSETS		
Investment properties	84,879	75,737
Right-of-use assets	932	759
Participations in joint ventures	1,655	1,271
Derivatives	247	161
Other non-current assets	44	39
Total non-current assets	87,757	77,967
Current receivables	1,165	853
Cash and cash equivalents	526	687
Total current assets	1,691	1,541
TOTAL ASSETS	89,447	79,508
EQUITY AND LIABILITIES		
Equity	30,028	28,350
Deferred tax liabilities	6,557	6,082
Non-current interest-bearing liabilities	41,064	34,898
Lease liabilities	932	759
Total non-current liabilities	48,553	41,738
Current interest-bearing liabilities	8,503	7,600
Other current liabilities	2,363	1,819
Total current liabilities	10,866	9,419
TOTAL EQUITY AND LIABILITIES	89,447	79,508

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
Contributions from minority interests	–	–	–	–	5	5
Minority acquisition	–	–	–	–	-4	-4
Minority divestment	–	–	–	–	-76	-76
Comprehensive income (1 Jan 2021-31 Dec 2021)	–	–	58	7,953	236	8,247
Closing equity, 31 Dec 2021	1	7,835	206	19,538	769	28,350
Opening equity, 1 Oct 2022	1	7,835	206	19,538	769	28,350
Dividends	–	–	–	-1,072	–	-1,072
Minority interest contributions repaid	–	–	–	–	-3	-3
Contributions from minority interests	–	–	–	–	3	3
Comprehensive income (1 Jan 2022-31 Dec 2022)	–	–	182	2,466	103	2,750
Closing equity, 31 Dec 2022	1	7,835	388	20,932	872	30,028

Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Dec 2022	Jan-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
Operating activities				
Profit from property management	2,309	2,145	511	558
<i>Adjusted for non-cash items in profit from property management</i>				
Profit from property management, participations in joint ventures	-74	-45	-23	-11
Depreciation	17	15	10	5
<i>Adjusted for other non-cash items</i>				
Exchange differences, unrealised	15	-9	12	-9
Tax paid	-113	-189	-5	-16
Cash flow before changes in working capital	2,154	1,917	506	527
Increase (+)/decrease (-) in working capital	335	597	-43	22
Cash flow from operating activities	2,489	2,514	463	549
Investing activities				
Acquisition of properties	-2,867	-3,456	-944	-239
Investments in construction, extension and re-developments	-3,809	-4,133	-971	-1,179
Property divestments	427	1,878	425	1,730
Investments in financial assets	-215	-400	-4	-2
Dividends from joint ventures	21	17	0	0
Other non-current assets	-3	-4	-1	-4
Cash flow from investing activities	-6,446	-6,099	-1,495	307
Financing activities				
Interest-bearing loans raised	10,752	10,626	1,064	1,457
Repayment of interest-bearing liabilities	-5,844	-7,340	-703	-2,165
Financial instruments realised	-20	-19	-	-4
Shareholder contributions received	-	1,000	-	-
Contributions from non-controlling interests	0	5	-3	1
Dividends paid	-1,072	-905	-	0
Cash flow from financing activities	3,816	3,367	358	-711
Cash flow for the period	-142	-218	-674	144
Opening cash and cash equivalents	687	891	1,214	533
Exchange-rate differences in cash and cash equivalents	-19	14	-13	10
Cash and cash equivalents at period-end	526	687	526	687
Operating cash flow	2,160	1,944	493	536

Parent Company – Condensed income statement

Amounts in SEK million	Jan-Dec 2022	Jan-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
Net sales	118	106	30	36
Central administrative expenses	-223	-203	-63	-57
Other operating income	129	0	129	0
Operating profit/loss	24	-96	96	-20
Financial items	-192	179	-87	-48
Impairment/reversal of impaired derivatives	-75	166	-46	28
Appropriations	724	361	724	361
Profit before tax	481	610	687	321
Recognised tax	37	-39	-93	-39
Profit for the period	518	570	594	282

Parent Company – Condensed balance sheet

Amounts in SEK million	31 Dec 2022	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	5	2
Equipment	3	3
Shares and participations in Group companies	16,582	7,962
Deferred tax assets	54	19
Non-current receivables	16,527	33,862
Total non-current assets	33,170	41,849
Current assets		
Current receivables	22,592	6,901
Cash and cash equivalents	0	0
Total current assets	22,592	6,901
TOTAL ASSETS	55,762	48,749
EQUITY AND LIABILITIES		
Equity	4,944	5,498
Untaxed reserves		
Tax allocation reserve	–	43
Liabilities		
Deferred tax liabilities	27	29
Interest-bearing liabilities	49,538	42,477
Non-interest-bearing liabilities	1,253	702
Total liabilities	50,818	43,208
TOTAL EQUITY AND LIABILITIES	55,762	48,749

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 year-end, Hemsö had 158 employees, of whom 74 were women and 84 men. Of these employees, 48 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, 132 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's access to liquidity remains favourable and the company's long loan maturity and fixed-rate period provide stability. At 31 December 2022, 71 per cent of the loan portfolio was hedged against rising rates and 29 per cent carried variable interest rates, which means that net interest was impacted by changes in market rates to some extent. 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 28 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 accounts, since Hemsö lacks a controlling interest. In

addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. This company operates as a joint venture and 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. 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 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 rounded to 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

Stockholm, 2 February 2023

Nils Styf, CEO

This report has not been audited.

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 the market value of 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 from property management

Profit after net interest income 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 weighed 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.

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 joint ventures, less tax paid with additions for dividends from joint ventures.

Interest-coverage ratio

Operating profit in relation to net interest income/expense.

Operating profit

Net operating income plus share of profit from participations in joint ventures, 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, joint ventures, cash and foreign currency liabilities 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.

Property yield	31 Dec 2022	31 Dec 2021
Net operating income according to income statement	3,032	2,742
Adjusted for 12-month holding period	138	42
Adjusted for development properties	-134	-102
Adjusted net operating income	3,036	2,682
Market value of properties	84,879	75,737
Adjusted for development properties	-11,464	-9,301
Adjusted market value of properties	73,415	66,436
Property yield	4.1%	4.0%

Total return	Jan-Dec 2022	Jan-Dec 2021
Net operating income	3,032	2,742
Value change, properties	589	7,587
Total	3,621	10,329
Opening market value of properties	75,737	62,240
Closing market value of properties	84,879	75,737
Adjustment of value change for the period	-589	-7,587
Adjusted average property value	80,014	65,195
Total return	4.5%	15.8%

Profit from property management	31 Dec 2022	31 Dec 2021
Profit after net interest income	2,317	2,278
Reversal		
<i>Value changes joint ventures</i>	-35	-183
<i>Tax joint ventures</i>	27	50
Profit from property management	2,309	2,145

Interest-coverage ratio	Jan-Dec 2022	Jan-Dec 2021
Operating profit	2,931	2,764
Net interest income/expense	-613	-486
Interest-coverage ratio	4.8 times	5.7 times

Operating cash flow	Jan-Dec 2022	Jan-Dec 2021
Profit from property management	2,309	2,145
Dividends from joint ventures	21	17
Tax paid	-113	-189
Reversal		
<i>Profit from property management, participations in joint ventures</i>	-74	-45
<i>Depreciation</i>	17	15
Operating cash flow	2,160	1,944

Loan-to-value ratio	31 Dec 2022	31 Dec 2021
Interest-bearing debt	49,567	42,498
Cash and cash equivalents	-526	-687
Net debt	49,041	41,811
Market value of properties	84,879	75,737
Investments in joint ventures	1,665	1,271
Total	86,544	77,008
Loan-to-value ratio	56.7%	54.3%

Debt-coverage ratio	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	526	687
Undrawn committed credit facilities	13,500	12,500
Available liquidity	14,026	13,187
Short-term borrowings	8,503	7,600
Debt-coverage ratio	165%	174%

Share of secured debt	31 Dec 2022	31 Dec 2021
Secured debt outstanding	–	–
Market value of properties	84,879	75,737
Share of secured debt	0.0%	0.0%

NOI margin	Jan-Dec 2022	Jan-Dec 2021
Rental income	4,073	3,614
Other property income	23	24
Total property income	4,097	3,638
Net operating income	3,032	2,742
NOI margin	74.0%	75.4%

Questions and more information

For more information, please contact:

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

Financial calendar

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
Interim report Jan-Sep 2023	20 Oct 2023



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