

Q4

Year-end report 2021

Summary, January-December 2021

- » Rental income increased 11 per cent to SEK 3,614 million (3,270).
- » Profit from property management increased 19 per cent to SEK 2,145 million (1,810).
- » Changes in the value of properties amounted to SEK 7,587 million (2,441) and changes in the value of financial instruments to SEK 209 million (-72).
- » Profit after tax for the year increased to SEK 8,189 million (3,333).
- » Market value of investment properties was SEK 75,737 million (62,240).
- » During the year, SEK 4,133 million (3,255) was invested in new construction, re-developments and refurbishments.
- » During the year, 38 properties (32) were acquired for SEK 3,456 million (2,483) and five properties (10) were divested for SEK 2,030 million (124).

Significant events during the fourth quarter

- » An agreement to acquire the Lilla Tensta 1 property was signed with SISAB, comprising the Tensta upper-secondary school and Tensta Träff buildings.
- » A loan agreement of SEK 1 billion was signed with the European Investment Bank (EIB). The capital will be used to build more energy-efficient public properties in Sweden and Finland.
- » Sweden Green Building Council (SGBC) named Hemsö winner of the ZeroCO₂ Project of the Year for the Sköndalsvillan nursing home in Tyresö, and BREEAM-In-Use Building of the Year for the Torp medical centre in Lerum.
- » Events after the period: Hemsö updated its financial policy in regard to the company's loan-to-value ratio and interest-coverage ratio. The loan-to-value ratio should be less than 60 per cent over time and the interest-coverage ratio higher than 3.0 times.

Hemsö in summary

	Jan-Dec 2021	Jan-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Rental income, SEK million	3,614	3,270	946	838
Profit from property management, SEK million	2,145	1,810	558	403
Profit after tax, SEK million	8,189	3,333	2,785	1,801
Operating cash flow, SEK million	1,944	1,696	536	421
Loan-to-value ratio, %	54.3	60.0	54.3	60.0
Interest-coverage ratio, times	5.7	4.5	6.6	3.5
Market value of investment properties, SEK million	75,737	62,240	75,737	62,240
NOI margin, %	75.4	73.7	73.7	70.1
Economic occupancy rate, %	97.9	97.9	97.9	97.9
Rental duration, years	9.6	9.8	9.6	9.8
Lettable area, tsqm	2,218	2,005	2,218	2,005



CEO statement

I feel a deep sense of gratitude as I sum up the past year. Hemsö's operations and employees were not affected by the pandemic in the same ruthless way as many others. We are presenting the strongest year-end result since Hemsö was founded. Our profit from property management increased 19 per cent to approximately SEK 2 billion, while our cash flow, balance sheet and other important financial ratios improved during the year.

In 2021, we continued to strengthen the backbone of society by investing in sustainable social infrastructure. I remember my own time as a high school student in Botkyrka in southern Stockholm. There were a lot of students who had dropped out when I graduated. At that time, I felt excited about going out into the world and exploring all of the opportunities that lay at my feet. Now, as an adult, I think a lot about the importance of a good education for everyone, and how school is so important to future success. That is why I want to do everything I can to ensure that more children and young people have access to a good school.

Hemsö invests where others retreat

One of the biggest highlights of 2021 was Hemsö's acquisition of Tensta high school. An empty school in an area where children and young people have exactly the same dreams that I had. I feel grateful to be working in a company together with colleagues who, like me, want to make a difference, and also have the expertise and capital to do so. We also have a Board that entrusts us to invest in an area where many others would rather focus on the problems than the opportunities.

Our vision is to re-establish Tensta as a school campus and provide a really good education for students of all ages. To breathe life and spirit into the buildings during school hours, and a thriving community life in the evenings and weekends. We are humbled by the task, but confident we can succeed together

with our partners and the local community.

More school places where they are needed most

Due to socio-economic challenges, it is often difficult to attract private capital for investment in the areas that need it most. Hemsö wants to invest in these areas. We believe in the power of change and that the way forward is together, that municipalities, school operators, property owners and police can make the biggest difference by working together.

In addition to Tensta high school, the inauguration of Paradiskolan elementary school was an important milestone. The school accommodates 700 students and was constructed in Tjärna Ängar, a weak socio-economic area, in Borlänge. Hemsö developed the new school with the municipality as tenant.

Climate-smart solutions

In August, we inaugurated our first school development in Germany, the Dabendorf high school for 1,000 students in Zossen outside Berlin. A wastewater heat recovery system has been installed in the school, which uses the residual heat from drained wastewater to heat the building in winter.

We are at the forefront of environmental initiatives and our efforts were recognised at the Sweden Green Building Awards. The Sköndalsvillan nursing home in Tyresö outside Stockholm was named ZeroCO₂ Project of the Year and nominated in the Miljöbyggnad of the Year category. Torp medical centre in Lerum won BREEAM In-Use Building of the Year.

A number of energy investments are taking place in Finland. One example is Turku City Hospital, where the existing system is undergoing extensive refurbishment to improve energy efficiency and geothermal heating is being installed. In Helsinki and Turku, we are reducing CO₂ emissions by approximately 750 tonnes.

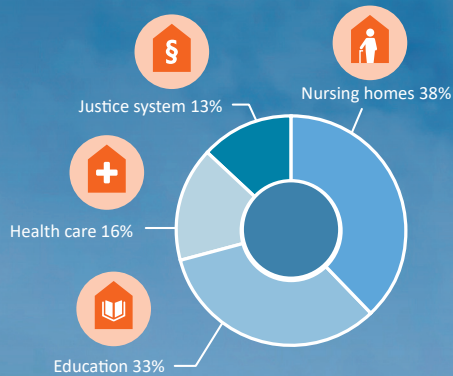
Alone is not strong

We are a close-knit team here at Hemsö. That has been the key of our success during the year. We are a competent team and inspire each other to think innovatively and aim for a higher purpose. We also work closely with the public sector, and with private school and health care operators.

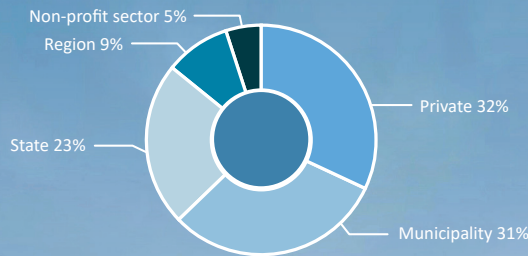
Therefore, the debate on whether public or private operators should own public properties is rather misguided. My view is that a combination of private and public ownership creates added value for everyone. We all have the same goal – to create the most sustainable social infrastructure we can on the basis of our expertise and capabilities. Collaboration is the way forward, we are stronger together.

Nils Styf, CEO

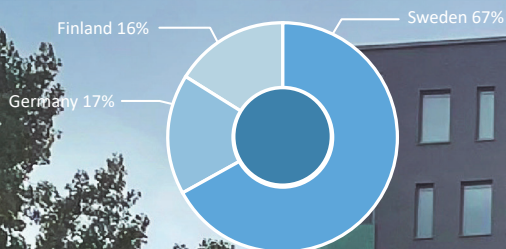
Contracted rent per property category



Contracted rent per customer category



Market value of investment 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 the majority owner.
- The total value of Hemsö's property portfolio is SEK 75.7 billion.
- Hemsö has a credit rating of A+ from Fitch Ratings and A- from Standard & Poor's.

Vision

We are strengthening 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-December 2021 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 increased 11 per cent to SEK 3,614 million (3,270), primarily attributable to completed development projects and acquisitions. Rental income rose 9 per cent in Sweden, 23 per cent in Germany and 5 per cent in Finland.

In the comparable portfolio, rental income declined SEK 2 million. Rental income was negatively impacted by exchange rate fluctuations of SEK -35 million.

At period-end, contracted annual rent amounted to SEK 3,815 million (3,355) before rent reductions of SEK 24 million (15). Economic vacancies amounted to SEK 83 million (74). The economic occupancy rate remained unchanged and was 97.9 per cent (97.9) at period-end.

Rental agreements with an annual rent of SEK 252 million expire in 2022, corresponding to 7 per cent of Hemsö's contracted rental income. The rental duration was 9.6 years (9.8).

Property costs

Property costs amounted to SEK 896 million (867), up SEK 29 million. Costs rose due to a larger property portfolio and increased operating costs due to a colder winter. Maintenance costs declined SEK 61 million year-on-year. In the comparable portfolio, property costs rose SEK 12 million, or 2 per cent.

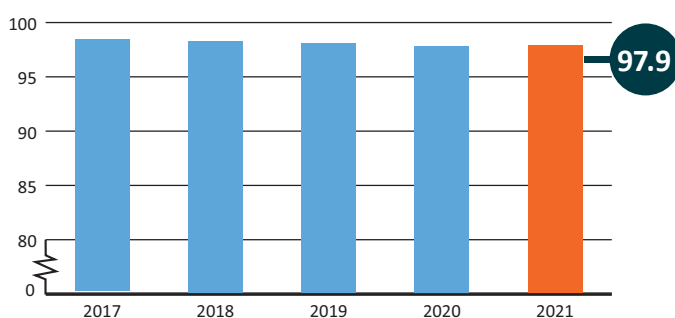
Vacancy changes

SEK million	Jan-Dec 2021
Opening vacancy	74
Terminated rental agreements	39
Adjusted for vacancy rents	-12
New rental agreements	-22
Acquired	4
Divested	0
Closing vacancy	83

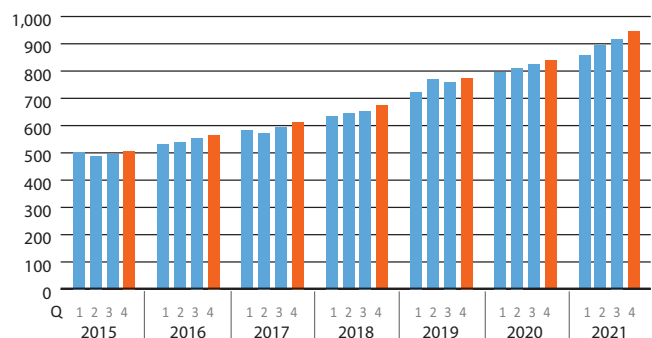
Rental maturity

Year	Annual rent, SEK million	Share, %
2022	252	7
2023	233	6
2024	199	5
2025	265	7
2026	174	5
2027	212	6
2028	268	7
2029	197	5
2030	248	6
2031	282	7
>2031	1,485	39
Total	3,815	100

Economic occupancy rate, %



Rental income, SEK million



SEK 3,614 million

Rental income

Net operating income

Net operating income increased to SEK 2,742 million (2,425). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin rose to 75.4 per cent (73.7), mainly the result of lower maintenance costs.

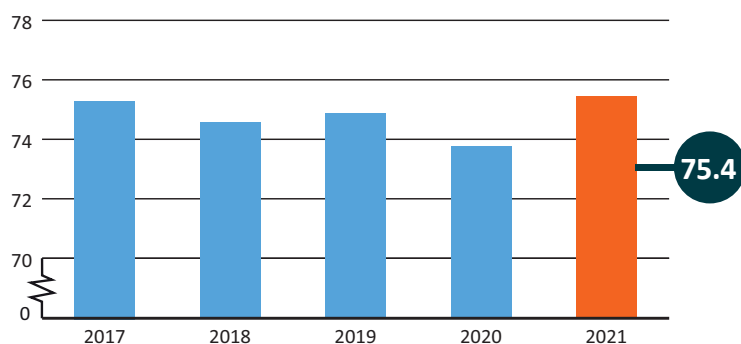
In the comparable portfolio, net operating income declined to SEK 2,186 million (2,201), primarily due to increased operating costs and a negative impact of changes in exchange rates.

Comparable portfolio

	31 Dec 2021	31 Dec 2020	Change
No. of properties	319	319	–
Market value of investment properties, SEK million	53,672	47,677	12.6%
Property yield, %	4.1	4.5	-0.4

Amounts in SEK million	Jan-Dec 2021	Jan-Dec 2020	Change, %
Rental income	2,927	2,929	-0.1
Other income	21	21	-3.5
Operating costs	-488	-431	13.3
Maintenance costs	-202	-255	-20.8
Other costs	-72	-64	12.6
Net operating income	2,186	2,201	-0.7

NOI margin, rolling 12-month period, %



Administration

Administrative expenses for the period were in line with the preceding year and amounted to SEK 156 million (158).

Financial items

Net financial expense improved year-on-year and amounted to SEK -486 million (-500). The change in net financial expense was mainly attributable to decreased interest expense due to a lower average interest rate. Interest-bearing liabilities rose to SEK 42,498 million (38,652). The average interest rate was 1.1 per cent (1.2), and the fixed-rate period was 6.3 years (6.2).

Financial items

SEK million	Jan-Dec 2021	Jan-Dec 2020
Interest income	12	11
Other financial income	32	57
Interest expense	-450	-495
Other financial expenses	-52	-50
Ground leases and leasehold properties	-28	-24
Total financial items	-486	-500

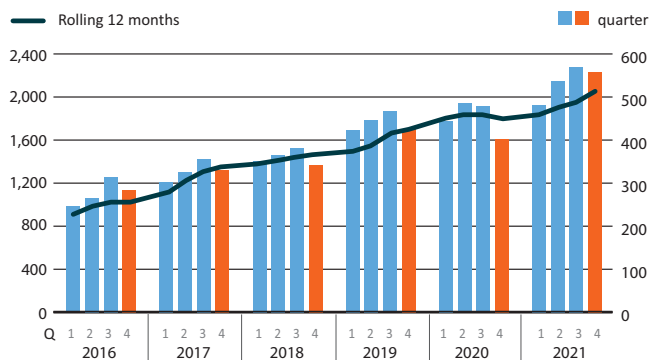
SEK 2,742 million

Net operating income

Profit from property management

Profit from property management rose 19 per cent to SEK 2,145 million (1,810), mainly attributable to a larger property portfolio and lower net income. Profit from property management was negatively impacted by exchange rate fluctuations of SEK -24 million.

Profit from property management, SEK million



Market value of investment properties

SEK 75.7 billion

Properties

441

Lettable area

2,218 tsqm

Change in value of investment properties

Change in the value of properties for the year amounted to SEK 7,587 million (2 441), of which unrealised value changes amounted to SEK 7,579 million (2,408) and realised value changes to SEK 8 million (33).

Unrealised value changes were attributable to lower yield requirements in all markets, but also property management and development projects. The yield on the property portfolio, excluding development properties, was 4.0 per cent (4.5). The total return was 15.8 per cent (8.5).

Unrealised value changes properties, Jan-Dec 2021

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	2,375	169	188	2,732
– Market factors	3,784	641	422	4,847
Total unrealised value changes	6,160	810	610	7,579

Change in value of property portfolio

	SEK million	No. of
Market value of investment properties, opening balance	62,240	392
Acquisitions	3,456	38
Investments in construction, redevelopment and refurbishment	4,133	
Re-allotment	–	16
Divestments	-2,030	-5
Disposals	-60	
Exchange-rate fluctuations	417	
Unrealised value changes	7,579	
Market value of investment properties, closing balance	75,737	441

Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 209 million (-72) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 200 million (-45) on profit, and were mainly attributable to rising market rates. Derivatives attributable to currency risk management had a positive impact of SEK 9 million (-27) on profit.

Tax

Recognised tax for the year amounted to SEK -1,885 million (-803), of which current tax accounted for SEK -107 million (-115) and deferred tax for SEK -1,779 million (-688). Deferred tax expense mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. Deferred tax assets amounted to SEK 7 million (71) at year-end. Deferred tax liabilities amounted to SEK 6,089 million (4,341). Deferred tax assets were netted against deferred tax liabilities on the balance sheet.

Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	31 Dec 2021	31 Dec 2020
Sweden East	920	831	709	607	20,924	18,892
Sweden West	471	463	317	312	9,006	7,299
Sweden Central/North	604	521	459	393	12,374	9,728
Sweden South	366	344	241	211	8,205	6,107
Germany	580	470	520	428	12,742	10,171
Finland	672	640	496	474	12,486	10,044
Total	3,614	3,270	2,742	2,425	75,737	62,240

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, West, Central/North and South. In the fourth quarter, Hemsö's property portfolio in Östergötland was transferred from Central/North to the West region.

Earnings

Profit after tax for the year totalled SEK 8,189 million (3,333). The increase was mainly attributable to higher changes in the value of investment properties but also to higher profit from property management and improved earnings from associated companies.

Cash flow

Hemsö's operating cash flow rose 15 per cent to SEK 1,944 million (1,696). Cash flow from operating activities before changes in working capital was SEK 1,917 million (1,675). The change in working capital was SEK 597 million (-150). Investing activities had a negative impact of SEK -6,099 million (-5,614) on cash flow, while increased borrowings, loan repayments, shareholder contributions received and dividends had a positive impact of SEK 3,367 million (3,989) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK -218 million (-100).

Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties through ownership of shares in the property-owning subsidiaries. Parent Company sales amounted to SEK 106 million (83) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -203 million (-176), mainly attributable to higher personnel costs due to more employees. Financial items amounted to income of SEK 179 million (972). Financial items include profit of SEK 290 million (716) from participations in Group companies, interest income of SEK 671 million (617), interest expense of SEK -501 million (-544), and exchange-rate differences of SEK -281 million (183). Changes in the value of financial instruments amounted to SEK 166 million (-47) and comprehensive income for the year totalled SEK 570 million (1,040).

Property portfolio

Of the property value of SEK 75,737 million (62,240), 67 per cent (68) was attributable to Sweden, 17 per cent (16) to Germany and 16 per cent (16) to Finland.

At year-end, Hemsö owned properties in 62 municipalities in Sweden, 59 municipalities in Germany and 29 municipalities in Finland. The largest share of the market value of investment properties, 83 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 property value, followed by Education at 35 per cent. Health care accounts for 15 per cent and the Justice system for 12 per cent. At 31 December 2021, Hemsö's property portfolio comprised 441 properties (392) with a total lettable area of 2,218 tsqm (2,005).

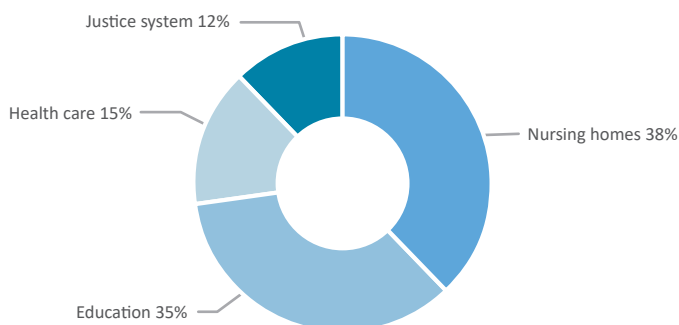
Property transactions

Quarter	No. of	Value, SEK million	Area, sqm
Acquisitions			
Q1	17	1,522	93,486
Q2	12	1,176	42,202
Q3	6	520	20,381
Q4	3	239	8,950
Total	38	3,456	165,019
Divestments			
Q1	1	7	–
Q2	1	1	–
Q3	2	137	1,918
Q4	1	1,885	15,156
Total	5	2,030	17,074

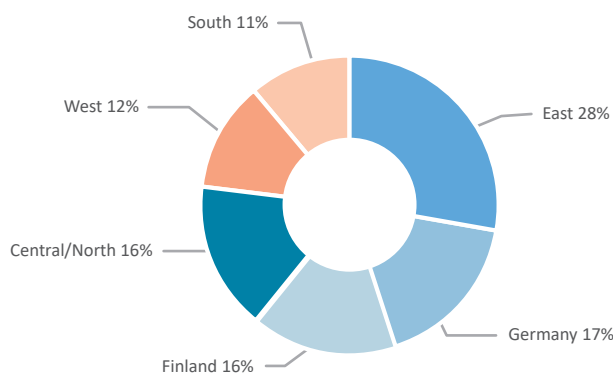
Investments

Investments pertain to investments in existing properties and new developments. 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 4,133 million (3,255) was invested, including SEK 3,294 million (2,601) in construction, re-development and refurbishment, while SEK 839 million (654) pertained to improvements and new lettings.

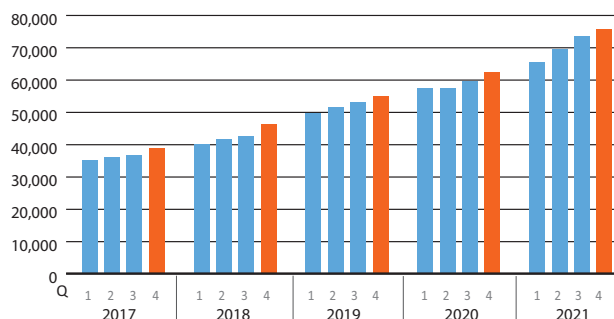
Market value of investment properties per property category



Market value of investment properties per segment



Market value of investment properties, SEK million



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	223	136	57	25	441
Lettable area, tsqm	965	718	308	226	2,218
Rental duration, years	9.4	10.9	8.1	8.5	9.6
Market value of investment properties, SEK million	29.0	26.7	11.5	8.6	75.7
Rental income, SEK million	1,392	1,119	624	479	3,614
Net operating income, SEK million	1,062	865	433	382	2,742
Economic occupancy rate, %	98.4	98.8	96.1	96.2	97.9
Property yield, %	3.9	4.0	4.0	4.6	4.0

Tenants

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

Of Hemsö's total rental income, 94 per cent was derived from taxpayer-funded services. The share of contracted annual rent for public-sector tenants was 63 per cent. Rental agreements with municipalities accounted for 31 per cent, state for 23 per cent and regions for 8 per cent. Private operators account for 32 per cent of the annual rent, and non-profit organisations for 5 per cent. The largest tenants were the Swedish Police Authority, Region Stockholm, the City of Turku, Academedia and Attendo, which jointly account for 22 per cent of 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

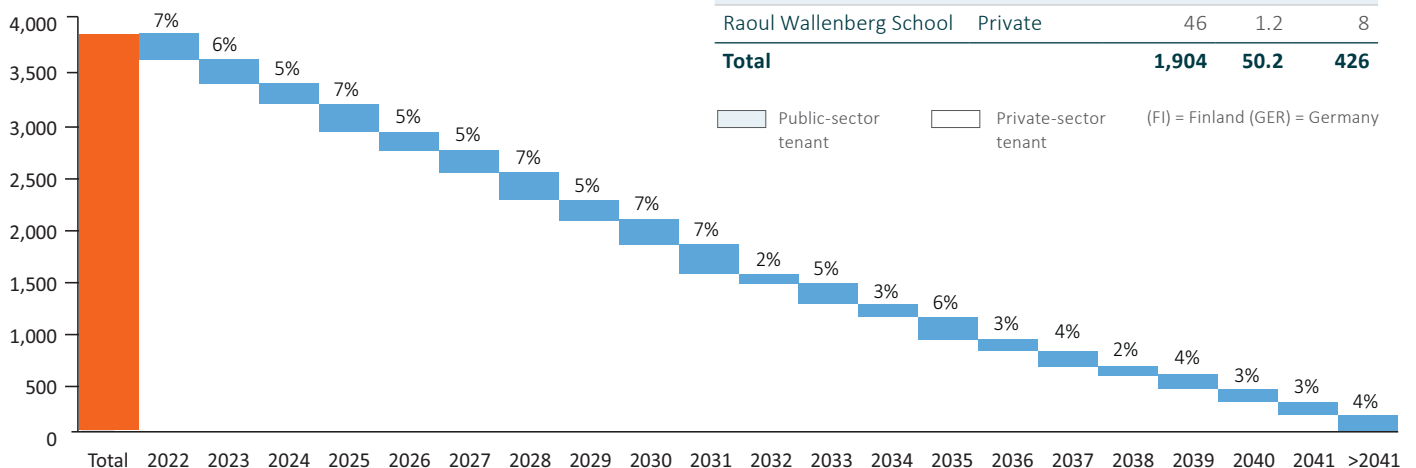
contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 46 million, of which EUR 11 million is secured through pledges. If pledges are included, 45 per cent of rental income in Germany is derived from public-sector tenants.

Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Swedish Police	State	219	5.8	32
Region Stockholm	Region	201	5.3	76
City of Turku (FI)	Municipality	151	4.0	14
Academedia	Private	126	3.3	22
Attendo	Private	124	3.3	82
Ministry of Justice (FI)	State	115	3.0	13
City of Västerås	Municipality	106	2.8	19
Mälardalen University	State	105	2.8	3
AWO (GER)	Non-profit	92	2.4	12
Ambea	Private	77	2.0	9
Norrköping Municipality	Municipality	74	1.9	15
Alloheim (GER)	Private	72	1.9	10
Västra Götaland Region	Region	72	1.9	65
Karolinska Institute	State	64	1.7	5
HEWAG (GER)	Private	57	1.5	9
North Rhine-Westphalia (GER)	State	53	1.4	1
Gävle Municipality	Municipality	53	1.4	19
Mehiläinen (FI)	Private	49	1.3	9
University of the Arts Helsinki (FI)	State	47	1.2	3
Raoul Wallenberg School	Private	46	1.2	8
Total		1,904	50.2	426

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

Rental maturity, annual rent, SEK million

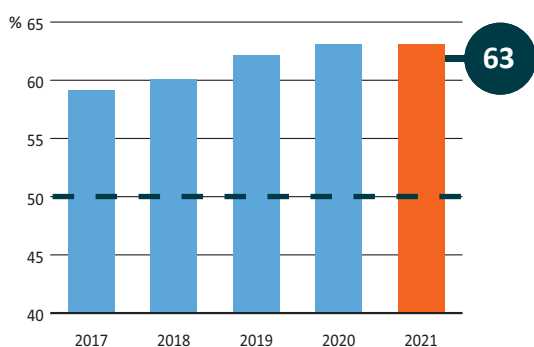


Property frameworks

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.

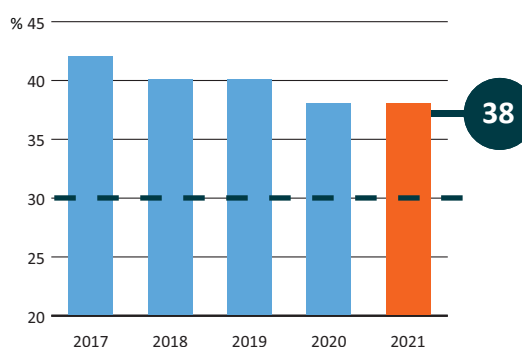
Public-sector tenants

– At least 50 per cent of rental income



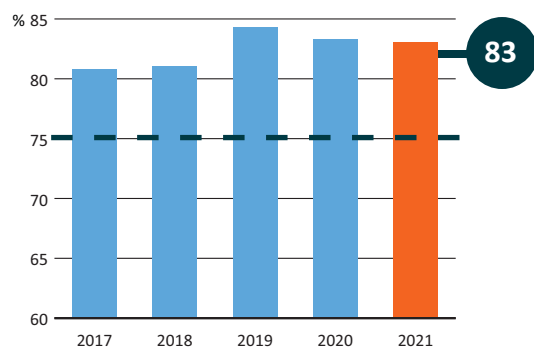
Nursing homes

– At least 30 per cent of rental income



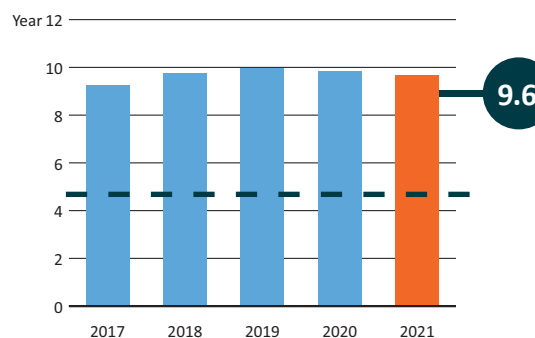
Metropolitan areas and large cities

– 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. 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 75,737 million (62,240).

Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 December 2021. 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. 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 the holding period. Administrative expenses are

Earning capacity

SEK million	31 Dec 2021	31 Dec 2020	Change, %
Rental income	3,791	3,340	14
Property costs	-894	-836	7
Net operating income	2,897	2,504	16
Central administrative expenses	-156	-150	4
Associated companies	49	45	9
Financial items	-514	-493	4
Profit from property management	2,276	1,906	19

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, 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 refurbishment projects exceeding SEK 100 million

Municipality	Development projects	Category	Certification	~ Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Huddinge	Nya Novum ¹⁾	Health care	BREEAM	49,000	870	711	34	61	2024
Gothenburg	Silverkällan	Nursing home	Miljöbyggnad	13,500	499	184	40	96	2022
Nacka	Stavsborgsskolan	Education	Miljöbyggnad	13,000	406	309	30	100	2023
Trelleborg	IES Trelleborg	Education	Miljöbyggnad	11,200	356	135	27	100	2022
Lahti	Paavola Campus ¹⁾²⁾	Education	–	21,100	319	200	22	100	2022–2023
Staffanstorps	IES Staffanstorps	Education	Miljöbyggnad	7,000	300	86	16	100	2022
Tyresö	Sköndalsvillan	Nursing home	Miljöbyggnad	7,000	262	84	14	100	2022
Stockholm	Kadetten ¹⁾	Education	–	11,400	247	70	38	100	2022
Upplands Väsby	Vågen Vilunda	Nursing home	Nordic Swan	6,200	224	112	16	100	2022
Västerås	Södra Källtorp ³⁾	Nursing home	Miljöbyggnad	5,100	174	46	8	100	2022
Helsinki	Arkadiankatu 24 ¹⁾	Education	–	5,800	186	107	16	100	2022
Büttelborn	Büttelborn	Nursing home	–	6,200	169	125	11	100	2022
Potsdam-Mittelmark	Kleinmachnow	Nursing home	–	6,700	166	166	9	100	2023
Täby	Bylegård	Nursing home	Miljöbyggnad	5,500	158	47	13	100	2022
Lund	Växthuset	Education	–	4,700	123	113	9	100	2023
Espoo	Kamreerintie 6 ¹⁾	Health care	–	4,900	110	86	15	100	2022
Villmanstrand	Lauritsa	Justice system	–	3,100	109	50	7	100	2022
Total				181,400	4,678	2,631	325		

Public-sector tenant
 Private-sector tenant
 ¹⁾ Refurbishment.
 ²⁾ 2 of 5 sub-projects were completed in Q4 2021.
 ³⁾ Södra Källtorp nursing home was completed in Q3 2021.

Development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. Hemsö's ongoing development projects exceeding SEK 100 million comprised a total investment of SEK 4,678 million, of which the

remaining investment amounted to SEK 2,631 million. The total volume of ongoing construction and refurbishment projects amounted to SEK 5,931 million, of which the remaining investment amount is SEK 3,532 million.

Major completed development projects, 2021

Completed	Municipality	Development projects	Category	Certification	~ Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate, %
Q1	Linköping	Nyponkärnan	Education	Miljöbyggnad	1,700	49	15	3	100
Q2	Solna	Bagartorp ¹⁾	Education	Nordic Swan	4,400	169	30	11	100
Q3	Zossen	Dabendorf	Education	–	16,200	432	20	26	100
Q3	Västerås	Södra Källtorp	Nursing home	Miljöbyggnad	10,000	375	25	21	100
Q3	Norrköping	NOD-huset	Health care	Miljöbyggnad	4,500	260	10	13	89
Q3	Borlänge	Paradisskolan	Education	–	9,200	240	20	17	100
Q3	Oulu	Linnanmaa	Justice system	BREEAM	5,800	157	25	13	100
Q4	Stockholm	Princeton ²⁾	Health care	Miljöbyggnad	22,400	1,667	8	106	93
Q4	Lahti	Paavola ³⁾	Education	–	7,000	243	20	18	100
Q4	Södertälje	Hantverkaren	Nursing home	Miljöbyggnad	5,000	167	20	12	100
Q4	Joensuu	Conservatory	Education	BREEAM	3,300	129	20	10	100
Total					89,500	3,888	17	250	

Public-sector tenant
 Private-sector tenant
 ¹⁾ Municipal guarantee.
 ²⁾ A joint venture was formed with SveaNor to deliver the project. The property was sold and exited in Q4 2021.
 ³⁾ 2 of 5 sub-projects in the project portfolio were completed in Q4 2021.

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 a sustainable society. 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 contributing to social sustainability.

Energy and climate

An important process for Hemsö is to continuously improve the energy performance of the properties. The focus is also to help to reduce emissions through the choice of energy source.

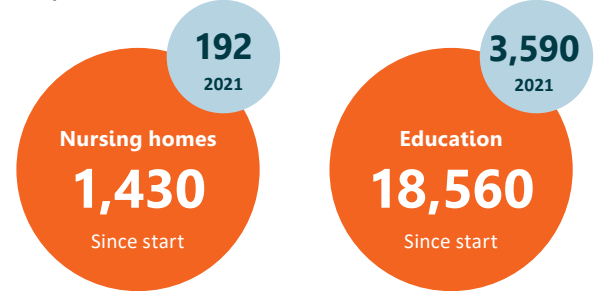
Energy use continues to decline during the fourth quarter. The decrease is mainly due to the fact that a larger property is currently undergoing refurbishment and is therefore not included in the statistics. Operational optimization and energy efficiency improvements have also led to reduced energy use.

Environmental certification

At the end of the fourth quarter, Hemsö had 70 environmental certifications (56). The certifications included 37 Miljöbyggnad (32), 4 LEED (4), 1 BREEAM (1), 25 BREEAM In-Use (18), 1 DGNB (1), 1 Nordic Swan Ecolabel (-) and 1 NollCO₂ (-). The number of certified buildings is rising steadily due to the growing number of own-developed buildings, where Hemsö specifies a requirement for environmental certification. In addition, a growing share of existing buildings is gradually being certified. During the year, Hemsö was accredited with the first Nordic Swan Ecolabelled school in Stockholm, Bagartorpsskolan, and the first NollCO₂-certified nursing home in Sweden, Sköndalsvillan.

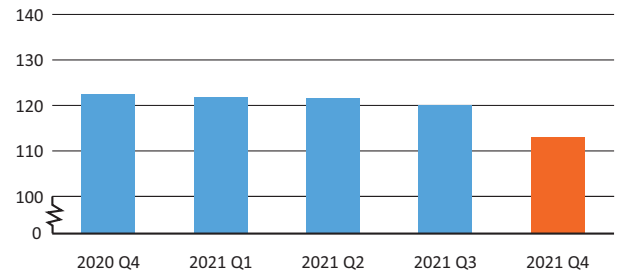
Hemsö has been involved in the design and development of Sweden Green Building Council's new ZeroCO₂ certification. Sköndalsvillan was also named NollCO₂ Project of the Year at the 2021 Sweden Green Building Awards.

Beds/places created



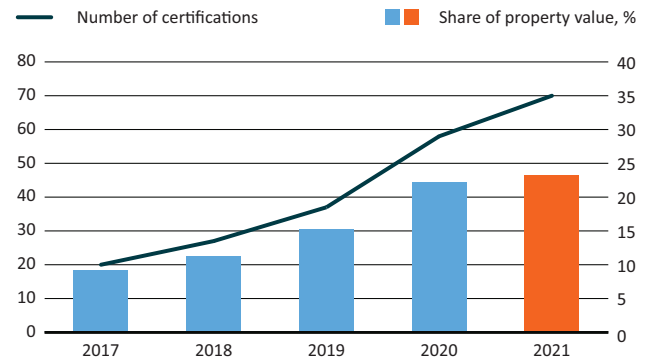
The totals pertain to the number of beds/places that Hemsö has added through completed development projects between 2009 and the fourth quarter of 2021.

Energy consumption, kWh/m², rolling 12-month period*



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

Environmentally certified properties*



*Environmental certification of Miljöbyggnad, Silver Level, or an equally high level of certification. Comprises Sweden, Finland and Germany.



Hemsö reduces emissions in the early stages

Hemsö's climate strategy includes investment in new technological solutions and innovation to reduce the emissions associated with construction. Within climate optimisation in the early stages of construction projects, Hemsö is running two pilot projects with the aim of developing new tools. The first pilot project is taking place with Plant, which has previously helped Hemsö calculate its emissions for several development projects. The second pilot project is taking place with Nodon, a start-up company with a focus on using AI to estimate emissions. The models are expected to be ready for use in 2022.

Associated companies

At 31 December 2021, Hemsö owned shares in two associated companies, Turku Technology Properties Oy (TTP) and Lanthem Samhällsfastigheter AB (Lanthem). These companies are reported in Hemsö's consolidated accounts using the equity method. The value of the share of Lanthem is SEK 210 million (136), and the value of the share of TTP is SEK 1,059 million (563). Total investments in associated companies amounted to SEK 1,271 million (698).

Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö owns 44 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. The other owners are the Turku University of Applied Sciences, OP-bank and the Eschnerska Frilasarettet Foundation.

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 2021, 64 per cent of rental income was derived from public-sector tenants and the rental duration was seven years.

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.

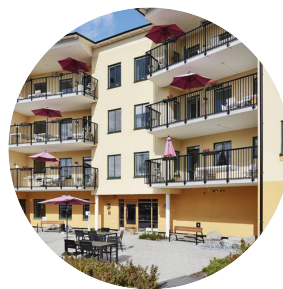
The partnership will secure Hemsö's access to land for attractive development projects. The company acquired five nursing homes and school properties from Lantmännen. The ongoing development projects mainly belong to these two categories. Lanthem currently has two ongoing development projects for new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

Profit from associated companies, SEK million

Jan-Dec 2021	TTP	Lanthem	Total
Profit from property management	38	7	45
Value changes, investment properties	27	86	113
Value changes, financial instruments	70	–	70
Tax	-31	-19	-50
Profit recognised	103	74	177



TTP	31 Dec 2021	31 Dec 2020
Shareholding, %	44	40
Rental value, SEK million	322	316
No. of properties	25	23
Economic occupancy rate, %	98	96
Market value of investment properties, SEK million	4,654	3,946
Rental duration, years	7	8
Share of public-sector tenants, %	64	64



Lanthem	31 Dec 2021	31 Dec 2020
Shareholding, %	50	50
Rental value, SEK million	22	21
No. of properties	5	5
Economic occupancy rate, %	100	100
Market value of investment properties, SEK million	679	432
Rental duration, years	8	9
Share of public-sector tenants, %	30	30

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 54.3 per cent (60.0) and the interest-coverage ratio was 5.7 times (4.5).

Hemsö issues bonds in Swedish and European capital markets and certificates in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks, the European Investment Bank (EIB) 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

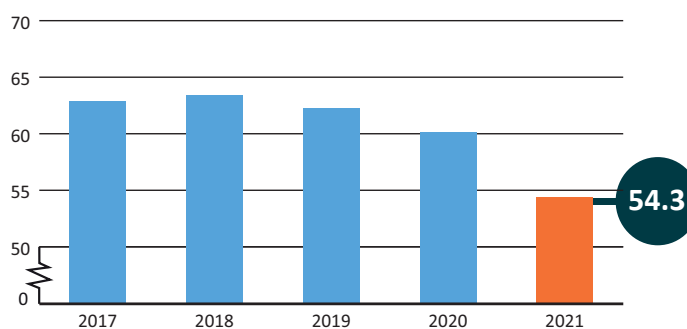
Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A+	F1+	Stable	31 Mar 2021
Standard & Poor's	A-	A-2	Stable	2 Sep 2021

Interest-bearing liabilities

At year-end, Hemsö's interest-bearing liabilities amounted to SEK 42,498 million (38,652), and the increase was mainly due to a high rate of investment.

At year-end, Hemsö had undrawn committed credit facilities totalling SEK 12,500 million (12,500), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents amounted to SEK 687 million (891). Available

Loan-to-value ratio, %



Sources of funding, SEK million

	Q4 2021	Q4 2020
Bonds, SEK	12,617	14,052
Bonds, EUR	17,514	13,707
Bonds, AUD, NOK, USD	3,423	1,468
Total bonds	33,555	29,227
Commercial papers, SEK	4,490	5,023
European Investment Bank, SEK, EUR	2,887	2,848
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	767	753
Total interest-bearing liabilities	42,498	38,652

Capital structure, SEK million

	Q4 2021	Q4 2020
Interest-bearing liabilities	42,498	38,652
Cash and cash equivalents	687	891
Net debt	41,811	37,761
Market value of investment properties	75,737	62,240
Investments in associated companies	1,271	698
Total	77,008	62,938
Loan-to-value ratio	54.3%	60.0%
Share of secured debt	0.0%	0.0%

liquidity therefore totalled SEK 13,187 million (13,391). The debt-coverage ratio was 174 per cent (141).

Hemsö uses interest-rate derivatives to manage its interest-rate risk, and foreign exchange and cross currency swaps to manage the company's currency risk.

At year-end, the nominal value of the interest-rate derivatives was SEK 4,800 million (6,300). The nominal value of derivatives used to manage currency risk corresponded to SEK 3,187 million (1,396). Currency exposure amounted to 9.6 per cent (10.3) of equity.

At year-end, the average loan maturity was 6.8 years (6.7) and the average fixed-rate period was 6.3 years (6.2). The average interest rate was 1.1 per cent (1.2).



Tensta high school and Tensta Träff – acquisition signed in November

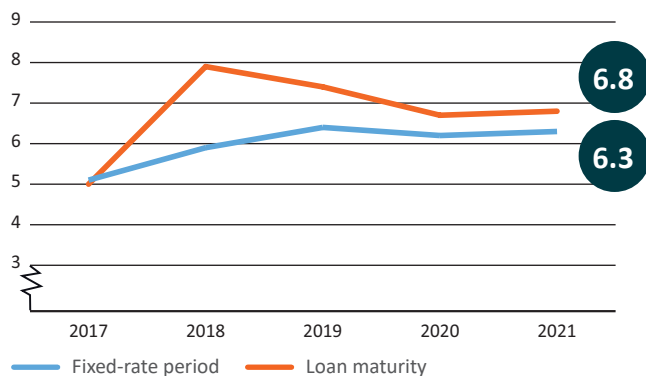
Committed credit facilities and underwriting commitments, SEK million

	Q4 2021	Q4 2020
Banks	6,500	7,500
Third Swedish National Pension Fund	5,000	5,000
European Investment Bank (EIB)	1,000	0
Total committed credit facilities	12,500	12,500
Cash and cash equivalents	687	891
Available liquidity	13,187	13,391
Short-term borrowings	7,600	9,524
Debt-coverage ratio	174%	141%

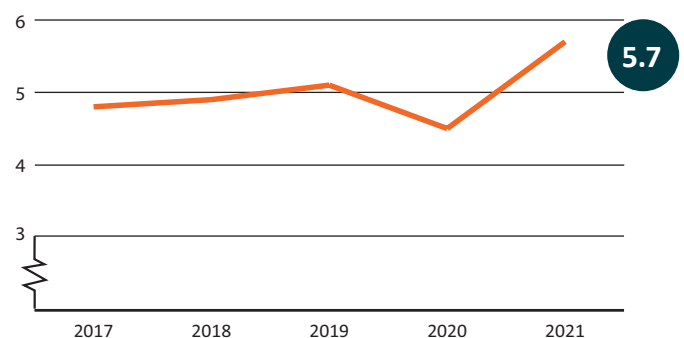
Currency exposure, SEK million

	Q4 2021	Q4 2020
Properties, EUR	25,227	20,215
Associated companies, EUR	1,059	563
Cash, EUR	-6	-43
Assets, EUR	26,280	20,735
Debt, EUR	20,368	16,508
Currency swaps, EUR	3,187	1,396
Exposure, EUR	2,725	2,831
Debt NOK, AUD, USD	3,423	1,468
Currency swaps NOK, AUD, USD	-3,423	-1,468
Exposure NOK, AUD, USD	0	0
Currency hedging	-	-764
Currency exposure	2,725	2,067
Equity	28,350	20,082
Currency exposure	9.6%	10.3%

Loan maturity and fixed-rate period, years



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



Hemsö updated its financial policy in regard to the company's loan-to-value ratio and interest-coverage ratio. The loan-to-value ratio should be less than 60 per cent over time and the interest-coverage ratio higher than 3.0 times.

Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 60%	54.3
Loan maturity	At least 3 years	6.8
Debt-coverage ratio	At least 125%	174
Share of secured debt	Max. 20%	0.0
Interest-rate risk		
Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	5.7
Fixed-rate period	Average fixed-rate period, 3–8 years	6.3
Fixed-rate maturity	Max. 40% within 12 months	20
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% of equity	9.6



Acquired university property in Lappeenranta, Finland



Re-use in focus when construction of the Stavsborg School in Nacka commenced

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, %
2022	3,102	3,102	7	8,332	20
2023	10,153	3,653	9	2,550	6
2024	7,252	2,252	5	2,550	6
2025	2,350	2,350	6	1,150	3
2026	6,149	6,149	14	5,349	13
2027	100	100	0	0	0
2028	5,177	5,177	12	5,577	13
2029	4,046	4,046	10	4,046	10
2030	2,151	2,151	5	4,151	10
>2030	10,029	9,029	21	8,792	21
Total	50,509	38,009	89	42,498	100
Commercial papers		4,490	11		
Total		42,498	100		

Quarterly overview, Q4 2021

Amounts in SEK million	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Income statement									
Property income	954	922	900	863	845	829	816	804	780
Property costs	-251	-200	-209	-236	-252	-203	-202	-210	-226
Net operating income	703	722	690	627	592	626	614	594	554
Central administrative expenses	-43	-41	-41	-31	-45	-39	-33	-42	-29
Profit/loss from participations in associated companies	98	0	18	61	8	12	-8	-11	27
Operating profit	759	681	667	657	555	599	573	541	552
Financial items	-114	-122	-125	-125	-157	-124	-105	-114	-109
Profit after financial items	644	559	542	533	398	475	468	427	443
<i>- of which Profit from property management</i>	<i>558</i>	<i>570</i>	<i>537</i>	<i>481</i>	<i>403</i>	<i>478</i>	<i>485</i>	<i>445</i>	<i>425</i>
Value change, investment properties	2,679	2,404	1,915	589	1,809	299	223	110	758
Value change, financial instruments	70	27	72	40	20	27	-49	-70	154
Profit before tax	3,394	2,990	2,529	1,162	2,226	801	642	467	1,355
Current tax	10	-35	-44	-37	-3	-29	-49	-34	-25
Deferred tax	-618	-532	-439	-189	-421	-119	-79	-68	-216
Profit for the period	2,785	2,423	2,046	935	1,801	653	515	364	1,114
Other comprehensive income	-3	20	-21	62	-145	0	-104	161	-66
Comprehensive income for the period	2,782	2,443	2,025	997	1,656	654	410	525	1,048
Balance sheet									
Investment properties	75,737	73,516	69,619	65,528	62,240	59,658	57,533	57,300	55,027
Right-of-use assets	759	724	723	730	605	611	612	629	582
Participations in associated companies	1,271	1,168	1,160	771	698	719	706	745	634
Derivatives	161	33	-	-	-	-	-	-	-
Other assets	892	730	706	781	758	680	686	706	713
Cash and cash equivalents and short-term investments	687	533	519	1,673	891	1,249	1,173	994	988
Total assets	79,508	76,705	72,727	69,483	65,193	62,917	60,711	60,375	57,945
Equity	28,350	25,646	22,203	21,079	20,082	18,443	16,789	17,239	16,714
Deferred tax liabilities	6,082	5,467	4,923	4,497	4,270	3,875	3,763	3,706	3,600
Derivatives	-	-	32	95	231	293	287	287	211
Interest-bearing liabilities	42,498	43,067	43,097	41,626	38,652	38,431	38,136	37,307	35,542
Lease liabilities	759	724	723	730	605	611	612	629	582
Non-interest-bearing liabilities	1,819	1,800	1,748	1,457	1,353	1,264	1,124	1,206	1,296
Total equity and liabilities	79,508	76,705	72,727	69,483	65,193	62,917	60,711	60,375	57,945
Key ratios									
Financial ratios									
Loan-to-value ratio, %	54.3	57.0	60.1	60.2	60.0	61.6	63.5	62.6	62.1
Interest-coverage ratio, times*	5.7	4.8	4.7	4.7	4.5	5.0	5.0	4.9	5.1
Operating cash flow, SEK million	536	533	517	379	421	445	453	377	399
Property-related key ratios									
Property yield, %	4.0	4.3	4.4	4.5	4.5	4.6	4.7	4.7	4.7
Total yield, %*	15.8	14.8	11.7	9.0	8.5	6.8	7.3	8.3	8.7
Economic occupancy rate, %	97.9	98.0	97.9	98.0	97.9	97.9	98.1	98.1	98.1
NOI margin, %	73.7	78.3	76.7	72.6	70.1	75.5	75.3	73.9	71.0
No. of properties	441	426	421	408	392	381	383	376	370
Lettable area, tsqm	2,218	2,226	2,155	2,101	2,005	1,954	1,923	1,890	1,884

* Based on rolling 12-month outcome.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Dec 2021	Jan-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Rental income	3,614	3,270	946	838
Other income	24	23	7	7
Operating costs	-595	-488	-166	-127
Maintenance costs	-226	-287	-71	-82
Other property costs	-75	-92	-14	-43
Net operating income	2,742	2,425	703	592
Central administrative expenses	-156	-158	-43	-45
Profit/loss from participations in associated companies	177	1	98	8
- of which profit from property management	45	43	11	13
- of which changes in value	183	-38	125	7
- of which tax	-50	-5	-38	-12
Operating profit	2,764	2,268	759	555
Financial items	-486	-500	-114	-157
Profit after financial items	2,278	1,768	644	398
- of which Profit from property management	2,145	1,810	558	403
Value change, investment properties	7,587	2,441	2,679	1,809
Value change, financial instruments	209	-72	70	20
Profit before tax	10,075	4,136	3,394	2,226
Current tax	-107	-115	10	-3
Deferred tax	-1,779	-688	-618	-421
Profit for the period	8,189	3,333	2,785	1,801
Profit for the period attributable to				
Parent Company shareholders	7,953	3,255	2,717	1,768
Non-controlling interests	236	78	68	33
Other comprehensive income				
Profit for the period	8,189	3,333	2,785	1,801
Translation difference	58	-88	-3	-145
Comprehensive income for the period	8,247	3,245	2,782	1,656
Comprehensive income for the period attributable to				
Parent Company shareholders	8,011	3,169	2,714	1,656
Non-controlling interests	236	76	68	30

Group – Condensed statement of financial position

Amounts in SEK million	31 Dec 2021	31 Dec 2020
ASSETS		
Investment properties	75,737	62,240
Right-of-use assets	759	605
Participations in associated companies	1,271	698
Derivatives	161	–
Other non-current assets	39	31
Total non-current assets	77,967	63,574
Current receivables	853	727
Cash and cash equivalents	687	891
Total current assets	1,541	1,618
TOTAL ASSETS	79,508	65,193
EQUITY AND LIABILITIES		
Equity	28,350	20,082
Deferred tax liabilities	6,082	4,270
Non-current interest-bearing liabilities	34,898	29,128
Lease liabilities	759	605
Derivatives	–	231
Total non-current liabilities	41,738	34,233
Current interest-bearing liabilities	7,600	9,524
Other current liabilities	1,819	1,353
Total current liabilities	9,419	10,877
TOTAL EQUITY AND LIABILITIES	79,508	65,193

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 2020	1	6,835	235	9,095	548	16,714
Dividends	–	-300	–	-560	–	-860
Shareholder contributions received	–	1,000	–	–	–	1,000
Minority divestment	–	–	–	–	-17	-17
Comprehensive income (1 Jan 2020-31 Dec 2020)	–	–	-86	3,255	76	3,245
Closing equity, 31 Dec 2020	1	7,535	148	11,790	608	20,082
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

Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Dec 2021	Jan-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Operating activities				
Profit from property management	2,145	1,810	558	402
<i>Adjusted for non-cash items in profit from property management</i>				
Profit from property management participations in associated companies	-45	-43	-11	-13
Depreciation	15	12	5	5
<i>Adjusted for other non-cash items</i>				
Exchange differences, unrealised	-9	-21	-9	-3
Tax paid	-189	-83	-16	27
Cash flow before changes in working capital	1,917	1,675	527	419
Increase (+)/decrease (-) in working capital	597	-150	22	-155
Cash flow from operating activities	2,514	1,525	549	263
Investing activities				
Acquisition of properties	-3,456	-2,483	-239	-1,006
Investments in construction, re-development and refurbishment	-4,133	-3,255	-1,179	-771
Property divestments	1,878	148	1,730	16
Investments in financial assets	-400	-86	-2	0
Dividends from associated companies	17	-	0	-
Other non-current assets	-4	61	-4	62
Cash flow from investing activities	-6,099	-5,614	307	-1,699
Financing activities				
Interest-bearing loans raised	10,626	8,783	1,457	2,203
Repayment of interest-bearing liabilities	-7,340	-4,955	-2,165	-1,149
Financial instruments realised	-19	21	-4	19
Shareholder contributions received	1,000	1,000	-	-
Contributions from non-controlling interests	5	-	1	-
Dividends paid	-905	-860	0	-
Cash flow from financing activities	3,367	3,989	-711	1,072
Cash flow for the period	-218	-100	144	-364
Opening cash and cash equivalents	891	988	533	1,249
Exchange-rate differences in cash and cash equivalents	14	4	10	6
Cash and cash equivalents at period-end	687	891	687	891
Operating cash flow	1,944	1,696	536	421

Parent Company – Condensed income statement

Amounts in SEK million	Jan-Dec 2021	Jan-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Net sales	106	83	36	26
Central administrative expenses	-203	-176	-57	-46
Other operating income	0	0	0	0
Operating profit	-96	-93	-20	-20
Financial items	179	972	-44	542
Value change, financial instruments	166	-47	24	50
Appropriations	361	287	361	272
Profit before tax	610	1,119	321	844
Recognised tax	-39	-80	-39	-97
Profit for the period	570	1,040	282	747
Other comprehensive income	–	–	–	–
Comprehensive income for the period	570	1,040	282	747

Parent Company – Condensed balance sheet

Amounts in SEK million	31 Dec 2021	31 Dec 2020
ASSETS		
Non-current assets		
Intangible assets	2	0
Equipment	3	3
Shares and participations in Group companies	7,962	7,718
Deferred tax assets	19	57
Non-current receivables	33,862	31,226
Total non-current assets	41,849	39,005
Current assets		
Current receivables	6,901	5,220
Cash and cash equivalents	0	0
Total current assets	6,901	5,220
TOTAL ASSETS	48,749	44,225
EQUITY AND LIABILITIES		
Equity	5,498	4,833
Untaxed reserves		
Tax allocation reserve	43	43
Liabilities		
Deferred tax liabilities	29	28
Interest-bearing liabilities	42,477	38,652
Non-interest-bearing liabilities	702	669
Total liabilities	43,208	39,349
TOTAL EQUITY AND LIABILITIES	48,749	44,225

Other information

Significant events after period-end

Hemsö updated its financial policy in regard to the company's loan-to-value ratio and interest-coverage ratio. The loan-to-value ratio should be less than 60 per cent over time and the interest-coverage ratio higher than 3.0 times.

Employees

At period-end, Hemsö had 153 employees, of whom 72 were women and 81 men. Of these employees, 46 worked with asset and property management and 26 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 131 are employed in Sweden, eight in Germany and 14 in Finland.

Risks and uncertainties

No changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 69-76 of the 2020 Annual Report.

Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2020 Annual Report.

Joint ventures

Hemsö owns shares in Hemsö Norden KB jointly with the Third Swedish National Pension Fund. This joint venture is included in the consolidated financial statements. Hemsö Norden KB currently owns 27 investment properties through limited partnerships.

Hemsö's shareholding in the subsidiary Scandinavian Life Science AB, which was previously 50 per cent, was divested in November 2021.

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. Hemsö also owns 44 per cent of the shares in Turku Technology Properties Oy, which owns 25 public properties in Turku through subsidiaries. This company is not included in the consolidated accounts.

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 2020 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 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 2021

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, 3 February 2022

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 investment properties.

Loan-to-value ratio

Interest-bearing net debt in relation to the market value of investment 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 the market value of investment 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, taking committed credit facilities into account.

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 of 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 investment properties, adjusted for value changes over a rolling 12-month period.

Currency exposure

Net of market value of investment 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 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 2021	31 Dec 2020
Net operating income according to income statement	2,742	2,425
Adjusted for 12-month holding period	42	-18
Adjusted for development properties	-102	-150
Adjusted net operating income	2,682	2,258
Market value of investment properties	75,737	62,240
Adjusted for development properties	-9,301	-12,089
Adjusted market value	66,436	50,151
Property yield	4.0%	4.5%

Total return	Jan-Dec 2021	Jan-Dec 2020
Net operating income	2,742	2,425
Value change, properties	7,587	2,441
Total	10,329	4,866
Opening market value of investment properties	62,240	55,027
Closing market value of investment properties	75,737	62,240
Adjustment of value change for the period	-7,587	-2,441
Adjusted average property value	65,195	57,413
Total yield	15.8%	8.5%

Profit from property management	31 Dec 2021	31 Dec 2020
Profit after financial items	2,278	1,768
Reversal		
<i>Value changes, associated companies</i>	-183	38
<i>Tax, associated companies</i>	50	5
Profit from property management	2,145	1,810

Interest-coverage ratio	Jan-Dec 2021	Jan-Dec 2020
Operating profit	2,764	2,268
Net financial items	-486	-500
Interest-coverage ratio	5.7 times	4.5 times

Operating cash flow	Jan-Dec 2021	Jan-Dec 2020
Profit from property management	2,145	1,810
Dividends from associated companies	17	-
Tax paid	-189	-83
Reversal		
<i>Profit from property management participations in associated companies</i>	-45	-43
<i>Depreciation</i>	15	12
Operating cash flow	1,944	1,696

Loan-to-value ratio	31 Dec 2021	31 Dec 2020
Interest-bearing debt	42,498	38,652
Cash and cash equivalents	-687	-891
Net debt	41,811	37,761
Market value of investment properties	75,737	62,240
Investments in associated companies	1,271	698
Total	77,008	62,938
Loan-to-value ratio	54.3%	60.0%

Debt-coverage ratio	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	687	891
Undrawn committed credit facilities	12,500	12,500
Available liquidity	13,187	13,391
Short-term borrowings	7,600	9,524
Debt-coverage ratio	174%	141%

Share of secured debt	31 Dec 2021	31 Dec 2020
Secured debt outstanding	0	0
Market value of investment properties	75,737	62,240
Share of secured debt	0.0%	0.0%

NOI margin	Jan-Dec 2021	Jan-Dec 2020
Rental income	3,614	3,270
Other property income	24	23
Total property income	3,638	3,293
Net operating income	2,742	2,425
NOI margin	75.4%	73.7%

Questions and more information

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

Financial calendar

Annual Report	30 Mar 2022
Interim report Jan-Mar 2022	28 Apr 2022
Annual General Meeting	28 Apr 2022
Half-year report Jan-Jun 2022	14 Jul 2022
Interim report Jan-Sep 2022	21 Oct 2022



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