

Q3

Interim report 2021

Summary January-September 2021

- » Rental income increased 10 per cent to SEK 2,668 million (2,432).
- » Profit from property management increased 13 per cent to SEK 1,587 million (1,408).
- » Changes in the value of properties amounted to SEK 4,908 million (632) and changes in the value of financial instruments to SEK 139 million (-92).
- » Profit after tax for the period increased to SEK 5,404 million (1,532).
- » The market value of investment properties was SEK 73,516 million (59,658).
- » During the period, 35 properties (20) were acquired for SEK 3,218 million (1,477) and four properties (nine) were divested for SEK 145 million (108).

Significant events during the third quarter

- » In September, S&P affirmed Hemsö's credit rating of A- with stable outlook, the same credit rating from S&P that Hemsö has had since 2015. Hemsö is now evaluated according to the criteria for traditional real estate companies.
- » Hemsö and Tagebad formed Hemtag Fastigheter AB, a 50/50-owned joint venture, to develop, own and manage aquatic centres.
- » The plans for Barkarby Hospital entered a new phase when Hemsö acquired land and development rights for 42,000 sqm from Järfälla Municipality.
- » Hemsö acquired a nursing home in Steinfurt in Nordrhein-Westfalen. The investment amounted to SEK 122 million.

Hemsö in summary

	Jan-Sep 2021	Jan-Sep 2020	Oct 2020-Sep 2021	Jan-Dec 2020
Rental income, SEK million	2,668	2,432	3,506	3,270
Profit from property management, SEK million	1,587	1,408	1,990	1,810
Profit after tax, SEK million	5,404	1,532	7,205	3,333
Operating cash flow, SEK million	1,408	1,275	1,830	1,696
Loan-to-value ratio, %	57.0	61.6	57.0	60.0
Interest-coverage ratio, times	5.4	5.0	4.8	4.5
Market value of investment properties, SEK million	73,516	59,658	73,516	62,240
NOI margin, %	76.0	74.9	74.6	73.7
Economic occupancy rate, %	98.0	97.9	98.0	97.9
Rental duration, years	9.6	9.9	9.6	9.8
Lettable area, tsqm	2,226	1,954	2,226	2,005



CEO statement

We leave yet another strong quarter behind us. During the quarter, we completed several development projects with a combined investment volume of approximately SEK 1.4 billion, a rental duration of 21 years and an annual rental value of about SEK 85 million. The Paradisskolan elementary school in Borlänge and the Dabendorf elementary and upper secondary school in Zossen, south of Berlin, are two examples of municipal schools that were completed. Rental income and profit from property management increased 10 and 13 per cent, respectively, largely the result of completed development projects and acquisitions.

Rent or own public properties

The decision of leasing or owning public properties has been the subject of much debate in Sweden recently. The property strategy of a municipality or region may be to own everything themselves, only lease, or a mix of both for their public properties. There are several advantages of involving a company like Hemsö in the strategy.

Our experience enables the design of effective buildings with a lower total rent and lower rent per student and resident. Our efficient asset and property management organisation yields lower operating and maintenance costs as our size provides economies of scale when purchasing. We also have in-depth knowledge of tender documentation and procurement forms, resulting in a lower price and a smoother process in connection with new construction.

By meeting the growing need for social infrastructure, Hemsö is contributing to an important social function and also creating sustainable growth for the Swedish pension fund system through our principal owner, the Third Swedish National Pension Fund.

More choosing Hemsö

Many municipalities are choosing a mix or both owning and renting public properties. We initiated several new collaborations during the quarter. Järfälla Municipality has chosen to

allocate Hemsö land that allows for a total of 42,000 sqm of development rights. The acquisition means that the planning of Barkarby Hospital, as well as family health clinic, nursing home and other housing, can enter a new phase. The aim is to enable easily accessible and individualised health and medical care for citizens.

In the emerging city district of Karlastaden in Gothenburg, Hemsö is developing a public property for education and social care. At the end of September, we signed a ten-year lease agreement with Folkuniversitetet, which will be moving its prestigious Balettakademien (ballet school) and KV Konstskola (art school) schools to the project. This represents an investment in culture and popular education that creates a vibrant urban environment – both day and night – in Gothenburg's new and most exciting neighbourhood. Karlastaden is an area with great potential, it is a natural place for Hemsö to establish operations and to play an active role in the continued urban development.

Breadth in our offering to municipalities

During the quarter, Hemsö took a step forward in the aquatic centre segment. Together with Tagebad, we formed Hemtag Fastigheter AB, a 50/50-owned joint venture, to develop, own and manage municipal aquatic centres. The collaboration will enable Hemsö to provide local residents and members of clubs with access to appropriate facilities.

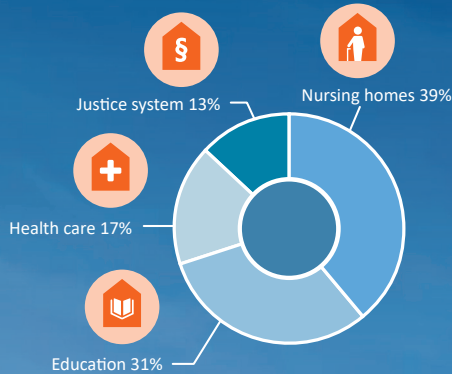
There is also major demand for sports centres. We recently commenced construction on a sports hall and gym in Staffanstorp. It will be used by schools in the daytime and by associations, companies and private individuals in the evenings. It will be an economically sustainable solution that will also contribute to a safe and vibrant area during evenings and weekends.

We are working together to strengthen the backbone of society

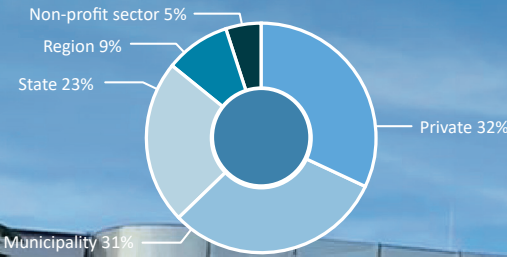
We have excellent knowledge of the activities conducted on our premises and we know the specific requirements that are placed in order to provide the optimal conditions in new developments and property management. In close cooperation with our tenants, we ensure long-term sustainable public properties for the people using the buildings and for society at large. I am proud of the trust shown in us and of our contribution to society.

Nils Styf, CEO

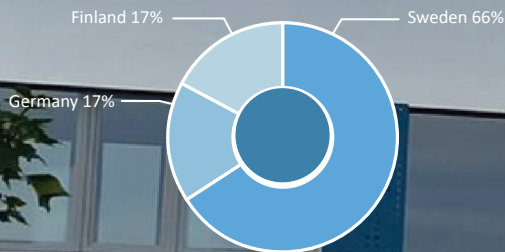
Contracted rent per property category



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 73.5 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-September 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

During the period, rental income increased with 10 per cent to SEK 2,668 million (2,432) mainly the result of completed development projects and acquisitions. In Sweden, rental income rose 10 per cent, in Germany, rental income rose 22 per cent and in Finland rental income rose 3 per cent. In the comparable portfolio, rental income decreased with SEK 15 million, or 0.7 per cent.

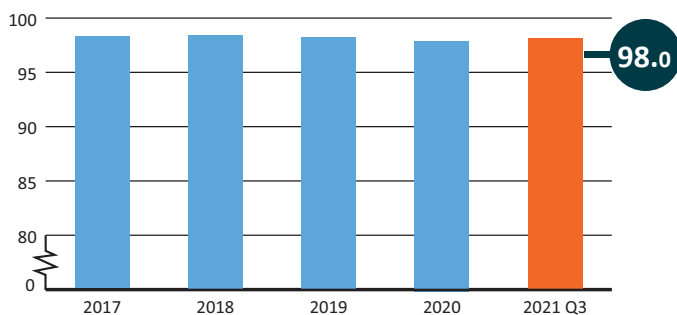
At period-end, contracted annual rent amounted to SEK 3,769 million (3,354), before rent reductions of SEK 45 million (14). Economic vacancies amounted to SEK 76 million (67). The economic occupancy rate increased amounted to 98.0 per cent (97.9) at period-end.

Rent agreements amounting to SEK 92 million will expire during 2021, which corresponds to 2 per cent of Hemsö's contracted rental income. The rental duration was 9.6 years (9.9).

Property costs

Property costs amounted to SEK 646 million (615), up SEK 31 million. Costs rose due to a larger property portfolio and due to a colder winter. Maintenance costs decreased compared to previous year. In the comparable portfolio, property costs decreased with SEK 3 million, or 0.6 per cent.

Economic occupancy rate, %



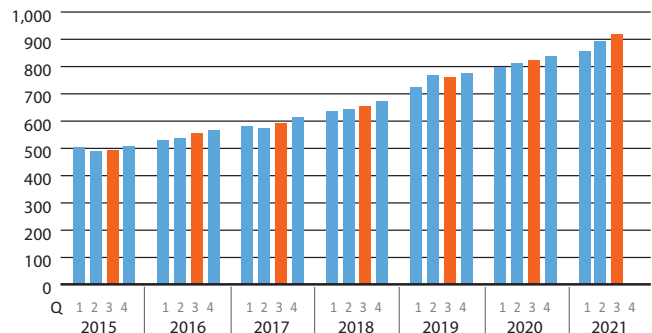
Vacancy changes

SEK million	Jan-Sep 2021
Opening vacancy	74
Terminated rental agreements	17
Adjusted for vacancy rents	-4
New rental agreements	-15
Acquired	3
Divested	-
Closing vacancy	76

Rental maturity

Year	Annual rent, SEK million	Share, %
2021	92	2
2022	256	7
2023	209	6
2024	210	6
2025	238	6
2026	155	4
2027	196	5
2028	269	7
2029	193	5
2030	241	6
>2030	1,710	45
Total	3,769	100

Rental income, SEK million



SEK 2,668 million

Rental income

Net operating income

Net operating income increased to SEK 2,039 million (1,833). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin rose to 76.0 per cent (74.9).

In the comparable portfolio, net operating income decreased to SEK 1,665 million (1,677).

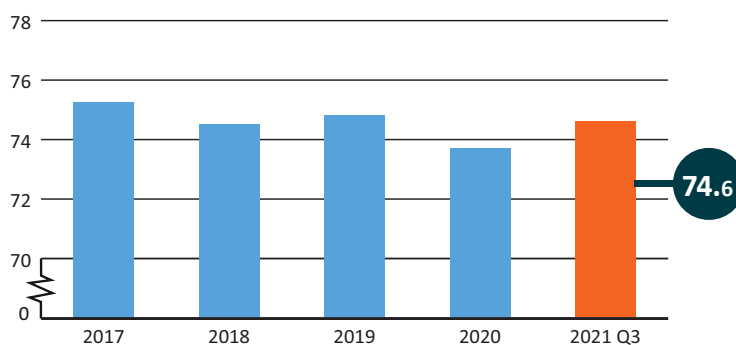
Comparable portfolio

	30 Sep 2021	30 Sep 2020	Change
No. of properties	319	319	–
Market value, SEK million	51,660	46,903	10.1%
Property yield, %	4.2	4.7	-0.4

Amounts in SEK million

	Jan-Sep 2021	Jan-Sep 2020	Change, %
Rental income	2,190	2,205	-0.7
Other income	15	15	-1.5
Operating costs	-358	-322	11.0
Maintenance costs	-138	-182	-24.2
Other costs	-44	-39	13.8
Net operating income	1,665	1,677	-0.7

NOI margin, rolling 12-month period, %



Administration

Administrative expenses for the period were unchanged compared to the preceding year and amounted to SEK 113 million (113).

Financial items

Net financial expense rose year-on-year and amounted to SEK -372 million (-343). The increase was mainly attributable to a decrease in financial income, due to reduced loans to joint ventures. Interest and other financial expenses were in line with the preceding year, despite the fact that interest-bearing liabilities rose to SEK 43,067 million (38,431). The average interest rate was 1.1 per cent (1.3), and the fixed-rate period was 6.2 years (6.6).

Financial items

SEK million	Jan-Sep 2021	Jan-Sep 2020
Interest income	1	11
Other financial income	26	49
Interest expense	-341	-349
Other financial expenses	-39	-36
Ground leases and leasehold properties	-19	-18
Total financial items	-372	-343

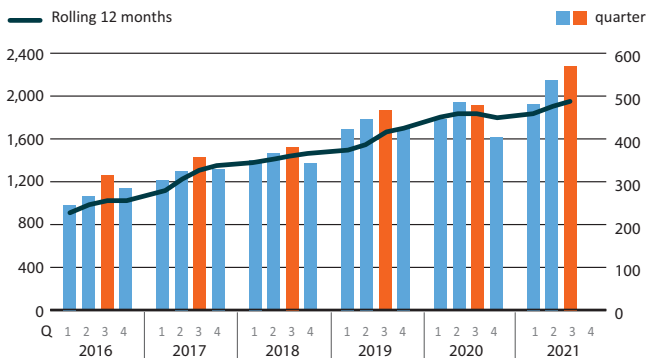
SEK 2,039 million

Net operating income

Profit from property management

Profit from property management increased with 13 per cent to SEK 1,587 million (1,408), mainly attributable to a larger property portfolio. Exchange rate fluctuations affected the result from property management by SEK -21 million.

Profit from property management, SEK million



Market value,
investment properties

**SEK 73.5
billion**

Properties

426

Lettable area

2,226 tsqm

Change in value of investment properties

Change in the value of properties for the period amounted to SEK 4,908 million (632), of which unrealised value changes amounted to SEK 4,900 million (600) and realised value changes to SEK 8 million (33).

Unrealised value changes were mainly attributable to lower yield requirements in all markets, but also to property management and development projects. The yield on the entire property portfolio, excluding development properties, was 4.3 per cent (4.6).

The total yield was 14.8 per cent (6.8).

Unrealised value changes, properties, Jan-Sep 2021

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	1,192	160	201	1,553
– Market factors	2,284	641	422	3,347
Total unrealised value changes	3,476	801	623	4,900

Change in value of property portfolio

	SEK million	No. of
Market value, opening balance	62,240	392
Acquisitions	3,218	35
Investments in new construction, extension and refurbishment	2,955	
Re-allotment	–	3
Divestments	-145	-4
Exchange-rate fluctuations	349	
Unrealised value changes	4,900	
Market value at period-end	73,516	426

Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 139 million (-92) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 160 million (-84) on profit, and were mainly attributable to rising market rates. Derivatives attributable to currency risk management had a negative impact of SEK -21 million (-8) on profit.

Tax

Recognised tax for the period amounted to SEK -1,277 million (-378), of which current tax accounted for SEK -116 million (-112) and deferred tax for SEK -1,161 million (-267). Deferred tax expense mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. At period-end, deferred tax assets amounted to SEK 16 million (84). Deferred tax liabilities amounted to SEK 5,484 million (3,960). 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-Sep 2021	Jan-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	30 Sep 2021	30 Sep 2020
Sweden East	687	606	523	453	21,161	18,111
Sweden West	226	224	152	152	5,098	4,234
Sweden Central/North	566	514	428	383	14,987	12,094
Sweden South	269	259	184	166	7,611	5,683
Germany	423	346	382	313	12,501	9,570
Finland	497	482	370	367	12,159	9,967
Total	2,668	2,432	2,039	1,833	73,516	59,658

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.

Earnings

Profit after tax for the period totalled SEK 5,404 million (1,532). The increase was mainly attributable to higher changes in the value of investment properties and financial instruments but also to higher profit from property management and improved profit from associated companies.

Cash flow

Hemsö's operating cash flow increased to SEK 1,408 million (1,275). Cash flow from operating activities before changes in working capital was SEK 1,391 million (1,257). The change in working capital amounted to SEK 575 million (5). Investing activities had a negative impact of SEK -6,406 million (-3,915) on cash flow, while increased borrowings, loan repayments, shareholder contributions received and dividends had a positive impact of SEK 4,078 million (2,917) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK -362 million (263).

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 70 million (57) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -146 million (-130), mainly attributable to higher personnel costs due to more employees. Financial items amounted to income of SEK 223 million (430). Financial items included profit of SEK 284 million (381) from participations in Group companies, interest income of SEK 500 million (453), interest expense of SEK -374 million (-388), and exchange-rate differences of SEK -187 million (-16). Changes in the value of financial instruments amounted to SEK 142 million (-97) and comprehensive income for the period amounted to SEK 288 million (293).

Property portfolio

Of the total property value of SEK 73,516 million (59,658), 66 per cent (67) was attributable to Sweden, 17 per cent (16) to Germany and 17 per cent (17) to Finland.

At period-end, Hemsö owned properties in 62 municipalities in Sweden, 58 municipalities in Germany and 28 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 39 per cent of the property value, followed by Education which accounts for 33 per cent. Health care accounts for 17 per cent and the Justice system for 11 per cent. At 30 September 2021, Hemsö's property portfolio comprised 426 properties (381) with a total lettable area of 2,226 tsqm (1,954).

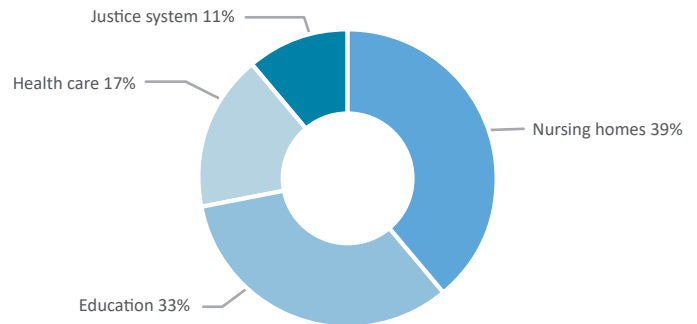
Property transactions

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
Total	35	3,218	156,069
Divestments			
Q1	1	7	–
Q2	1	1	–
Q3	2	137	1 918
Total	4	145	1 918

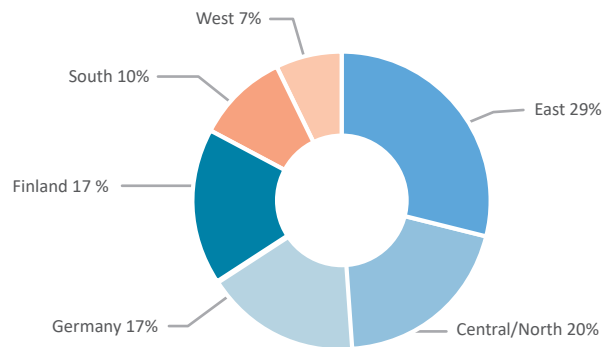
Investments

Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 2,955 million (2,484) was invested, of which SEK 2,192 million (2,002) was related to new construction and SEK 763 million (481) to improvements and new lettings.

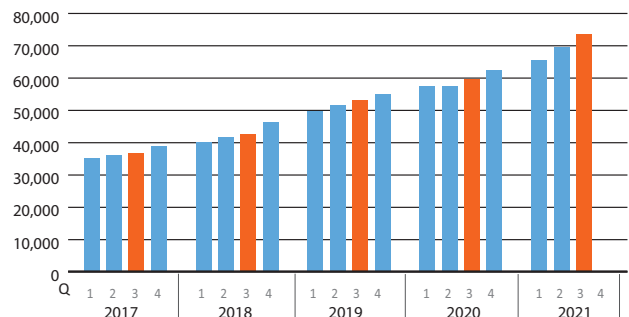
Market value of investment properties per property category



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.	212	132	57	25	426
Lettable area, tsqm	986	694	320	226	2,226
Rental duration, years	9.6	10.9	8.0	8.5	9.6
Property value, SEK million	28.3	24.3	12.6	8.3	73.5
Rental income, SEK million	1,038	810	463	356	2,668
Net operating income, SEK million	804	621	326	287	2,039
Economic occupancy rate, %	99.1	98.1	96.7	96.6	98.0
Property yield, %	4.1	4.2	4.7	4.6	4.3

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 has indexation clauses where the rent is adjusted with an average of 90 percent of each country's consumer price index (CPI).

Of Hemsö's total rental income, 93 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 municipal operators accounted for 31 per cent, state operators for 23 per cent, and regional operators for 9 per cent. Private operators account for 32 per cent of the annual rent, and non-profit organisations for 5 per cent. The largest tenants are Region Stockholm, the Swedish Police Authority, 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 usually able to obtain collateral for the rental income through pledges of the operators entitlements to municipal contributions. Contracted annual rent for nursing homes

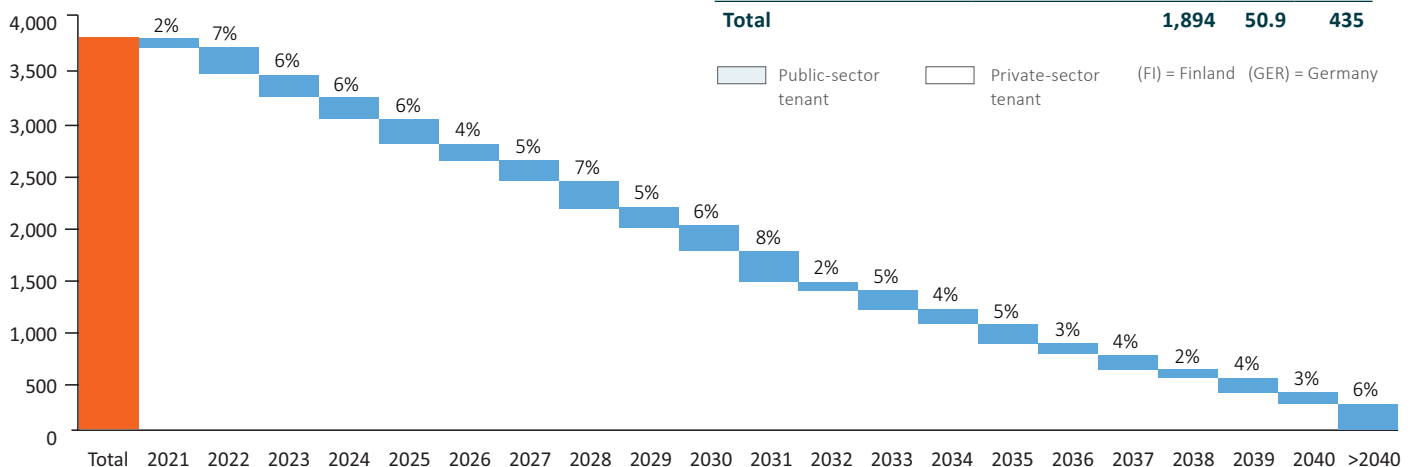
in Germany amounted to EUR 45 million, of which EUR 11 million is secured through pledges. If pledges are included, 45 per cent of rental income in Germany is derived from public-sector tenants.

Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Region Stockholm	Region	226	6.1	78
Swedish Police	State	214	5.8	32
City of Turku (FI)	Municipality	147	3.9	14
Academedia	Private	122	3.3	22
Attendo	Private	121	3.2	80
Ministry of Justice (FI)	State	114	3.1	12
City of Västerås	Municipality	114	3.1	19
Mälardalen University	State	102	2.8	3
AWO (GER)	Non-profit	90	2.4	12
Norrköping Municipality	Municipality	72	1.9	16
Alloheim (GER)	Private	72	1.9	10
Ambea	Private	72	1.9	9
Västra Götaland Region	Region	70	1.9	67
Karolinska Institute	State	64	1.7	6
HEWAG (GER)	Private	57	1.5	9
Gävle Municipality	Municipality	52	1.4	19
North Rhine-Westphalia (GER)	State	51	1.4	1
University of the Arts Helsinki (FI)	State	45	1.2	3
Raoul Wallenberg School	Private	44	1.2	8
Esperi Care (FI)	Private	44	1.2	15
Total		1,894	50.9	435

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

Rental maturity, annual rent, SEK million



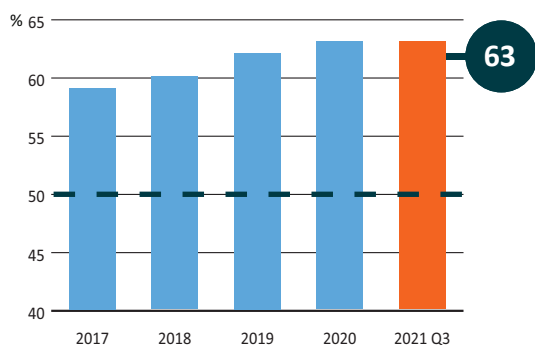
Property frameworks

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.

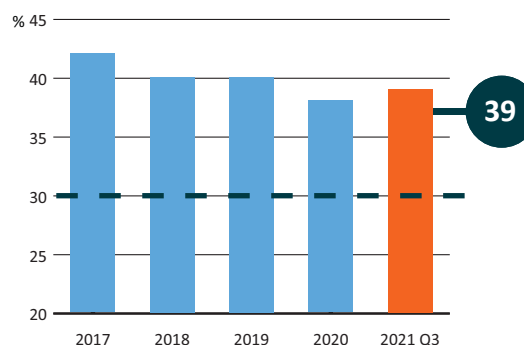
Public-sector tenants

– At least 50 per cent of rental income



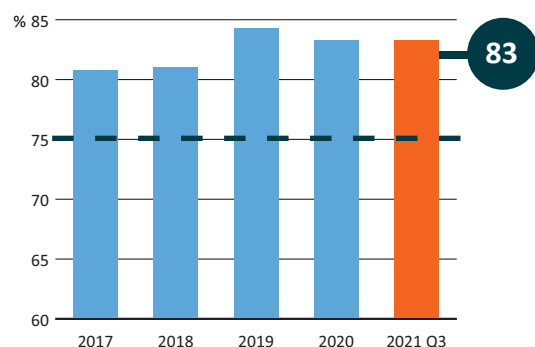
Nursing homes

– At least 30 per cent of rental income



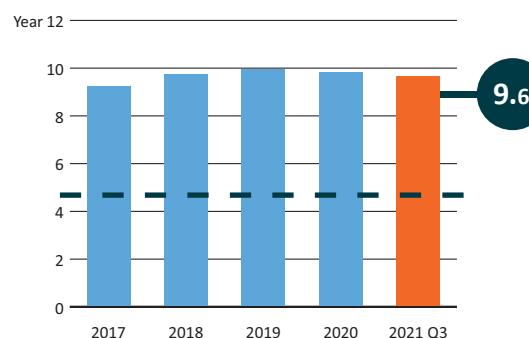
Metropolitan areas and large cities

– 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 values are established 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 73,516 million (59,658).

Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 30 September 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	30 Sep 2021	30 Sep 2020	Change, %
Rental income	3,725	3,354	11
Property costs	-888	-828	7
Net operating income	2,837	2,526	12
Central administrative expenses	-155	-142	9
Associated companies	44	53	-17
Financial items	-482	-521	-7
Profit from property management	2,243	1,916	17


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 new construction and refurbishment projects exceeding SEK 100 million

Municipality	Development project	Category	Certification	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Stockholm	Princeton 1 ¹⁾	Health care	SGBC	22,364	1,651	116	106	93	2021
Huddinge	Nya Novum ²⁾	Health care	SGBC	49,000	870	759	34	61	2024
Lahti	Paavola Campus ²⁾	Education	–	28,086	541	308	40	100	2021–2023
Gothenburg	Silverkällan	Nursing home	SGBC	13,458	508	260	31	96	2022
Nacka	Stavsborgsskolan	Education	SGBC	13,004	395	339	29	100	2023
Staffanstorps	IES Staffanstorps	Education	SGBC	6,995	300	127	16	100	2022
Trelleborg	IES Trelleborg	Education	SGBC	7,524	270	124	20	100	2022
Tyresö	Sköndalsvillan	Nursing home	SGBC	7,044	250	143	15	100	2022
Stockholm	Kadetten ²⁾	Education	–	11,410	246	128	38	100	2022
Upplands Väsby	Vågen Vilunda	Nursing home	Nordic Swan	6,157	236	150	16	100	2022
Södertälje	Hantverkaren	Nursing home	SGBC	4,982	184	37	12	100	2021
Västerås	Södra Källtorp	Nursing home	SGBC	25,495	176	62	8	100	2021
Helsinki	Arkadiankatu 24 ²⁾	Education	–	5,767	171	125	16	100	2022
Büttelborn	Büttelborn	Nursing home	–	6,193	168	126	11	100	2022
Täby	Bylegård	Nursing home	SGBC	5,555	161	83	12	100	2022
Joensuu	Conservatory	Education	BREEAM	3,311	128	35	10	100	2021
Lappeenranta	Lauritsa	Justice system	–	3,100	109	93	7	100	2022
Espoo	Kamreerintie 6 ²⁾	Health care	–	4,888	102	66	15	100	2022
Total				224,333	6,466	3,081	434		

 Public-sector tenant

 Private-sector tenant

¹⁾ The development project is conducted in a joint venture with SveaNor. The property has been sold and will be transferred upon completion of the project.

²⁾ Re-development.


Development projects


Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. Hemsö's ongoing projects exceeding SEK 100 million comprises a total investment of SEK 6,466 million, of which the remaining invest-

ment amount is SEK 3,081 million. The total volume of ongoing new construction and refurbishment projects amounted to SEK 7,615 million, of which the remaining investment amount is SEK 4,140 million.

Major completed development projects, 2021

Completed	Municipality	Development project	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate, %
Q1	Linköping	Nyponkärnan	Education	SGBC	1,688	49	15	3	100
Q2	Solna	Bagartorp ¹⁾	Education	Nordic Swan	4,456	169	30	11	100
Q3	Zossen	Dabendorf	Education	–	16,250	429	20	26	100
Q3	Västerås	Södra Källtorp	Nursing home	SGBC	9,975	375	25	20	100
Q3	Norrköping	NOD-huset	Health care	SGBC	4,495	260	10	13	89
Q3	Borlänge	Paradisskolan	Education	–	9,200	240	20	17	100
Q3	Oulu	Linnanmaa	Justice system	BREEAM	5,800	166	25	13	100
Total					51,864	1,688	21	104	

 Public-sector tenant

 Private-sector tenant

¹⁾ Municipal guarantee.

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 more 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.

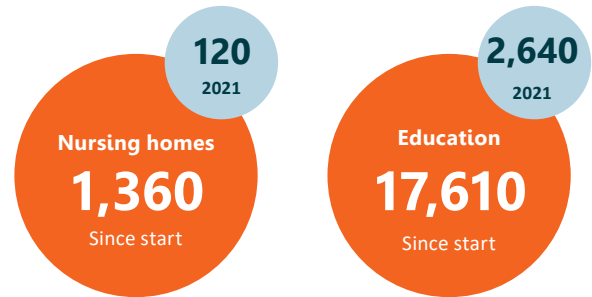
Energy and climate

An important process for achieving sustainable development of the property portfolio is to continuously improve the energy performance of the properties. The focus is on development projects that also help to reduce CO₂ emissions from energy use. Hemsö's overarching energy-reduction targets are to reduce energy consumption by 3 per cent annually in the comparable portfolio, and to achieve 100 per cent fossil-free energy use and net-zero CO₂ emissions for existing buildings by 2035. Hemsö's climate strategy also includes studying how CO₂ emissions from new construction can be reduced. Due to operational optimisation and energy efficiencies, energy consumption continued to decline in the third quarter as well.

Environmental certification

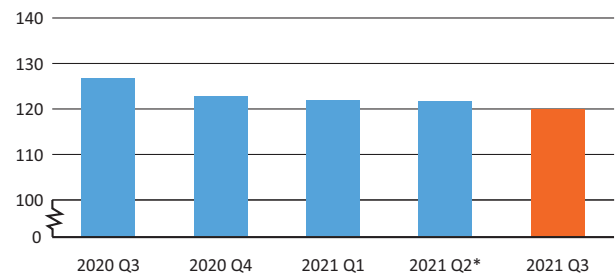
At the end of the third quarter, Hemsö had 62 environmental certifications (60) – 35 Miljöbyggnad (35), 4 LEED (4), 1 BREEAM (1), 19 BREEAM In-Use (19), 1 DGNB (1), 1 Nordic Swan (0) and 1 ZeroCO₂ (0). The number of certified buildings are steadily increasing as a result of more and more self-produced buildings. Gradually, a larger proportion of existing buildings are also being certified.

Beds/places created



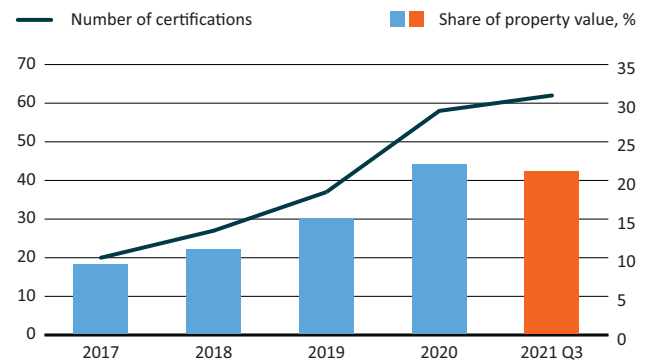
The totals pertain to the number of beds/places that Hemsö has added through completed development projects between 2009 and the third quarter of 2021.

Energy consumption, kWh/m²**



**Pertains to energy consumption in Sweden in the total portfolio, rolling 12-month period, kWh/m².
*Pertains to the June-May period.

Environmentally certified properties*



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



Digital infrastructure creates social benefits

Through the "Internetlyftet" initiative, Hemsö is now rapidly rolling out fast and robust internet connections in our nursing homes. In the first step, we are installing fibre, WiFi and 5G in ten existing nursing homes at the same time as we are setting the standard for the future. Digital exclusion decreases when the residents gain access to a quick internet connection in their rooms. The installation also enables care providers to easily introduce modern and efficient welfare services, such as breathing monitors, night vision cameras or keyless locks. This benefits the residents, family members and care providers.

Associated companies

At 30 September 2021, Hemsö owned shares in the 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 160 million (126), and the value of the share of TTP is SEK 1,008 million (593). Total investments in associated companies amounted to SEK 1,168 million (719).

Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö currently 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 the Kupittaa area of central Turku. The company combines education, research and private enterprise in a dynamic cluster of tenant firms known as Science Park. At 30 September 2021, 64 per cent of rental income was derived from public-sector tenants and the rental duration was eight 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 construction 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-Sep 2021	TTP	Lanthem	Total
Profit from property management	28	5	33
Value changes, properties	-23	25	2
Value changes, derivatives	57	-	57
Tax	-6	-6	-12
Profit recognised	55	24	79



TTP	30 Sep 2021	30 Sep 2020
Shareholding, %	44	40
Rental value, SEK million	310	330
No. of properties	25	24
Economic occupancy rate, %	98	96
Market value of investment properties, SEK million	4,422	4,082
Rental duration, years	8	8
Share of public-sector tenants, %	64	63



Lanthem	30 Sep 2021	30 Sep 2020
Shareholding, %	50	50
Rental value, SEK million	21	21
No. of properties	5	5
Economic occupancy rate, %	100	100
Market value of investment properties, SEK million	519	412
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 70 per cent, and the interest-coverage ratio should be at least 2.5. At period-end, the loan-to-value ratio was 57.0 per cent (61.6) and the interest-coverage ratio was 4.8 times (5.0).

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 and the Third Swedish National Pension Fund, which diversifies the company's funding sources. Hemsö has a credit rating of A+ from Fitch, 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

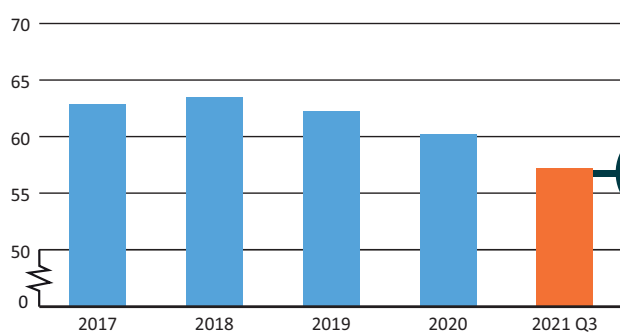
Interest-bearing liabilities

Hemsö's interest-bearing liabilities rose to SEK 43,067 million (38,431), mainly due to a high rate of investment.

At period-end, Hemsö had undrawn committed credit facilities totalling SEK 11,500 million (11,500), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents amounted to SEK 533 million (1,249). Available liquidity thus amounted to SEK 12,033 million (12,749). The debt-coverage ratio was 135 per cent (138).

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.

Loan-to-value ratio, %



Sustainable financing
SEK 7.4 billion

Sources of funding, SEK million

	Q3 2021	Q3 2020
Bonds, SEK	13,107	12,280
Bonds, EUR	17,467	14,782
Bonds, NOK, AUD, USD	2,833	1,271
Total bonds	33,407	28,333
Commercial papers, SEK	5,213	5,556
European Investment Bank, SEK, EUR	2,882	2,951
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	765	791
Total interest-bearing liabilities	43,067	38,431

Capital structure, SEK million

	Q3 2021	Q3 2020
Interest-bearing liabilities	43,067	38,431
Cash and cash equivalents	533	1,249
Net debt	42,534	37,182
Market value of investment properties	73,516	59,658
Investments in associated companies	1,168	719
Total	74,684	60,377
Loan-to-value ratio	57.0%	61.6%
Share of secured debt	0.0%	0.0%

At period-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 2,671 million (1,260). Currency exposure amounted to 9.9 per cent (5.5) of equity.

At period-end, the average loan maturity was 6.5 years (7.0) and the average fixed-rate period was 6.2 years (6.6). The average interest rate was 1.1 per cent (1.3).



Södra Källtorp's nursing home in Västerås, completed in September 2021

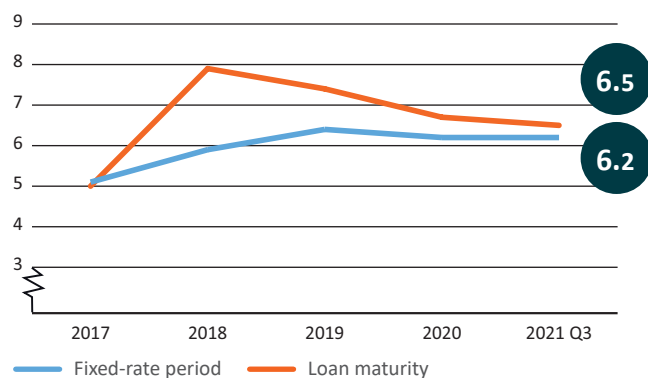
Committed credit facilities and underwriting commitments, SEK million

	Q3 2021	Q3 2020
Banks	6,500	6,500
Third Swedish National Pension Fund	5,000	5,000
Total committed credit facilities	11,500	11,500
Cash and cash equivalents	533	1,249
Available liquidity	12,033	12,749
Short-term borrowings	8,912	9,211
Debt-coverage ratio	135%	138%

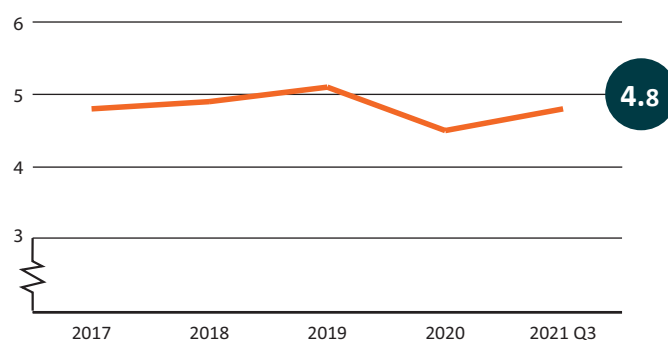
Currency exposure, SEK million

	Q3 2021	Q3 2020
Properties, EUR	24,660	19,537
Associated companies, EUR	1,008	593
Cash, EUR	89	17
Assets, EUR	25,757	20,147
Debt, EUR	20,314	17,723
Currency swaps, EUR	2,671	1,260
Exposure, EUR	2,772	1,164
Debt NOK, AUD, USD	2,833	1,271
Currency swaps NOK, AUD, USD	-2,833	-1,271
Exposure NOK, AUD, USD	0	0
Currency hedging	-243	-158
Currency exposure	2,529	1,006
Equity	25,646	18,443
Currency exposure	9.9%	5.5%

Loan maturity and fixed-rate period, years



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



Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 70%	57.0
Loan maturity	At least 3 years	6.5
Debt-coverage ratio	At least 125%	135
Share of secured debt	Max. 20%	0.0
Interest-rate risk		
Interest-coverage ratio	At least 2.5 times (rolling 12-month period)	4.8
Fixed-rate period	Average fixed-rate period, 3-8 years	6.2
Fixed-rate maturity	Max. 40% within 12 months	23
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% of equity	9.9



Construction commenced on a new school, preschool and sports hall in Trelleborg



RWS Bagartorp, a new upper secondary school in Solna was completed and inaugurated in August

Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Loan and credit agreements, SEK million	Loan, SEK million	Share, %	SEK million	Share, %
2021	1,150	1,150	3	7,022	16
2022	3,243	3,243	8	2,950	7
2023	11,153	3,653	8	2,550	6
2024	5,700	1,700	4	2,300	5
2025	2,350	2,350	5	1,150	3
2026	5,886	5,886	14	5,086	12
2027	100	100	0	0	0
2028	5,162	5,162	12	5,562	13
2029	3,528	3,528	8	3,528	8
>2029	11,081	11,081	26	12,919	30
Total	49,354	37,854	88	43,067	100
Commercial papers		5,213	12		
Total		43,067	100		

Quarterly overview Q3 2021

Amounts in SEK million	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Income statement									
Property income	922	900	863	845	829	816	804	780	764
Property costs	-200	-209	-236	-252	-203	-202	-210	-226	-170
Net operating income	722	690	627	592	626	614	594	554	594
Central administrative expenses	-41	-41	-31	-45	-39	-33	-42	-29	-36
Profit/loss from participations in associated companies	0	18	61	8	12	-8	-11	27	-48
Operating profit	681	667	657	555	599	573	541	552	510
Financial items	-122	-125	-125	-157	-124	-105	-114	-109	-110
Profit after financial items	559	542	533	398	475	468	427	443	400
<i>- of which Profit from property management</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>	<i>466</i>
Value change, properties	2,404	1,915	589	1,809	299	223	110	758	460
Value change, financial instruments	27	72	40	20	27	-49	-70	154	-76
Profit before tax	2,990	2,529	1,162	2,226	801	642	467	1,355	784
Current tax	-35	-44	-37	-3	-29	-49	-34	-25	-16
Deferred tax	-532	-439	-189	-421	-119	-79	-68	-216	-135
Profit for the period	2,423	2,046	935	1,801	653	515	364	1,114	633
Other comprehensive income	20	-21	62	-145	0	-104	161	-66	12
Comprehensive income for the period	2,443	2,025	997	1,656	654	410	525	1,048	645
Balance sheet									
Investment properties	73,516	69,619	65,528	62,240	59,658	57,533	57,300	55,027	53,218
Right-of-use assets	724	723	730	605	611	612	629	582	431
Participations in associated companies	1,168	1,160	771	698	719	706	745	634	622
Derivatives	33	-	-	-	-	-	-	-	-
Other assets	730	706	781	758	680	686	706	713	708
Cash and cash equivalents and short-term investments	533	519	1,673	891	1,249	1,173	994	988	2,122
Total assets	76,705	72,727	69,483	65,193	62,917	60,711	60,375	57,945	57,102
Equity	25,646	22,203	21,079	20,082	18,443	16,789	17,239	16,714	15,667
Deferred tax liabilities	5,467	4,923	4,497	4,270	3,875	3,763	3,706	3,600	3,401
Derivatives	-	32	95	231	293	287	287	211	366
Interest-bearing liabilities	43,067	43,097	41,626	38,652	38,431	38,136	37,307	35,542	36,008
Lease liabilities	724	723	730	605	611	612	629	582	431
Non-interest-bearing liabilities	1,800	1,748	1,457	1,353	1,264	1,124	1,206	1,296	1,229
Total equity and liabilities	76,705	72,727	69,483	65,193	62,917	60,711	60,375	57,945	57,102
Key ratios									
Financial ratios									
Loan-to-value ratio, %	57.0	60.1	60.2	60.0	61.6	63.5	62.6	62.1	62.9
Interest-coverage ratio, times*	4.8	4.7	4.7	4.5	5.0	5.0	4.9	5.1	5.1
Operating cash flow, SEK million	533	517	379	421	445	453	377	399	432
Property-related key ratios									
Property yield, %	4.3	4.4	4.5	4.5	4.6	4.7	4.7	4.7	4.8
Total yield, %*	14.8	11.7	9.0	8.5	6.8	7.3	8.3	8.7	9.9
Economic occupancy rate, %	98.0	97.9	98.0	97.9	97.9	98.1	98.1	98.1	97.7
NOI margin, %	78.3	76.7	72.6	73.7	75.5	75.3	73.9	71.0	77.7
No. of properties	426	421	408	392	381	383	376	370	364
Lettable area, tsqm	2,226	2,155	2,101	2,005	1,954	1,923	1,890	1,884	1,833

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Sep 2021	Jan-Sep 2020	Jul-Sep 2021	Jul-Sep 2020	Oct 2020-Sep 2021	Jan-Dec 2020
Rental income	2,668	2,432	917	824	3,506	3,270
Other income	17	16	5	5	24	23
Operating costs	-430	-361	-117	-108	-557	-488
Maintenance costs	-155	-205	-61	-84	-237	-287
Other property costs	-61	-49	-22	-11	-104	-92
Net operating income	2,039	1,833	722	626	2,631	2,425
Central administrative expenses	-113	-113	-41	-39	-158	-158
Profit/loss from participations in associated companies	79	-7	0	12	88	1
- of which profit from property management	33	30	11	15	46	43
- of which changes in value	58	-45	-14	-2	65	-38
- of which tax	-12	7	3	0	-24	-5
Operating profit	2,006	1,713	681	599	2,561	2,268
Financial items	-372	-343	-122	-124	-529	-500
Profit after financial items	1,634	1,370	559	475	2,031	1,768
- of which profit from property management	1,587	1,408	570	478	1,990	1,810
Value change, investment properties	4,908	632	2,404	299	6,717	2,441
Value change, financial instruments	139	-92	27	27	159	-72
Profit before tax	6,681	1,910	2,990	801	8,907	4,136
Current tax	-116	-112	-35	-29	-120	-115
Deferred tax	-1,161	-267	-532	-119	-1,582	-688
Profit for the period	5,404	1,532	2,423	653	7,205	3,333
Profit for the period attributable to						
Parent Company shareholders	5,236	1,487	2,371	640	7,004	3,255
Non-controlling interests	168	45	52	14	201	78
Other comprehensive income						
Profit for the period	5,404	1,532	2,423	653	7,205	3,333
Translation difference	61	57	20	0	-84	-88
Comprehensive income for the period	5,465	1,589	2,443	654	7,121	3,245
Comprehensive income for the period attributable to						
Parent Company shareholders	5,297	1,543	2,391	640	6,922	3,169
Non-controlling interests	168	46	53	14	199	76

Group – Condensed statement of financial position

Amounts in SEK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Investment properties	73,516	59,658	62,240
Right-of-use assets	724	611	605
Participations in associated companies	1,168	719	698
Derivatives	33	–	–
Other non-current assets	36	94	31
Total non-current assets	75,478	61,082	63,574
Current receivables	694	586	727
Cash and cash equivalents	533	1,249	891
Total current assets	1,227	1,835	1,618
TOTAL ASSETS	76,705	62,917	65,193
EQUITY AND LIABILITIES			
Equity	25,646	18,443	20,082
Deferred tax liabilities	5,467	3,875	4,270
Non-current interest-bearing liabilities	34,154	29,221	29,128
Lease liabilities	724	611	605
Derivatives	–	293	231
Total non-current liabilities	40,346	34,000	34,233
Current interest-bearing liabilities	8,912	9,211	9,524
Other current liabilities	1,800	1,264	1,353
Total current liabilities	10,712	10,474	10,877
TOTAL EQUITY AND LIABILITIES	76,705	62,917	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
Comprehensive income (1 Jan 2020-30 Sep 2020)	–	–	56	1,487	46	1,589
Closing equity 30 Sep 2020	1	7,535	291	10,022	594	18,443
Divestment of minority share	–	–	–	–	-17	-17
Comprehensive income (1 Oct 2020-31 Dec 2020)	–	–	-142	1,768	31	1,656
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	–	–	–	–	4	4
Comprehensive income	–	–	61	5,236	168	5,465
Closing equity, 30 Sep 2021	1	7,835	209	16,821	780	25,646

Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Sep 2021	Jan-Sep 2020	Jul-Sep 2021	Jul-Sep 2020	Oct 2020-Sep 2021	Jan-Dec 2020
Operating activities						
Profit from property management	1,587	1,408	570	478	1,990	1,810
<i>Adjusted for non-cash items in profit from property management</i>						
Profit from property management participations in associated companies	-33	-30	-11	-14	-47	-43
Depreciation	10	7	3	2	15	12
<i>Adjusted for other non-cash items</i>						
Exchange differences, unrealised	0	-18	20	-5	-3	-21
Tax paid	-173	-110	-50	-21	-146	-83
Cash flow before changes in working capital	1,391	1,257	532	440	1,810	1,675
Increase (+)/decrease (-) in working capital	575	5	42	135	420	-150
Cash flow from operating activities	1,965	1,262	574	575	2,230	1,525
Investing activities						
Acquisition of properties	-3,218	-1,477	-520	-987	-4,224	-2,483
Investments in new construction, extension and refurbishment	-2,955	-2,484	-925	-893	-3,726	-3,255
Property divestments	148	133	141	61	163	148
Investments in financial assets	-399	-86	24	1	-398	-86
Dividends from associated companies	17	–	0	–	17	–
Other non-current assets	-1	-1	0	-1	62	61
Cash flow from investing activities	-6,406	-3,915	-1,281	-1,818	-8,105	-5,614
Financing activities						
Interest-bearing loans raised	9,169	6,580	776	937	11,372	8,783
Repayment of interest-bearing liabilities	-5,175	-3,805	-1,019	-620	-6,325	-4,955
Financial instruments realised	-15	2	-20	-2	4	21
Shareholder contributions received	1,000	1,000	1,000	1,000	1,000	1,000
Contributions from non-controlling interests	4	–	0	–	4	–
Dividends paid	-905	-860	0	–	-905	-860
Cash flow from financing activities	4,078	2,917	736	1,315	5,150	3,989
Cash flow for the period	-362	263	29	72	-725	-100
Opening cash and cash equivalents	891	988	519	1,173	1,249	988
Exchange-rate differences in cash and cash equivalents	3	-2	-15	5	9	4
Cash and cash equivalents at period-end	533	1,249	533	1,249	533	891
Operating cash flow	1,408	1,275	512	445	1,830	1,696

Parent Company – Condensed income statement

Amounts in SEK million	Jan-Sep 2021	Jan-Sep 2020	Oct 2020-Sep 2021	Jan-Dec 2020
Net sales	70	57	96	83
Central administrative expenses	-146	-130	-192	-176
Other operating income	0	0	0	0
Operating loss	-76	-73	-96	-93
Financial items	223	430	765	972
Value changes, financial instruments	142	-97	192	-47
Appropriations	–	15	-26	287
Profit before tax	289	275	835	1,119
Recognised tax	-1	17	-34	-80
Profit for the period	288	293	801	1,040
Other comprehensive income	–	–	–	–
Comprehensive income for the period	288	293	801	1,040

Parent Company – Condensed balance sheet

Amounts in SEK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	1	0	0
Equipment	3	2	3
Shares and participations in Group companies	7,859	7,693	7,718
Deferred tax assets	25	64	57
Non-current receivables	34,920	30,148	31,226
Total non-current assets	42,809	37,907	39,005
Current assets			
Current receivables	1,072	5,233	5,220
Cash and cash equivalents	0	0	0
Total current assets	1,072	5,233	5,220
TOTAL ASSETS	43,881	43,140	44,225
EQUITY AND LIABILITIES			
Equity	5,216	4,086	4,833
Untaxed reserves			
Tax allocation reserve	43	43	43
Liabilities			
Deferred tax liabilities	28	26	28
Interest-bearing liabilities	38,004	38,431	38,652
Non-interest-bearing liabilities	590	554	669
Total liabilities	38,622	39,011	39,349
TOTAL EQUITY AND LIABILITIES	43,881	43,140	44,225

Other information

Significant events after period-end

No significant events occurred after period-end.

Employees

At period-end, Hemsö had 156 employees, of whom 72 were women and 84 men. Of these employees, 49 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, 134 are employed in Sweden, 8 in Germany and 14 in Finland.

Risks and uncertainties

Hemsö has assessed all of the company's material risks due to the ongoing pandemic. Hemsö has long-term rental agreements, mainly with public-sector tenants or private operators that are taxpayer-funded.

Due to the pandemic, Hemsö offered rent reductions to a small number of tenants during the period, but these discounts did not add up to any material amounts. The company's tenants are active in essential services for the general public and provide health care, education, elderly care and other services linked to law enforcement and prosecution in the properties. Hemsö's operating, maintenance and administrative expenses are not deemed to be affected by the pandemic.

Hemsö has a long loan maturity and fixed-rate period, which means that raised credit margins or higher interest rates will not affect the company's net income in the short term. Hemsö does not therefore expect any significant impact on the company's operating cash flow. For more detailed information, refer to page 69 of the 2020 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 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 and participations in companies held jointly with the Third Swedish National Pension Fund and SveaNor, respectively. These joint ventures are included in the consolidated financial statements. Hemsö Norden KB is owned jointly with the Third Swedish National Pension Fund.

Hemsö Norden KB currently owns 27 investment properties through limited partnerships. Hemsö also owns 50 per cent of the shares in Scandinavian Life Science AB, which owns the Princeton 1 property in Hagastaden in Stockholm. The property was sold in 2020 and will be transferred in 2021. The remaining 50 per cent of the shares are owned by SveaNor.

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.

During 2021, Hemsö formed the joint venture Hemtag Fastigheter AB together 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

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

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

Stockholm, 27 October 2021

Pär Nuder, Chairman of the Board

Åsa Bergström, Board member

Mari Björklund, Board member

Kerstin Hessius, Board member

David Mindus, Board member

Johan Thorell, Board member

Nils Styf, Chief Executive Officer

Auditor's review

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

Introduction

We have reviewed the condensed interim financial information (the interim report) for Hemsö Fastighets AB at 30 September 2021 and the nine-month period that ended on this date. The Board of Directors and Chief Executive Officer are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report, based on our review.

Focus and scope of the review

We performed our review in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review is made by making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with International Standards on Auditing and the auditing standards generally accepted in Sweden. These review procedures do not allow us to obtain such an assurance that we become aware of all of the important circumstances that could have been identified if an audit had been carried out.

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

Conclusion

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

Stockholm, 27 Oct 2021

Ernst & Young AB

Magnus Fredmer

Authorised Public Accountant

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 the 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 values of the 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 yield

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

Currency exposure

Net of properties, associated companies, cash and foreign currency loans less currency hedging as a percentage of equity.

Property-related definitions

Net operating income

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

Economic occupancy rate

Contracted annual rental income in relation to rental value.

Rental income

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

Rental duration

The weighted average remaining term of rental agreements 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 discounts 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. Sheltered housing is also included in the public properties concept.

Large cities

The definition of major 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	30 Sep 2021	30 Sep 2020
Net operating income according to income statement	2,631	2,388
Adjusted for 12-month holding period	77	15
Adjusted for development properties	-226	-149
Adjusted net operating income	2,483	2,254
Market value of properties	73,516	59,658
Adjusted for development properties	-15,251	-10,898
Adjusted market value	58,265	48,761
Property yield	4.3%	4.6%

Total yield	Oct 2020-Sep 2021	Oct 2019-Sep 2020
Net operating income	2,631	2,388
Value change, properties	6,709	1,390
Total	9,340	3,778
Opening property value	59,658	53,218
Closing property value	73,516	59,658
Adjustment of value change for the period	-6,709	-1,390
Adjusted average property value	63,233	55,743
Total yield	14.8%	6.8%

Profit from property management	Jan-Sep 2021	Jan-Sep 2020
Profit after financial items	1,634	1,370
Reversal		
<i>Value changes, associated companies</i>	-59	45
<i>Tax, associated companies</i>	12	-7
Profit from property management	1,587	1,408

Interest-coverage ratio	Oct 2020-Sep 2021	Oct 2019-Sep 2020
Operating profit	2,561	2,265
Net financial items	-529	-452
Interest-coverage ratio	4.8 times	5.0 times

Operating cash flow	Jan-Sep 2021	Jan-Sep 2020
Profit from property management	1,587	1,408
Dividends from associated companies	17	-
Tax paid	-173	-110
Reversal		
<i>Profit from property management participations in associated companies</i>	-33	-30
<i>Depreciation</i>	10	7
Operating cash flow	1,408	1,275

Loan-to-value ratio	30 Sep 2021	30 Sep 2020
Interest-bearing debt	43,067	38,431
Cash and cash equivalents	-533	-1,249
Net debt	42,534	37,182
Market value of investment properties	73,516	59,658
Investments in associated companies	1,168	719
Total	74,684	60,377
Loan-to-value ratio	57.0%	61.6%

Debt-coverage ratio	30 Sep 2021	30 Sep 2020
Cash and cash equivalents	533	1,249
Undrawn committed credit facilities	11,500	11,500
Available liquidity	12,033	12,749
Short-term borrowings	8,912	9,211
Debt-coverage ratio	135%	138%

Share of secured debt	30 Sep 2021	30 Sep 2020
Secured debt outstanding	0	0
Market value of investment properties	73,516	59,658
Share of secured debt	0.0%	0.0%

NOI margin	Jan-Sep 2021	Jan-Sep 2020
Rental income	2,668	2,432
Other property income	17	16
Total property income	2,685	2,448
Net operating income	2,039	1,833
NOI margin	76.0%	74.9%

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

Year-end report Jan-Dec 2021	3 Feb 2022
Annual Report	30 Mar 2022
Interim report Jan-Mar 2022	28 Apr 2022
Annual General Meeting	28 April 2022
Half-year report Jan-Jun 2022	14 Jul 2022
Interim report Jan-Sep 2022	21 Oct 2022



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