

A close-up photograph of two young girls smiling warmly at the camera. The girl on the left has light blonde hair and is wearing a pink top. The girl on the right has long dark hair and is wearing a light-colored top. The background is softly blurred, suggesting an outdoor setting.

HEMSÖ

2019

Annual Report and
Sustainability Report

**We are building a sustainable society
– for tomorrow's talents**

Content

Overview

This is Hemsö	fold out	●
Hemsö 2009-2019	fold out	●
Hemsö in figures	1	●
Significant events in 2019	2	●
CEO statement	4	●
Strategy and value creation	7	●
Hemsö's targets	11	●
Employees	12	●
Innovative development projects	16	●
Market overview	18	●

Operations

Property portfolio	24	●
Property management	38	●
Development projects	48	●
Sustainable business	56	●

Financial statements and governance

Directors' Report	60	●
Financing	64	●
Risk management	70	●
Chairman's comments	76	●
Corporate governance	77	●
Board of Directors	81	●
Senior executives	82	●
Multi-year overview	85	●
Financial statements	92	●
Notes	98	●
Proposed appropriation of profits	112	●
Audit report	115	●
List of properties	118	●
Hemsö's Sustainability Report	126	●
GRI Content Index	127	●
Summary of Hemsö's compliance with applicable accounting standards	129	●
Key ratio calculations	130	●
Definitions	132	●
Reporting – Sustainability bonds	133	●

* **Public property:** A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Internationally, these properties are generally referred to as 'social infrastructure.'

2019 Annual Report and Sustainability Report

The statutory Annual Report, including the Directors' Report, for Hemsö Fastighets AB (publ), Corp. Reg. No. 556779-8169 has been audited and comprises pp. 60-114. Sustainability issues are integrated into Hemsö's operating activities. For information about the company's sustainability performance and the GRI Content Index, see pp. 56-59 and 126-129.

Hemsö

Hemsö is the leading private owner of public properties in Sweden,* and also operates in Finland and Germany. The aim of the company is to sustainably own, manage and develop public properties in:



Nursing homes



Education



Health care



Justice system

Tenants are mainly state, municipal and regional operators, as well as private companies with taxpayer-funded operations. Hemsö's principal owner is the Third Swedish National Pension Fund (AP3).

Vision

Hemsö's vision is to be the best property company for public services.

Mission

Hemsö contributes to the development of social infrastructure in communities.

Business concept

To sustainably own, manage and develop public properties.

Hemsö 2009–2019



2009

Hemsö became an independent company, owned 50 per cent by the Third Swedish National Pension Fund.



2012

Hemsö established an office in Germany. The Third Swedish National Pension Fund acquired the remaining 50 per cent of shares in Hemsö and thereby became sole owner of the company.

2014

Established an office in Helsinki, Finland.



2011

Hemsö completed its first acquisitions in Germany in 2011, comprising 17 properties.

Hemsö's first development project was completed – the construction of a new upper secondary school for 800 students in Upplands Väsby.



2013

Hemsö initiated its first bond programme as part of efforts to secure even more stable funding. The company also entered the Finnish market through the acquisition of Turku University of Applied Sciences. Together with AB Sagax, the Third Swedish National Pension Fund formed Hemsö Intressenter, which acquired 30 per cent of Hemsö.

The first elementary school, Harvestadsskolan (with 350 places) was completed in Linköping, as well as the police station in Umeå.





2016

Hemsö issued the first sustainability bond in the Nordic region and established a European bond programme.

2019

Hemsö completed its first construction of two new fire and rescue stations in Oulu, Finland, and one new nursing home in Germany.



2018

Hemsö completed its first construction in Germany – a secondary school for 1,000 students in Zossen, outside Berlin.



2015

Hemsö decided to include sustainability in its business model.

The company received a credit rating of A- from Standard & Poor's.





370
properties

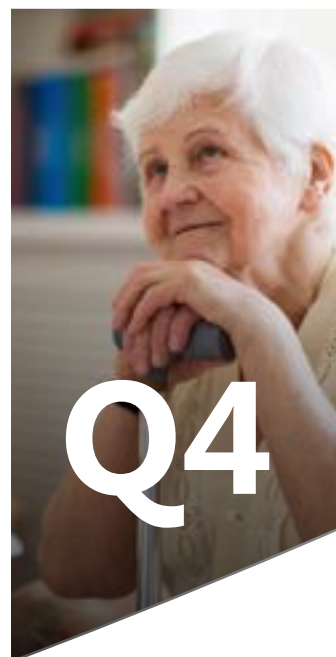
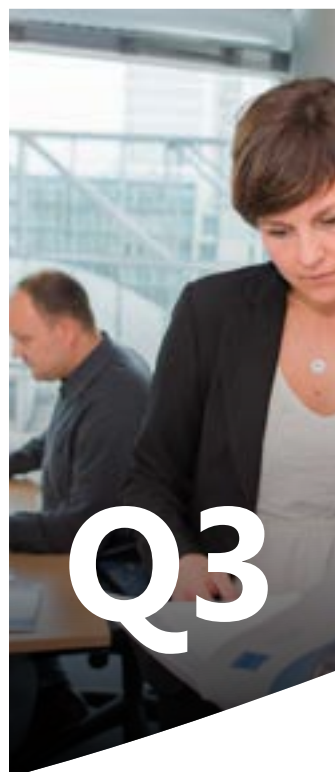
98%
economic
occupancy rate

SEK **55**
billion in property value

SEK **1,720**
million in profit from
property management

10 years
of social development

Significant events in 2019



- Acquisition of three properties totalling 5,900 sqm in central Trelleborg with development rights for 15,000 sqm. The investment amounted to SEK 80 million.
- Acquisition of eight nursing home and health care properties in Turku and an investment in Turku Technology Properties with a 34.8 per cent holding. The total investment amounted to SEK 1.9 billion.

Acquisitions in Turku

- Hemsö's owners inject capital of SEK 1 billion in the form of a shareholder contribution.

Police headquarters Rinkeby

- Acquisition of the new police headquarters in Rinkeby, which are currently under construction, with an investment amount of SEK 480 million. The Swedish Police have signed a 15-year rental agreement.
- A new bilateral Schuldschein loan – a Namensschuldverschreibung (NSV, a German law registered bond) – of EUR 75 million was signed. The loan term is 20 years.
- Divestment of one property portfolio of 14 properties in Sweden. The selling price was SEK 1.2 billion.

- Start of Hemsö's first construction of a new nursing home in Büttelborn outside Frankfurt, in Germany. The investment amounted to EUR 15 million.

New construction Germany

- Agreement with the City of Oulu regarding the construction of two new fire and rescue stations in Oulu, in Finland. The investment amounted to EUR 25 million.
- A 10-year rental agreement for 13,000 sqm in the Princeton 1 property in Stockholm was signed with Raysearch Laboratories. The development project is taking place in partnership with Vitartes.

- Hemsö's owners decided to inject an additional SEK 1 billion in equity during 2020, and the underwriting commitment from the Third Swedish National Pension Fund was raised to SEK 5 billion.

- A 20-year rental agreement was signed with Stiftelsen Stora Sköndal for the development of a new nursing home and a temporary accommodation facility in central Tyresö. The investment amount was SEK 270 million.

Nursing home Tyresö

- Mälardalen University in Eskilstuna was completed. The rental value rose SEK 47 million. The university will open in April 2020 with new and modern educational facilities for 4,000 students.



Kornetintie 8, health care property in Helsinki, Finland

CEO statement

Despite these difficult times, I feel cautiously optimistic about the future



If I had written my statement for the Annual Report a month ago, I would probably have focused on the fact that 2019 was a year with the strongest cash flow and highest profit ever, while we built a stronger Hemsö and broadened our partnership with the public sector.

Covid-19

At the time of writing, the Covid-19 pandemic is raging and Europe, and many other parts of the world, have ground to a halt. Normal daily life has come to a standstill. Schools are closed across major parts of Europe, all non-essential travel has been banned and mass quarantine is significantly impacting the freedom of movement we are accustomed to. The direct effects of the virus on humans are still unclear. What we do know, however, is that the number of severe cases and deaths are increasing every day. The impact on the economy, and on people's psychological well-being and optimism, however, is impossible to measure. The only thing we do know is that the impact will be large.

As it is impossible to predict the long-term economic effects at present, it is also difficult to predict the exact consequences for Hemsö. The Covid-19 pandemic and its impact on the economy and society could affect Hemsö from a range of differ-

ent perspectives. In the short term, the obvious effects are the potential impact on Hemsö's employees, income, operating costs, property management, financing and ongoing construction projects. But even more important is the possible effects on the residents in our nursing homes. Most of the residents in our nursing homes are over the age of 85 and also have multiple medical conditions, which is the group at highest risk. While this may not have a direct impact on Hemsö, the social impacts could be tragic.

All of Hemsö's employees take these potential risks very seriously and we have introduced action plans to address them. However, I do not expect these risks to have a significant impact on Hemsö. Hemsö has long-term rental agreements, mainly with public-sector tenants or private operators that are taxpayer funded. 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.

Our financing poses the greatest financial risk, and here we have created a strong capital structure in recent years. At year-end, we

had a loan maturity and fixed-rate period of 7-4 years and 6.4 years, respectively. Hemsö's shareholders decided to inject an additional SEK 1 billion in new equity in 2020. At the same time, Hemsö raised the Third Swedish National Pension Fund's underwriting commitment from SEK 4 billion to SEK 5 billion. By the end of March, we estimate Hemsö's available liquidity to be more than SEK 12 billion. I do not expect any material refinancing risk in either the long or the short term.

On 25 March 2020, Standard & Poor's also affirmed Hemsö's long-term issue credit rating of A- with a stable outlook. The rating report summarised their position as follows: "The affirmation reflects our view that Hemsö will remain committed to its low risk strategy and continue to report robust financial results, despite risks related to Covid-19."

Hemsö's low-risk business model and the strengths we have built up in the

company become clearer in tougher market conditions. Hemsö aims to be a long-term property partner to the public sector, and that applies in both good times and bad. Our strategy remains firm and it is important that we maintain business as usual to support the public sector.

Our owners' support for Hemsö's long-term growth is a strength, especially in a time when the need for social infrastructure in the municipalities is growing sharply. Hemsö's strong financial position and robust liquidity mean that Hemsö can continue to be a stable partner to the public sector, regardless of market conditions.

obvious from the fact that between 65 and 80 per cent of all schools in Sweden and Finland, respectively, are more than 40 years old.

Our strategy and vision are simple – Hemsö shall be a long-term property partner to the public sector, and Hemsö shall be the private alternative to public finance.

“Our strategy remains firm and it is important that we maintain business as usual to support the public sector.”

Social responsibility is important

In times like these, Hemsö must take an even greater social responsibility than normal and do whatever we can to support a positive social trend. The easiest way is to continue focusing on what we usually do, because I am convinced that Hemsö, even in 'normal' times, is a socially responsible company and does its part to enact positive change in many respects. In the short term, we maintain close dialogue with our tenants and have taken several initiatives to support them in various ways. One example is that we have offered premises for quarantine wards and temporary hospital beds free of charge – both big and small initiatives.

Cautiously positive outlook

Despite the prevailing uncertainty, I feel cautiously optimistic about the future – that society will rally through this severe crisis, and that Hemsö as a company, will not be significantly impacted. Hemsö's strengths as a company are becoming clearer than ever before.

Hemsö's business model is non-cyclical and demand for our premises is driven by demographic changes and urbanisation. In addition, many municipalities are facing increased challenges due to a substantial need for investment in infrastructure and the expansion of schools and elderly care. The existing property portfolio is also in need of a major upgrade. This is

Municipalities are facing major challenges and Hemsö is already collaborating actively with a large number of municipalities to solve some of these challenges. Hemsö's owners and employees are dedicated to building a stronger company that can contribute added value to social infrastructure. Moving forward, we will continue to focus on excellence in property management and development projects to drive the development of schools, nursing homes and other essential public properties.

I would also like to thank Hemsö's fantastic employees for their efforts during the year to create a strong company that is equipped for the future. Together, we will lead Hemsö through the uncertainty of the near future.

Nils Styf, CEO



Strategy and value creation

Hemsö's business concept is to sustainably own, manage and develop public properties. By meeting the growing need for social infrastructure, Hemsö is contributing to an important social function and creating sustainable growth for Swedish pension funds.

Demand for public properties is expected to increase sharply over the next 20-year period due to healthy population growth, with rapid growth in the 80+ age group, in particular. Due to the continuing trend of urbanisation, our cities are also getting bigger. This is leading to a major need for new schools and nursing homes in metropolitan areas. At the same time, the public sector is facing a need for the renewal and modernisation of its existing property portfolio. To help municipalities and regions with these challenges, Hemsö has also – in addition to being a long-term property partner – built up extensive development project capacity.

Hemsö's core market, Sweden, account for two-thirds of the company's property portfolio. Hemsö has also had operations in Germany from 2011, and Finland from 2013. All markets have stable economies with strong finances, and a welfare sector that is mainly publicly funded. The tenants are state, municipal, regional or private operators that are taxpayer-funded. Income derived directly or indirectly from public funds is a strength in Hemsö's strategy.

Hemsö's operations are characterised by a local presence to ensure a high level of service, as well as efficiency and a strong sustainability focus. We have been driving the development of public properties for ten years, which has given us solid experience and specialised expertise in the segment. In 2014, Hemsö was also at the forefront when MSCI launched the definition of a public property. The definition was based on Hemsö's already well-established criteria:

- Purpose-built
- Tax-funded
- Public services



Purpose-built



Tax-funded



Public services

Source: MSCI

Hemsö's business model

Characterised by low risk and long-term stable returns due to:

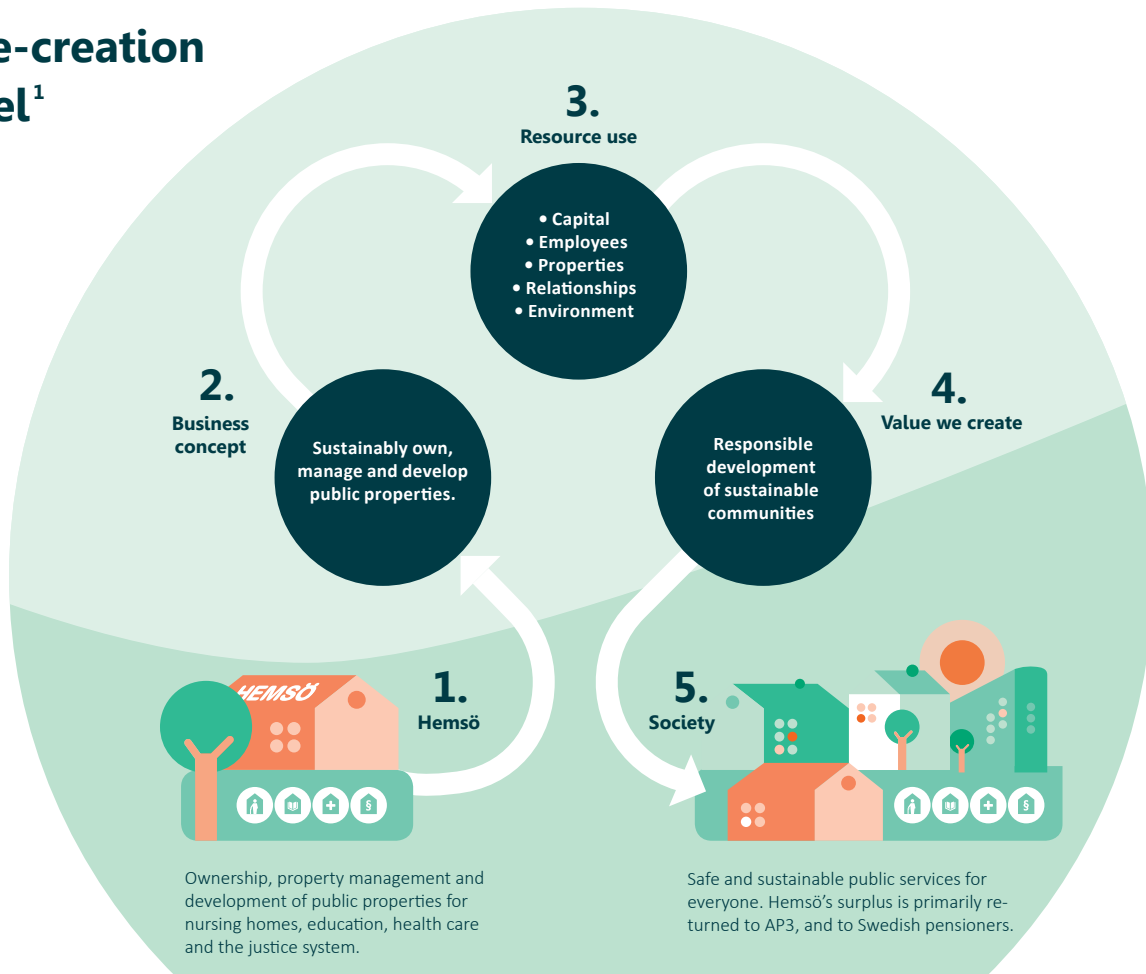
- Rising demand driven by demographic changes
- Financially stable tenants
- Long-term rental agreements
- Low vacancies
- Low sensitivity to economic fluctuations

Hemsö's markets

Country	Sweden	Finland	Germany
Credit rating, S&P	AAA	AA+	AAA
Public sector share of GDP	50%	53%	44%
GDP growth 2019	1.6%	2.2%	0.5%
Hemsö's market value, share	68%	17%	15%

Population	Sweden	Finland	Germany
Population, 2019	10,300,000	5,500,000	83,200,000
Population 80+	530,000	310,000	5,650,000
Projected population growth, 2030	+8%	+1%	+0%
Projected population growth for 80+, 2030	+51%	+57%	+8%

Value-creation model¹



1. Hemsö

Hemsö is a property company specialised in public properties, social infrastructure. Properties are predominantly used for taxpayer-funded operations and are purpose-built for public services.

2. Business concept

Sustainably own, manage and develop public properties in four specialised areas of activity: nursing homes, education, health care and the justice system. Primarily public-sector tenants with long-term rental agreements.

3. Resource use

Resource use mainly comprises financial capital, materials for new construction and property management, employee expertise, relationships with partners, energy and other natural resources.

Financial capital

- Equity: SEK 16,714 million
- Property value: SEK 55 billion
- Borrowed capital: SEK 35,542 million

Employees

- Employee expertise: 122

Environment

- Energy: 138 kWh/sqm
- Sustainable choice of materials

Properties

- Properties: 370
- Investments: SEK 6,357 million in new construction, acquisitions and existing properties

Relationships

- Long-term and sustainable relationships with municipal, state and regional players, and end customers

4. Value we create

Hemsö is driving social development for sustainable, safe and purpose-built public properties, and environmental action that benefits everyone.

Financial capital

- Profit from property management: SEK 1,720 million
- Shareholder dividends: SEK 721 million

Employees

- Engagement Index: 84/100
- 80 per cent of employees are satisfied with their competence development
- Employee attendance: 97.5 per cent

Relationships

- Customer Satisfaction Index: 71/100 Sweden
- Top ranking for tenant satisfaction in Finland, among 19 property owners
- Rental duration: 9.9 years

Properties

- Lettable area: 1,884 tsqm for social infrastructure
- Environmentally certified properties: 35
- CO₂ emissions Sweden: 6.8 kg CO₂e/m²
- Energy consumption: -3 per cent annually

Completed places since the start

- Nursing home beds: 1,000
- School places: 6,300
- College places: 7,000

5. Society

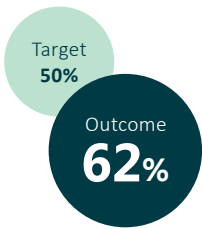
In addition to the impact of Hemsö's efforts to develop safe and sustainable public properties for everyone, from young to old, Hemsö's principal owner is the Third Swedish National Pension Fund. Hemsö therefore hedges the Swedish national pension through AP3 and strengthens security for Sweden's pensioners.

¹ Figures in the model pertain to full-year 2019 unless otherwise stated.



Hemsö's four property frameworks

To clarify Hemsö's strategy, the company has four property frameworks. These frameworks aim to ensure a low level of portfolio risk, and that Hemsö's cash flow remains stable over time.

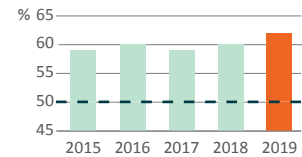


Public-sector tenants

Public-sector tenants are to account for at least 50 per cent of rental income. Hemsö's business model is based on taxpayer-funded tenants in an established system with publicly funded welfare services. Hemsö endeavours to

receive rental income directly from the state, municipalities or regions. This provides stability since the ability of these tenants to meet their payment obligations is strong.

Outcome:

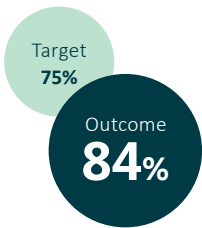
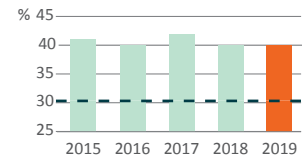


Nursing homes

Nursing homes are to account for at least 30 per cent of rental income. The nursing homes segment is showing strong, long-term and rising demand, which guarantees stable rental income over time. Demand is directly

linked to the demographic trend, where the proportion of people aged 80 and over is setting the tone. The residual value risk is also low, since nursing homes can often be easily converted into ordinary housing.

Outcome:

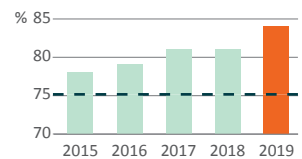


Metropolitan areas and large cities

At least 75 per cent of the property value is to be concentrated to metropolitan areas and large cities. Demand for public properties is mainly driven by demographics and urbanisation.

For this reason, strong long-term demand for Hemsö's properties is secured by concentrating a high percentage of the property holding to metropolitan areas and large cities.

Outcome:

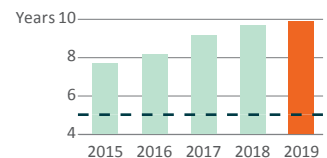


Rental duration

The rental duration is to be at least five years. To ensure stable, predictable and inflation-adjusted income, Hemsö strives for long-term rental agreements. Rental agreements for new

construction normally have a duration of 1525 years, with annual rent adjustments to reflect increases in the consumer price index.

Outcome:



Hemsö's targets

Target for sustainable business

Target
77%

Outcome
84%

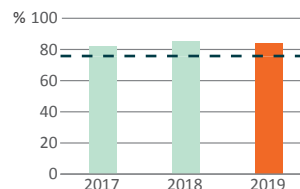
Engagement Index (EI).

Target: The Engagement Index score will be at least 77 per cent. The EI is part of the Employee Engagement Index (EEI), which includes the Leadership Index and Team Efficiency Index, and

also received high scores during the year.

Outcome: 84 per cent, which means that the target for 2019 was achieved.

Outcome:



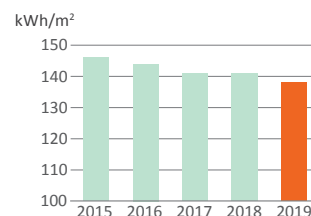
Target
3%

Outcome
3.1%

Energy consumption

Target: 3 per cent more energy-efficient per year in the comparable portfolio over the past two years.

Outcome: In 2019, energy consumption in the comparable portfolio declined 3.1 per cent in Sweden, and 1.7 per cent in Finland. The graph shows energy consumption in Sweden over the past five years.



Target
15%

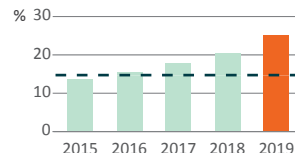
Outcome
25.2%

Return on equity

Target: Average return on equity of 15 per cent over a five-year period.

Outcome: In 2019, average return on equity over a five-year period was 25.2 per cent.

Outcome:



Financial policy

Target
70%

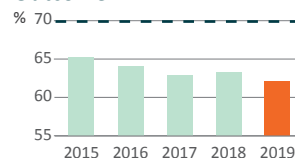
Outcome
62.1%

Loan-to-value ratio

Target: A maximum loan-to-value ratio of 70 per cent.

Outcome: In 2019, Hemsö's loan-to-value ratio declined to 62.1 per cent (63.3) due to a shareholder contribution and rising property values.

Outcome:



Target
2.0 times

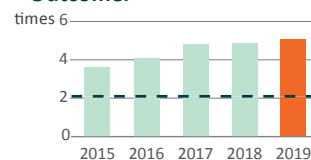
Outcome
5.1 times

Interest-coverage ratio

Target: An interest-coverage ratio of at least 2.0 times.

Outcome: In 2019, the interest-coverage ratio increased to 5.1 times. This was an effect of higher operating profit and a lower average interest rate.

Outcome:





Driton Kelmendi, Head of Purchasing



Hanna Tengberg, Project Developer

Employees

Creating success for everyone – from tenants to investors – requires knowledge, consideration and commitment. That is why our employees are our most important asset and crucial to whether or not we accomplish our goals.

Flexible and attractive workplace

Hemsö is focused on creating an attractive workplace in order to attract new, and retain existing, employees. Values, culture and sustainability are important to Hemsö. Our culture is therefore characterised by accountability, flexibility and a passion for the social benefit that Hemsö helps to create. The ability for employees to shape the direction of their work with new ideas and suggestions is something that characterises the environment at Hemsö. Work processes are characterised by openness and short decision paths.

Knowledge sharing with high attendance

Hemsö works systematically to ensure that all employees can develop in their role, and provides training and competence development. Many employees have

unique cutting-edge knowledge. In an effort to spread this knowledge, the Social School was launched in 2017. This school has many subjects but no fixed timetable. Whenever time allows, employees describe and communicate their own unique speciality and working day. This form of knowledge transfer has been highly appreciated and new topics are continuously added. There have been many replays during the year, but also some new additions such as digital tools for Office 365, how the Swedish pension system works, public procurement and methods for managing stress.

Hemsö offers continuous competence development by giving employees more responsibility and more advanced tasks, as well as different types of training opportunities. To further motivate and develop employees, we always seek to recruit

internally first. During the year, a number of existing employees were recruited to new roles, a sign of the expertise already possessed by the company. This is also testament to the opportunities for development within the company. Every year, Hemsö measures the perception of competence development. In the latest employee survey, 80 per cent responded positively and 12 per cent neutrally to the question “Are you able to develop in your role?”

To attract young talent, Hemsö meets students every year at labour market events, or at meetings where students are invited to Hemsö’s head office. The company also offers summer jobs, internships and support to several young students for their degree projects in urban planning and property management. In 2019, Hemsö employed its fifth trainee as well as several young talents. Hemsö



Emma Weman, Head of Sustainability, and David Magnusson, Project Manager



Karim Ramzi, Technical Manager

aims to employ people with different perspectives and experiences. This helps to broaden the company's knowledge base and create a more dynamic working climate. We offer all employees a permanent position with attractive employee benefits.

Career Company of the Year – again! For the fourth consecutive year, Universum named Hemsö Career Company of the Year. It means that the jury rates Hemsö as one of the top 100 companies in Sweden when it comes to offering development and career opportunities to its employees. Hemsö has the highest number of nominations in the industry.

Leadership that is developed
Leadership is important to us. Strong leaders who can motivate, develop and support their colleagues is our leadership philosophy. All of the company's managers therefore undergo a leadership development programme. The programme contains modules including communication training, feedback and group

dynamics with a business focus. All managers have also received personal coaching with an external coach.

High levels of employee engagement
All employees are able to influence their own role, as well as the business in general. This lays the foundation for committed and motivated employees. As a foundation for professional development, all employees establish an individual development plan at their annual performance review. Systems support is used for performance reviews, and to monitor the reviews for 100 per cent of employees. The Hemsö School is a key element for building shared values. In the Hemsö School, new employees undergo practical and theoretical exercises in order to understand and embrace Hemsö's value words – accessible, reliable and progressive. The first international Hemsö School was launched in 2019, since several new employees have now begun working in Germany and Finland. Hemsö Days is also held every year – an internal conference for all employees, focus-

Hemsö's core values

Accessible
We are locally based and work closely with our customers. We are responsive and always strive to promote positive dialogue. We are a dependable and accessible partner, with high availability.

Reliable
We take responsibility for the properties we manage and build confidence through financial stability and stable ownership. We contribute to sustainable development and our properties are part of the social infrastructure.

Progressive
We drive developments in our industry. We develop offerings and premises based on the requirements and preferences of our customers.



Employees from left: Mikko Salla (Head of Asset Management, Finland), Heidi Hanhijärvi (Property Manager) and Mika Kvist (Technical Manager), Johanna Holmström (Business Controller), Jarkko Leinonen (Head of Region, Finland) and Simo Karjalainen (Project Developer).

ing on key strategic issues and any changes in the business environment that impact the operations.

The latest employee survey in 2019 showed overall excellent results with high index scores for engagement and leadership. The psychosocial index also indicated a well-functioning psychosocial work environment. This survey was also followed up with a pulse survey after the summer. The results showed a sharply positive increase in the proportion of ambassadors in the company, meaning the employees who would recommend Hemsö to a friend. After the survey, every department reviewed its results and creates action plans for achieving improvements.

Health and balance

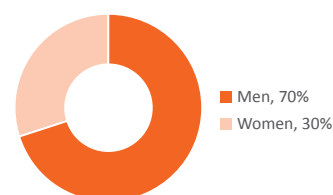
Hemsö aims to be a health leader by taking a proactive approach to health and well-being at work. Hemsö promotes a work-life balance, opportunities for exercise and a long-term focus on health. All employees are offered physical activity subsidies and regular health checks. Hemsö's Workplace Handbook guides the handling of occupational health and safety (OHS) issues. The starting point is to ensure systematic OHS procedures in accordance with applicable laws and regulations.

In 2019, Hemsö's employee attendance was 97.5 per cent (2018: 98.9, 2017: 98.7) and there were zero work or employee-related accidents or fatalities.

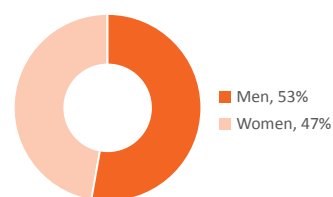
Diversity and equal opportunities

Variation in terms of gender, age and background is important for Hemsö's development and competitiveness. Hemsö's view is that all people are equal, and that everyone should have the same opportunities for development regardless of gender, ethnic and cultural background or age. Hemsö has zero tolerance for harassment and takes clear preventive measures. The company measures and regularly monitors these issues in, for example, the employee survey. In 2019, salaries were reviewed and showed that, as in the previous two years, there are no pay gaps between women and men at Hemsö. Creating a working environment based on diversity requires a long-term and comprehensive approach. It involves creating the conditions for taking advantage of every employee's unique abilities and assets, but also working actively to prevent discrimination, bullying and prejudice.

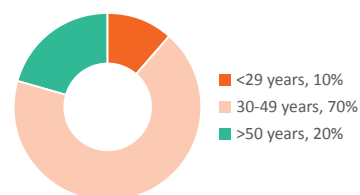
Gender balance, management



Gender balance total



Age balance



New employees

Hemsö recruited a number of new employees during the year, including Ebba Lindström (Business Controller) and Rikard Larsson (Head of Sweden West).



**Ebba Lindström,
Business Controller**

Why did you choose Hemsö?

“I have always enjoyed working with properties and when I was offered a position at Hemsö, I didn’t think twice. It feels inspiring that Hemsö is the leading private owner of public properties in Sweden, with a strong commitment to its tenants and their operations.

What was it like when you first started?

“The atmosphere at Hemsö is warm and welcoming and it didn’t take long to become part of the team. I received a thorough and good introduction to the company’s operations and various functions, which helped me get to know Hemsö fast.

Have your expectations of Hemsö been met?

“Yes, definitely. In every way possible! I enjoy working at Hemsö, and I am proud to be part of what Hemsö represents and values.



**Rikard Larsson,
Head of Sweden West**

Why did you choose Hemsö?

“I thought it would feel motivating to go to work every day and by helping to develop and manage schools, nursing homes, police headquarters and health care premises for the better, the profits generated by our work would be returned to society through the Third Swedish National Pension Fund’s ownership of the company.”

What was it like when you first started?

“There hasn’t been a dull moment since I started – enjoyable development projects, and interesting and rewarding meetings with our tenants. We are not a big company so it didn’t take long to meet most of my colleagues, and to get started and make a contribution.

Have your expectations of Hemsö been met?

“Absolutely! Hemsö is a company where I think everyone would feel

welcome. I have particularly appreciated the simplicity in how the company works and, perhaps most of all, the willingness to do good things for our tenants, employees and shareholders. It is obvious that people enjoy working here, and that our tenants think we are doing a good job.”



Innovative development projects based on research

Hemsö has continued to work with new development projects to improve the environment in both school playgrounds and classrooms. A pilot project to test a totally new lighting system at the Raoul Wallenberg School in Solna commenced during the year.

A focus on learning

The 'Skolgårdslyftet' project, which is aimed at raising the quality of our school playgrounds, continued during the year. One of Hemsö's targets is to make an inventory of all school playgrounds in its portfolio by 2022, in order to upgrade them according to needs. School playgrounds are an essential part of the learning environment for children and young people. As well as a place for breaks and play, they should also promote cognitive, motor, creative and social development. The outdoor environment should therefore be stimulating, but also a place for peace, quiet and reflection. The 'Ljuslyftet' project also

commenced during the year, with the aim of using a new research-based lighting system to improve the learning environment.

Innovative lighting for better learning

While effective teaching methods and materials stimulate interest in school subjects, light settings can also have a major impact. The replication of natural daylight in classrooms can stimulate and engage students, helping them to stay focused and learn better. Research shows that the right lighting can improve well-being and learning performance.

Ljuslyftet

'Ljuslyftet' is a pilot project in digitisation and light environments, which is being implemented in collaboration with the Raoul Wallenberg School (RWS) in Solna and lighting company Signify. SchoolVision is an innovative lighting system that has been introduced in classrooms. The brightness and colour of the lighting can be adjusted, depending on the activity taking place in the classroom, which helps students stay focused and learn better. The system has been installed in several classrooms for students in Years 3 and 4 at RWS in Solna.



**Lighting
makes a
positive
difference!**

“In class 3A, we use focus lighting when we are working with maths, and relaxed lighting for reading. The students ask for the focus lighting if we forget to use it. We can see how it helps them stay focused and more alert,” says Helena Larsson, a teacher at RWS in Solna.

Continued focus on outdoor environments

Our efforts to upgrade school playgrounds are in full swing in several municipalities, and 20 school playground projects were started in 2019. 18 school playgrounds are now finished, and another 24 playgrounds

will be completed in 2020. The inventory will continue across Sweden so that we can continue to develop more inspiring and progressive outdoor environments.

At the Växjö Montessori School, the children are very happy and satisfied with their beautiful new playground. There are new benches, a climbing wall, swings and new planters.

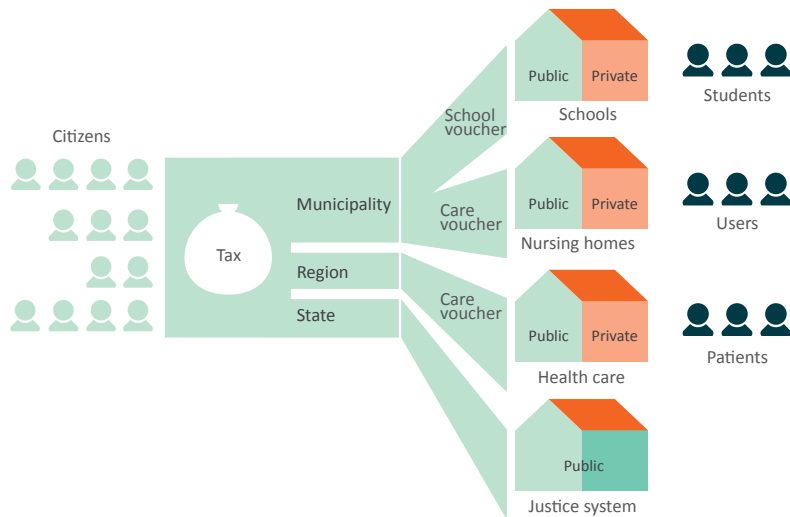
The important outdoor environment

Research findings from the Swedish University of Agricultural Sciences (SLU) in Alnarp show how the



planning of outdoor environments is important for how children play and interact with nature. School playgrounds with both greenery and areas for play and social interaction promote learning and reduce stress.

Public service funding model in Sweden



Market overview

Hemsö is active in Sweden, Finland and Germany. A common denominator for these markets is that public services are mainly financed by municipalities, regions or the state.

It means that private-sector tenants also receive funding from municipalities, regions or the state. For independent schools in Sweden, for example, the municipality pays a school fee to the school where the student is enrolled. For nursing

homes in Germany, a long-term care insurance fee is paid to the nursing home where the care recipient chooses to live. 94 per cent of Hemsö's total rental income is derived from taxpayer-funded operations.

Definition of a public property

A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Internationally, these properties are generally referred to as "social infrastructure."

Demographics

The need for public services, and therefore public properties, is largely governed by demographic and social trends. The common denominator for all of Hemsö's markets is that

the need for public services and public properties will increase, due to a long-term demographic change where longevity and the number of people in older age groups are

increasing. Political and economic factors are also affecting demand for public properties.



The population of Sweden has increased significantly in recent years and the increase for 2019 will probably exceed 100,000 people for the sixth consecutive year, according to Statistics Sweden. The increase is largely due to immigration, but also the result of higher birth rates and the fact that people are living longer. While the population is growing in all age groups, the percentage of people aged 80 and over is expected to increase most in the years ahead. By 2029, when the Swedish population is expected to reach 11 million, this segment is estimated to include 255,000 more people than in 2018, representing an increase of 50 per cent. Due to this increase, the need for various types of residential facilities for elderly people will rise.



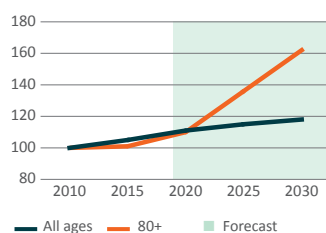
The population trend in Finland is driven by a positive net migration rate, which outweighs the negative net birth rate. According to population projections, the net migration rate will remain positive until 2035, when the total number of inhabitants will reach 5.62 million. The population is then expected to decline and pass the current level in the 2050s. The current trend, like the Swedish population trend, means that an ageing population will lead to a growing need for properties designed for services and residential care for the elderly.



At the end of 2019, Germany's population was an estimated 83.2 million, up 200,000 since 2018 and a new record. However, population growth during the year was lower than in 2013-2018. The population has grown since the German reunification, due exclusively to net immigration. Despite continued net immigration, the German population will age significantly. In 2018, there were 51.8 million Germans of working age, but that figure is expected to fall by about 10 per cent by 2035. The number of people aged 80 and over is projected to increase from 5.4 million to 6.2 million by 2022. By 2050, the figure is expected to reach about 10 million.

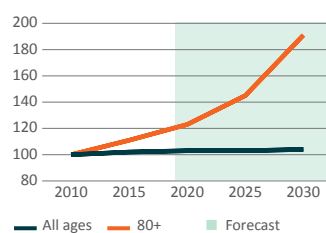
Demographic trend

Sweden



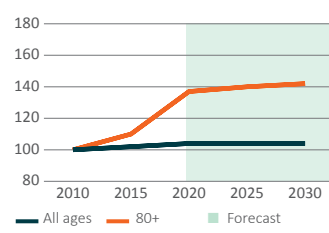
Source: SCB Index, 2010 = base year

Finland



Source: Statistics Finland Index, 2010 = base year

Germany



Source: Destatis Index, 2010 = base year

Economy

Macroeconomic factors such as inflation, access to capital and cost of capital all have a major impact on the property market. In 2019, the global economy entered a situation where uncertainty about economic growth and inflation throughout the

rest of the world and Sweden was obvious. International trade disputes and Brexit-related uncertainty lead to mounting concerns about the global economy. To date in 2020, COVID-19 and the restrictions imposed by countries all over the world

have had a major impact on the global economy. Most industries are expected to be severely impacted during the year, including large parts of the property industry.



In 2019, the booming Swedish economy entered a phase of lower growth. According to the National Institute of Economic Research's latest outlook from December 2019, GDP growth is expected to fall from 2.3 per cent in 2018 to 1.1 per cent in 2019. As in the rest of the world, interest rates on government bonds fell in Sweden in 2019. The low interest rates on government securities and bonds, and the combination of continued good access to capital and low borrowing costs benefitted the property market in 2019. At the end of December in 2019, the Swedish Riksbank raised the repo rate to zero per cent. A sustained low interest rate while the Riksbank continues to purchase government bonds is creating continued expansionary monetary policy.



The Finnish economy had a slightly stronger trend in 2019 compared with Sweden. The GDP estimate for 2019 is 1.6 per cent following strong exports in the services sector and high levels of household consumption. The job market has peaked after two years of strong growth and falling unemployment rates. In 2019, the unemployment rate was 6.6 per cent, down 0.8 percentage points year-on-year.



The German economy continued to grow in 2019, albeit at a slower pace. Germany's GDP growth rate was 0.6 per cent, which means that the German economy has expanded every year over the past decade. However, GDP growth was significantly lower than in the preceding two years with 2.5 and 1.5 per cent, respectively. In 2019, growth was driven by higher levels of household and public consumption, and a booming construction market. Growth was hampered by a weak auto industry, which is undergoing a major structural shift towards electric vehicles. Ongoing trade disputes had a negative impact on several major export companies. Together with the Netherlands, Germany has the lowest unemployment rate in Europe (3.2 per cent).



Nursing home, Björknäsgården, Boden

Transaction market

The commercial property sector is highly capital intensive and the strong interest from investors is primarily mainly driven by the prevailing low interest-rate environment. Other factors, such as the lack of alternative investments, good access

to equity finance and favourable financing options, have also benefited the property market. The fundamental driving forces, such as positive economic growth, low vacancies and rental growth, remain favourable and indicate that investment

appetite is likely to remain strong in the year ahead. Interest from foreign investors remained strong and competitive during the year.



In Sweden, the interest in property investments has reached record-high levels in recent years. In 2019, the transaction volume for properties was SEK 219 billion, the highest level ever measured. The transaction volume rose SEK 57 billion or 35 per cent compared with 2018, and was SEK 16 billion higher than the previous record-high level in 2016. Foreign investors remained active throughout the year and accounted for 35 per cent of total investment capital, corresponding to SEK 78 billion and the highest figure ever recorded. The foreign buyers were active in all sub-segments, and all over Sweden. In 2019, foreign investors were net buyers in the Swedish market for the third consecutive year.



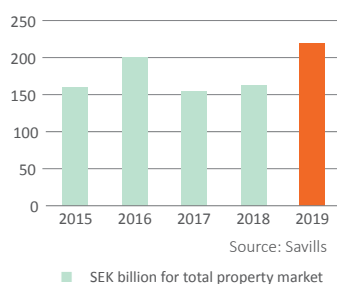
The Finnish transaction volume was EUR 6.3 billion in 2019, down 34 per cent from 2018. The number of transactions remained high at 300, compared with 350 in 2018 and 300 in 2017. The decline in the transaction volume in 2019 was due to the fact that no exceptionally high transactions were carried out, as was the case in the two preceding years. Foreign investors are still active in the Finnish property market and accounted for 45 per cent of total investment capital, as well as being net buyers.



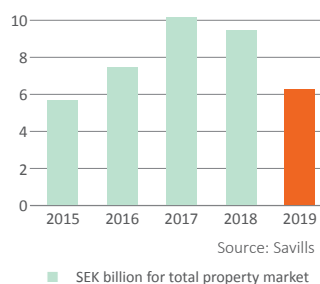
The German transaction market ended the first decade of the century with a new record. The transaction volume was EUR 88 billion, up 8 per cent compared with 2018. Foreign investors showed a major interest and accounted for 41 per cent of the total transaction volume. Office properties accounted for 40 per cent of the total transaction volume, and was therefore the largest segment. Residential properties was the second-largest segment with a market share of 20 per cent, followed by retail properties with 16 per cent of the market.

Transaction volumes

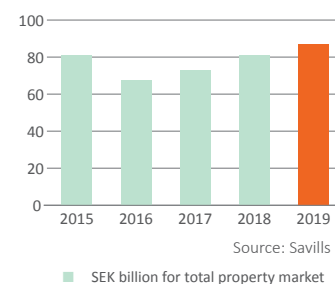
Sweden, SEK billion



Finland, EUR billion



Germany, EUR billion



The transaction market for public properties

Public properties have gradually evolved into an established property segment in all of Hemsö's markets. Public properties are associated with a lower risk profile compared with traditional property segments due to stable tenants and long-term

rental agreements. The transaction volumes in this segment are expected to remain high, driven by the prevailing market conditions and the segment's favourable risk-benefit profile. At the same, municipalities in Sweden and Finland have begun

to divest their properties in order to free-up capital and focus on their core business, which will probably continue in the coming years and therefore drive transaction volumes.



In Sweden, public properties generated sales of SEK 17.6 billion in 2019, up 25 per cent year-on-year. Please note that SBB's acquisition of Hemfosa, which was completed in early 2020, is excluded. Stockholm was the largest market geographically with a transaction volume of SEK 5.2 billion. Elderly care and special housing was the single largest segment with sales of SEK 6.8 billion, compared with an average figure of SEK 4.2 billion over the past five years. Forward funding transactions for nursing homes also generated a great deal of interest. Non-completed development projects accounted for about 19 per cent of the transaction volume.



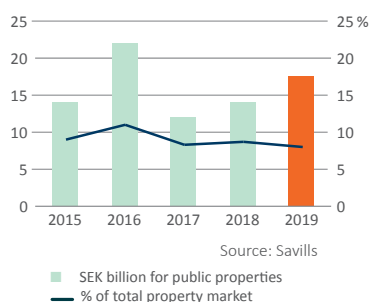
The transaction volume for public properties has grown in recent years. In 2019, this segment generated sales of EUR 990 million, accounting for 16 per cent of the total transaction volume, and was thereby the fourth-largest segment after offices, housing and retail.



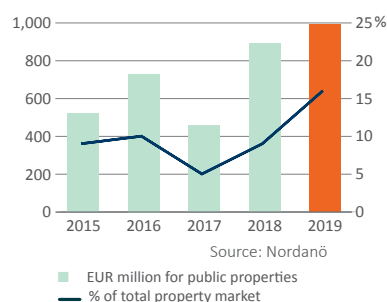
In 2019, public properties and elderly care generated sales of EUR 1.8 billion, down 37 per cent from 2018, but in line with the annual average over the past five years. In terms of the entire German transaction market, public properties and elderly care comprise a niche segment that normally accounts for 1-5 per cent of the total transaction volume. In 2019, foreign investors accounted for approximately two-thirds of investment capital for elderly care, mainly driven by Belgian and French investors.

Transaction volumes for public properties

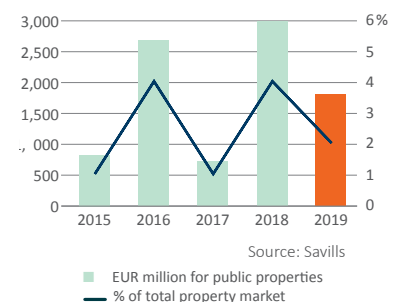
Sweden, SEK billion



Finland, EUR million



Germany, EUR million





Property portfolio

Hemsö's property portfolio contains properties for nursing homes, education, health care and the justice system in Sweden, Finland and Germany. The portfolio is well-diversified and at year-end, the market value was SEK 55 billion.

At 31 December 2019, Hemsö's property portfolio consisted of 370 properties with a market value of SEK 55,027 million. Contracted annual rent and total lettable area amounted to SEK 3,126 million and 1,884 tsqm, respectively. Net operating income amounted to SEK 2,276 million.

Portfolio development

In 2019, a total of 23 properties were acquired for SEK 5,242 million. Prop-

erty acquisitions amounted to SEK 1,165 million in Sweden, SEK 515 million in Germany and SEK 3,562 million in Finland. Acquisitions were made in all of Hemsö's property categories, and met Hemsö's requirements in terms of quality and geographic concentration to regions with demographic growth.

Over five years, the total market value of the portfolio has more than doubled, from just over SEK 25 billion

to SEK 55 billion. During the same period, the lettable area increased 24 per cent. Over the past five years, the rental duration has increased by 2.4 years and the market value in large cities by 6 percentage points.



This is a result of dedicated efforts to streamline the portfolio, with a focus on large cities and modern properties, and lower yield requirements in the property market.

Key ratios per category

Key ratios	Nursing homes	Education	Health care	Justice system	Total
Property value, SEK billion	22	17	10	6	55
No. of properties	186	108	59	17	370
Value/property, SEK million	120	160	170	380	150
Rent/sqm, SEK	1,450	1,700	1,730	1,930	1,620
NOI margin, %	75	74	69	77	75
Ec. occupancy rate, %	100	99	95	96	98
Rental duration, years	10	12	7	8	10
Share of large cities, %	79	82	96	89	84

Property portfolio in growth regions

City	Population	Property value, SEK million	% of portfolio
Stockholm	2,020	16,900	31
Helsinki	1,500	5,000	9
Malmö	680	3,700	7
Västerås	150	2,700	5
Norrköping	140	2,100	4
Gothenburg	900	2,100	4
Turku	190	2,000	4
Duisburg	790	1,700	3
Umeå	130	1,000	2
Eskilstuna	110	900	2
Gävle	100	900	2
Uppsala	230	800	1
Frankfurt	2,530	800	1
Berlin	4,400	800	1
Subtotal		41,400	76
Other metropolitan areas and large cities		4,900	9
Total metropolitan areas and large cities		46,300	84
Small cities		8,700	16
Total Hemsö		55,000	100

Metropolitan area or large city 
Small city 

Sweden

265 properties
 SEK 37.5 billion in property value
 68% of the portfolio's
 market value
 SEK 2,137 million in
 rental value

	SEK million	No.
Value, Jan 2019	33,644	273
Acquisitions	1,165	9
Investments	2,282	–
Divestments	-1,282	17
Value changes	1,659	–
Exchange-rate differences	–	–
Value, Dec 2019	37,468	265

Finland

49 properties
 SEK 9.3 billion in property value
 17% of the portfolio's
 market value
 SEK 619 million in
 rental value

	SEK million	No.
Value, Jan 2019	5,352	41
Acquisitions	3,562	9
Investments	312	–
Divestments	–	1
Value changes	83	–
Exchange-rate differences	25	–
Value, Dec 2019	9,334	49

Germany

56 properties
 SEK 8.2 billion in property value
 15% of the portfolio's
 market value
 SEK 439 million in
 rental value

	SEK million	No.
Value, Jan 2019	7,240	51
Acquisitions	515	5
Investments	130	–
Divestments	–	–
Value changes	241	–
Exchange-rate differences	99	–
Value, Dec 2019	8,225	56



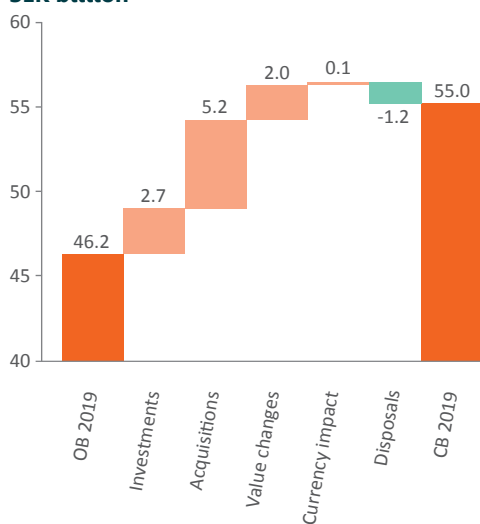
Property portfolio development, 2010-2019

Key ratios	2010	2019
Property value, SEK billion	18.5	55.0
Value/property, SEK million	60	150
Rent/sqm, SEK	960	1,530
NOI margin, %	71	75
Ec. occupancy rate, %	98	98
Rental duration, years	7.6	9.9
Share of large cities, %	70	84

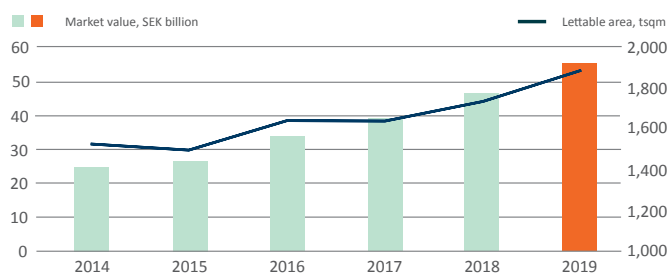
Net operating income per geographic market

	Sweden	Finland	Germany	Total
Property income	2,037	575	434	3,046
Property costs	-609	-130	-31	-770
Net operating income, SEK million	1,428	445	403	2,276
Key ratios				
Share of NOI, %	63	20	18	100
NOI margin, %	70	78	93	75

Property portfolio development 2019, SEK billion



Market value and area





Hemsö's ten-largest investment properties in terms of value

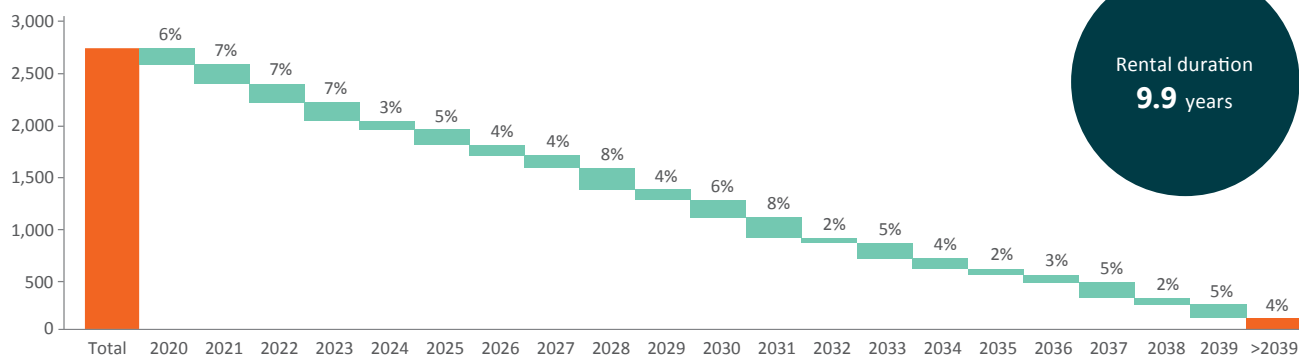
Municipality	Property	Category	Largest tenant	Environmental certification	Area, tsqm	Value, SEK million
Helsinki	Salmisaarenranta 7	Justice system	Ministry of Justice	Yes	49	2,100
Huddinge	Medicinaren 25	Health care	Karolinska Institute	Yes	19	1,400
Solna	Tegen 6	Justice system	Swedish Police	No	35	1,400
Lund	Klostergården 2:9	Education	International English School	Yes	46	1,300
Huddinge	Medicinaren 19	Health care	Region Stockholm	No	39	1,200
Duisburg	Wuhanstrasse 6,11	Education	North Rhine-Westphalia	Yes	17	1,100
Huddinge	Medicinaren 23	Education	Royal Institute of Technology	Yes	17	1,000
Eskilstuna	Verkmästaren 7	Education	Mälardalen University	Ongoing	20	900
Umeå	Stigbygeln 5	Justice system	Swedish Police	Yes	22	800
Turku	Kunnalissairaalan tie 20	Health care	City of Turku	No	48	800
Total					312	12,000

Hemsö's five-largest property acquisitions in 2019

Municipality	Property/portfolio	Category	Largest tenant	Transfer	Investment, SEK million
Helsinki, Finland	District Court of Helsinki	Justice system	Ministry of Justice	Q1 2019	2,100
Turku, Finland	Portfolio, SOTE	Nursing home	City of Turku	Q2 2019	1,400
Stockholm	Kadetten	Education	Academedi	Q4 2019	550
Stockholm	Police station Rinkeby	Justice system	Swedish Police	Q3 2019	480
Ahrensburg, Germany	Reeshoop	Nursing home	Inter Pares Care	Q4 2019	130
Total					4,660

Public-sector tenant
 Private-sector tenant

Rental agreement maturity structure, annual rent SEK million



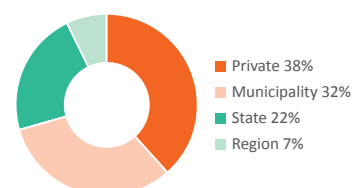
Tenants

94 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. The proportion of contracted annual rent with public-sector tenants was 62 per cent, where rental agreements with state operators accounted for 23 per cent, municipal operators for 32 per cent and regional operators for 7 per cent. 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, privately run operations are funded by both the public health insurance scheme and care-user fees. If the residents are unable to pay for their own expenses, funding is provided through a municipal contribution. Hemsö is usually able to obtain collateral for the rental income through pledges of the operator's entitlement to municipal contributions. In Germany, nursing home operations are funded by the public health insurance scheme and care-user fees. If the users are unable to pay for their own expenses, funding is provided through municipal contributions.

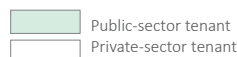
13 of Hemsö's 20 largest tenants are state, municipal and regional operators. Hemsö's five-largest tenants are the Swedish Police, the City of Turku, Attendo, the Ministry of Justice (Finland) and Academedia.

Contracted rent per category



Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Annual rent, %	No. of rental agreements
Swedish Police	State	156	5.0	31
City of Turku (Fin)	Municipality	144	4.6	14
Attendo	Private	134	4.3	68
Ministry of Justice (Fin)	State	113	3.6	14
Academedia	Private	113	3.6	21
Region Stockholm	Region	111	3.6	73
Mälardalen University	State	102	3.3	3
City of Västerås	Municipality	83	2.6	17
AWO Hessen Süd (Ger)	Private	80	2.6	10
Norrköping Municipality	Municipality	74	2.4	19
Västra Götaland Region	Region	70	2.2	60
Karolinska Institute	State	66	2.1	9
Ambea	Private	62	2.0	10
Alloheim (Ger)	Private	60	1.9	8
North Rhine-Westphalia (Ger)	State	57	1.8	1
HEWAG (Ger)	Private	55	1.8	9
Gävle Municipality	Municipality	52	1.6	19
University of the Arts Helsinki (Fin)	State	45	1.4	3
Region Gotland	Region	44	1.4	9
Mehiläinen (Fin)	Private	44	1.4	8
Total		1,665	53.3	406



Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish municipalities	781	25.2
Swedish state	426	13.8
Finnish municipalities	221	7.1
Swedish regions	220	7.1
Finnish state	187	6.0
German states	74	2.4
German municipalities	6	0.2
Total	1,915	62

Martin Lidström, Regional Chief of Local Supply Unit, Swedish Police in Umeå:

“Law enforcement is a complex business. We are grateful for Hemsö’s flexibility and understanding”

Hemsö has been managing the Police Headquarters in Umeå for over ten years. Continuous dialogue on working methods and a real understanding of our needs have been the key to an excellent partnership.



How do you work together with Hemsö?

Hemsö is the current owner of the North Police Region’s headquarters in Umeå, which is a comprehensive and strategic building for us.

We have an ongoing dialogue with Hemsö in relation to everyday tenancy issues as well as several construction projects, and a flexible dialogue whenever the need arises. We are very happy with the flexibility of our partnership. Our business operations are fairly meticulous and only meeting a few times every year, at specific times, wouldn’t work at all.

Are you working on any joint projects?

We have several development projects under way and a number of projects in the pipeline. For example, Sweden’s largest detention centre is currently under construction in Umeå, and scheduled for completion by the end of 2020. We have worked closely with Hemsö to find the most flexible solutions possible because parts of the existing building will be used to create the centre. Building a new facility while some parts of

the detention centre are still in use is also a planning challenge. No-one in the detention centre will be able to sleep in in the morning, because there’ll be a lot of drilling and construction going on.

“Close collaboration that provides flexibility and efficiency”

In addition to the detention centre, we are constantly refurbishing our premises in order to develop our operations. Right now, we are planning to convert the regional control centre in Umeå together with Hemsö, in order to bring in more operators who control and direct police operations.

How do you normally interact with Hemsö?

We normally communicate with Hemsö’s management organisation – Fastighetssnabben. We – the customer, the property owner, and

the management organisation – have an efficient way of working together and a flexible dialogue about anything that needs to be changed. If necessary, we contact Hemsö’s property manager directly and solve any issues that way.

What is the most important parameter in the partnership for you?

Flexibility. And a real understanding for our needs. The Swedish Police can’t be the easiest tenant for a property owner, because our requirements are constantly changing. New laws and regulations mean that we have to change the way the organisation works, which often has a direct impact on our premises. It is vital that a property owner can understand the complexity of our assignment, and can help us to adapt our premises on the basis of our existing conditions. In brief – a flexible and service-minded partner.

Mikael Rubin, Chairman of the Trelleborg Municipal Executive Board

“Municipalities will need more help from the market to meet future needs for welfare”

Trelleborg Municipality is investing heavily in the development of its city centre and its properties. Hemsö is an important partner to the municipality in this process.



The Kuststad 2025 development project involves 6,000 new homes with a seaside location and exceptional proximity to transport links and the city centre. The guiding principle is a long-term approach.

Through its acquisition of properties, including in the Herkules block, Hemsö is involved in this development. Most of the municipality's central administrations will soon be gathered close to the existing City Hall – one step closer to being able to focus on the city's development more effectively.

This is where premises for nursing homes and schools, for example, are ensured of meeting the appropriate standards and requirements. One challenge is that this group is now growing.

Mikael Rubin says:

“While reinvesting in various assisted living facilities, we also need to construct new schools and elderly care facilities. By 2040, the cost of these facilities is expected to reach about SEK 20 billion. And that is really just to maintain what we already have – one of our biggest challenges.

In the future, therefore, it will be vital that we can work together with parties who have a long-term focus on sustainability and the environment, and who use modern technologies. Trelleborg prefers to work pro-actively with proposals for technical environmental solutions, ranging from electricity to heating.

“More players that work like Hemsö”

“We want to be so far ahead that we can serve as a role model in Sweden for these kinds of issues, and receive study visits for that very reason. We are hoping that Hemsö will carry the flag,” says Mikael.

More effective collaboration

Many people argue that private operators are more expensive. Mikael Rubin does not agree. On the contrary.

“It's not a controversial issue politically that someone else owns the

bricks and mortar.” Municipalities will need more help from the market to meet future needs for welfare. People are expecting security. That's why it's more important that we deliver and monitor the quality than who the actual provider is.

Moving forward, our vision is that the municipality is only responsible for the operation of services already available in the premises, while another proactive player takes care of the buildings and the premises. Another challenge is having the time to analyse needs, and then planning and building the logistics in time. One dream would be to bring all local administrations together in order to work more effectively together. And that Scania's municipalities collaborate even more. All in order to, for example, be able to use premises around the clock. A vision worth working hard for.”

“We are very much in favour of a continued partnership with Hemsö. A professional and business-minded player with a positive attitude. They have a long-term approach and can support us in our vision for municipal properties,” says Mikael.





Nursing home in Tampere, Finland



No. of properties **186**
 Property value SEK **21,644** million
 Lettable area **836** tsqm
 Rental duration **9.7** years
 Rental income SEK **1,209** million
 Property yield **4.5%**

Property portfolio – Nursing homes

Portfolio and tenants

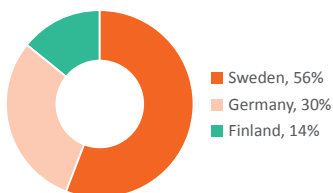
Nursing homes is Hemsö's largest property category and at year-end, accounted for 40 per cent of the property value. Hemsö owned 186 nursing home properties, of which 105 were in Sweden, 33 in Finland and 48 in Germany. The premises accommodate:

- Residential care facilities
- Dementia care facilities
- Residential facilities for people in need of extra support and service

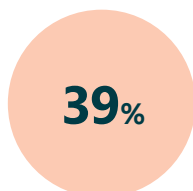
Of the contracted annual rent, public-sector tenants accounted for 42 per cent and private taxpayer-funded operators for 58 per cent. In Sweden, public-sector tenants accounted for 68 per cent and private-sector tenants for 32 per cent of contracted annual rent. In Finland, public operators accounted for 22 per cent, and private operators for 78 per cent, of contracted annual rent.

In Germany, Hemsö has only private-sector tenants in the nursing home category. The three largest tenants in this category are Attendo, AWO (Germany) and Norrköping Municipality.

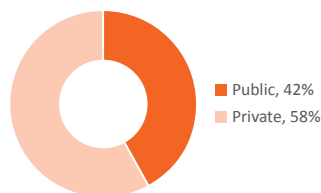
Market value per country



Share of property value



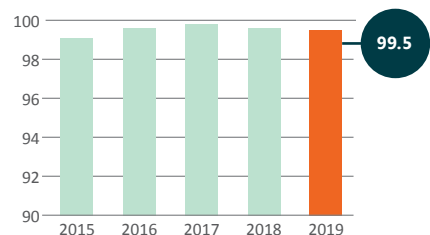
Contracted annual rent per customer category



No. of beds



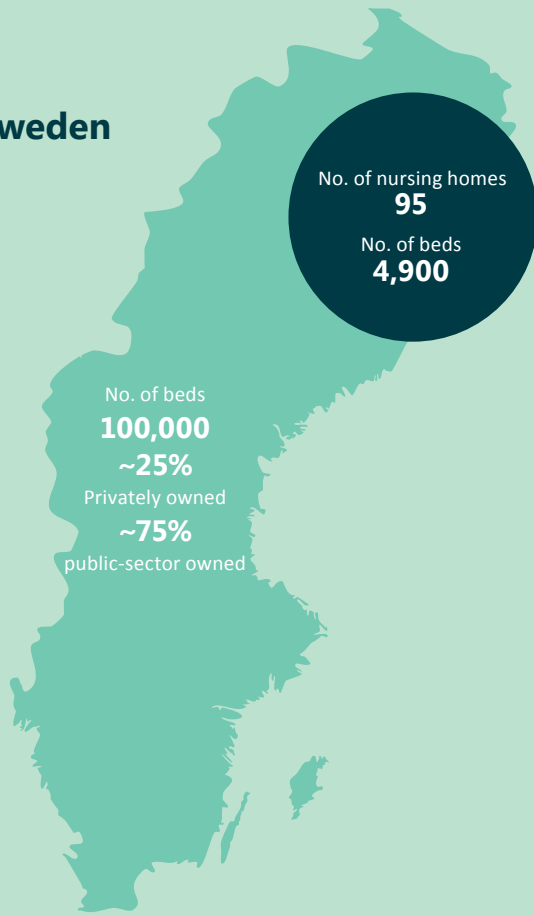
Economic occupancy rate, %



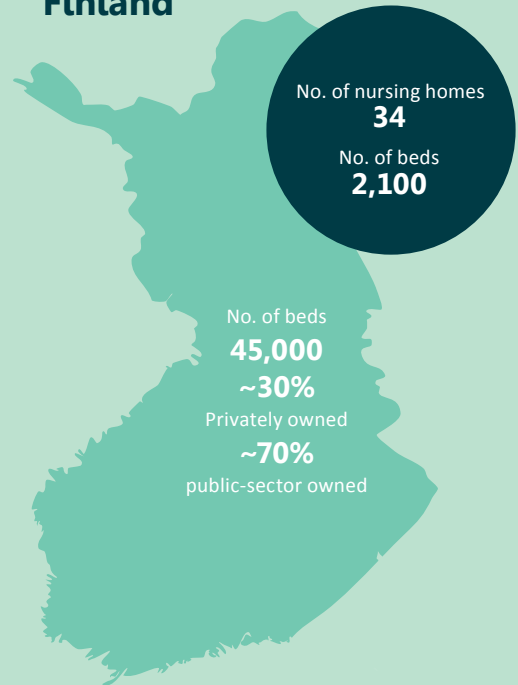
Nursing homes per country

- Hemsö's portfolio
- Total portfolio

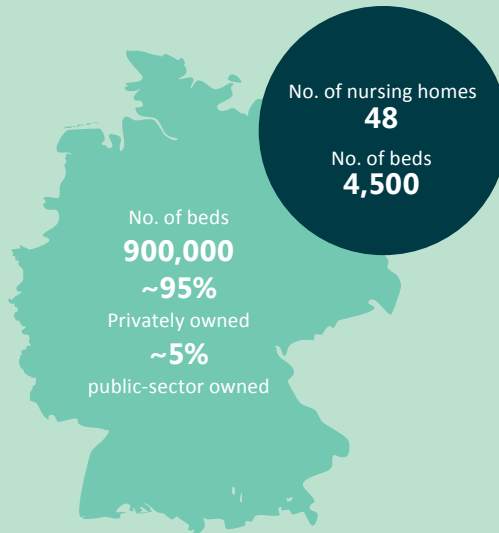
Sweden



Finland



Germany





Property portfolio – Education

Portfolio and tenants

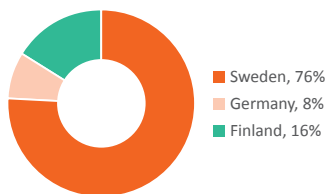
Education is Hemsö's second-largest property category and at year-end, accounted for 32 per cent of the total property value. Hemsö owned 108 educational properties, of which 96 were in Sweden, eight in Finland and four in Germany. The premises accommodate:

- Preschools
- Elementary schools
- High schools
- Colleges/Universities
- Premises for advanced life sciences research

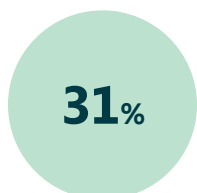
Of the contracted annual rent, public-sector tenants accounted for 65 per cent, and private taxpayer-funded operators for 35 per cent. In Sweden, public-sector tenants accounted for 56 per cent and private-sector tenants for 44 per cent of contracted annual rent. In principle, all of Hemsö's private-sector tenants in Sweden are taxpayer-funded via school vouchers. In Finland, public operators accounted for 93 per cent, and private operators for 7 per cent, of contracted annual rent.

In Germany, all educational properties are let to public-sector tenants. The three largest tenants in this category are Mälardalen University, Academedia and the state of North Rhine-Westphalia (Germany).

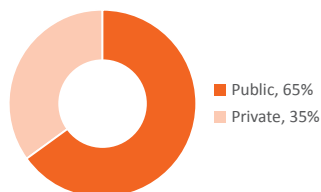
Market value per country



Share of property value



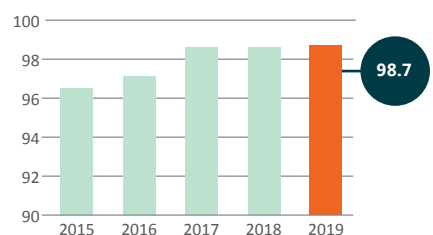
Contracted annual rent per customer category



No. of students

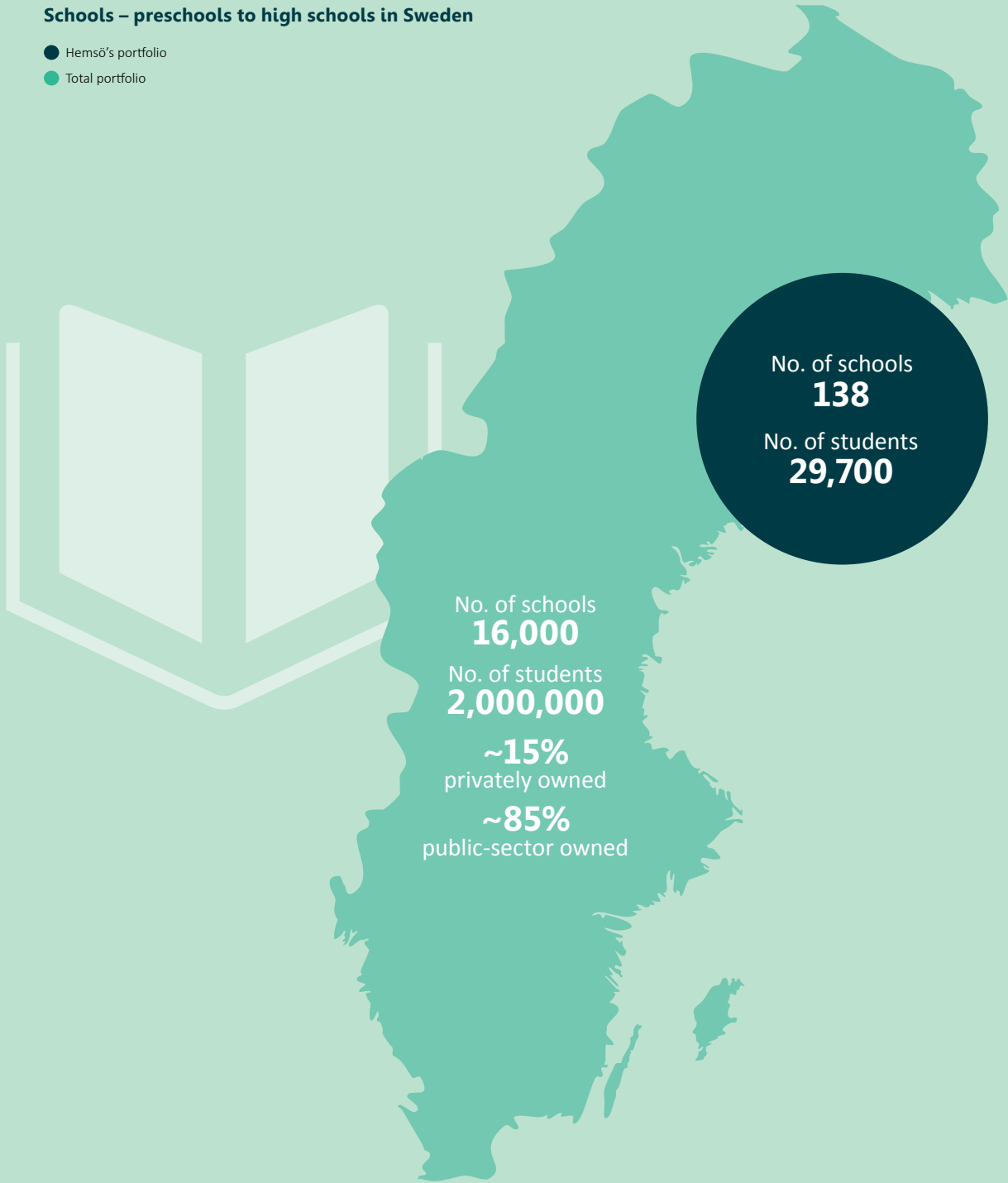


Economic occupancy rate, %

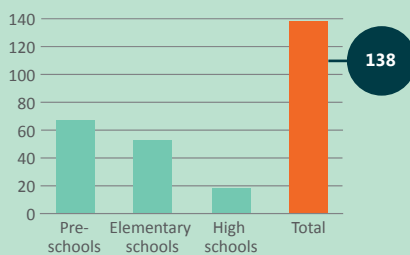


Schools – preschools to high schools in Sweden

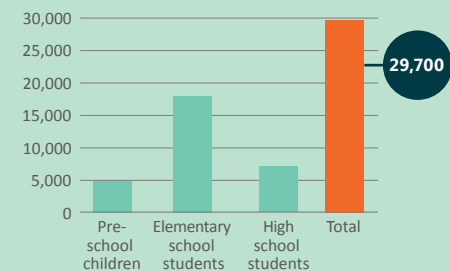
- Hemsö's portfolio
- Total portfolio



No. of schools per category, Sweden



No. of students per category, Sweden



Source: Hemsö. Schools under construction as well as colleges/universities have been excluded.



No. of properties **59**
 Property value SEK **9,790** million
 Lettable area **294** tsqm
 Rental duration **7.3** years
 Rental income SEK **504** million
 Property yield **5.1%**

Property portfolio – Health care

Portfolio and tenants

At year-end, health care premises accounted for 16 per cent of Hemsö's total property value. Hemsö owned 59 health care properties, of which 53 were in Sweden and six in Finland. The premises accommodate a range of operations, including:

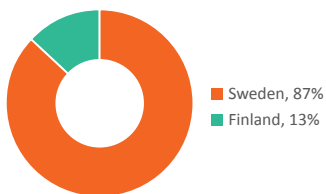
- Medical centres
- Dental practices
- Pharmacies
- Palliative care
- Rehab clinics
- Child health clinics
- Maternity centres
- Child and adolescent psychiatry

- Emergency centres
- Local hospitals

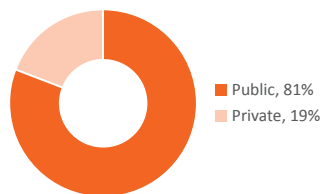
Of the contracted annual rent, public-sector tenants accounted for 81 per cent, and private taxpayer-funded operators for 19 per cent. In Sweden, public-sector tenants accounted for 79 per cent, and private operators for 21 per cent, of the contracted annual rent. In Finland, public operators accounted for 89 per cent, and private operators for 11 per cent, of contracted annual rent.

The three largest tenants in this category are Region Stockholm, the City of Turku and the Karolinska Institute.

Market value per country



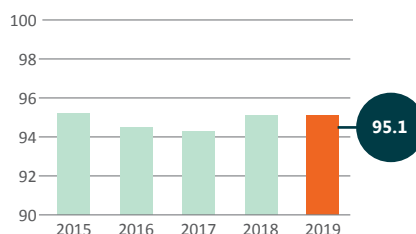
Contracted annual rent per customer category



Share of property value



Economic occupancy rate, %





Property portfolio – Justice system

Portfolio and tenants

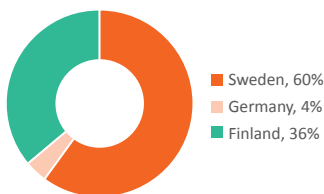
At year-end, justice system properties accounted for 12 per cent of Hemsö's total property value. Hemsö owned 17 justice system properties, of which 11 were in Sweden, two in Finland and four in Germany. The premises accommodate:

- The police
- Prisons
- Courts
- Prosecutors

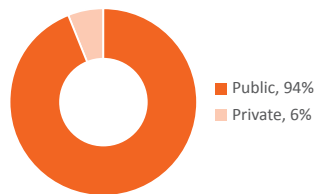
The properties are characterised by a large proportion of purpose-built areas with high security requirements. The tenants often choose to co-locate in legal centres, which can accommodate police, custodial operations and courts. Of the contracted annual rent, public-sector tenants accounted for 94 per cent, and private operators for 6 per cent. In Sweden, the majority of Hemsö's tenants are state agencies, and accounted for 97 per cent of contracted annual rent.

In Finland, public operators accounted for 86 per cent, and private operators for 14 per cent, of contracted annual rent. In Germany, public-sector tenants accounted for 100 per cent. The three largest tenants in this category are the Swedish Police, the Ministry of Justice (Finland) and the Swedish Courts.

Market value per country



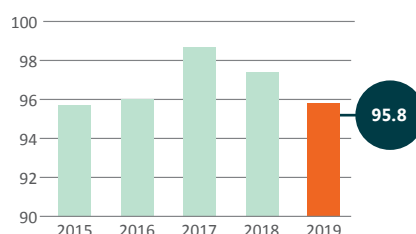
Contracted annual rent per customer category



Share of property value



Economic occupancy rate, %





Tony Espeland, Technical Manager in Gothenburg



Property management

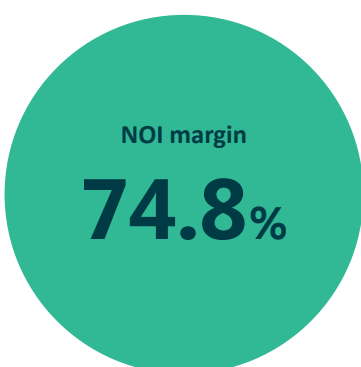
Hemsö's management focus – to own public properties in expansive regions – creates favourable conditions for sustainable, innovative, efficient and customer-oriented property management.

Value creation property management

Hemsö has combined processes, services and execution into value creation activities. In Own Management, there is a specialised organisation based locally that handles technical and financial property management. The focus lies on

customers and end-users, where the purpose of the building is to optimise the public services that it accommodates. Large-scale solutions provide an opportunity for partnering with suppliers who handle the execution of the property in a standardised way. Hemsö outsources operations and maintenance, but uses its own em-

ployees for property management. The aim is that Hemsö's property management will offer the same high quality for tenants regardless of where the property is located. Hemsö has worked actively to reduce its GHG emissions, improve the quality of its properties and to increase customer benefits and satisfaction rates.





Nursing home, Lövhagen in Västerås



Therese Tell, Property Manager in Gothenburg

More satisfied tenants

Uniformly managed property maintenance also frees up time for Hemsö's property and technical managers to increase their focus on tenants and value creation initiatives. In Sweden, Hemsö has tenant managers with specific responsibility for large state, municipal, regional and private-sector tenants. Property managers maintain continuous contact and regular meeting with the tenants in order to capture their needs and views. This creates security and helps to build long-term relationships. To provide a basis for monitoring and for Hemsö's work with continuous improvements, Hemsö asks customers to rate the service they received after every fault report.

Hemsö works with customer care on a daily basis and conducts regular CSI

surveys. The most recent survey was carried out in September 2019 and gave an overall CSI score of 71, which is five points higher than the 2018 survey and one point higher than in 2016. The survey takes the form

First ranked

Hemsö's score in a customer satisfaction survey in Finland

of a web-based questionnaire for Hemsö's tenants using an external supplier that also assures the quality of the results. Customer service, property quality and maintenance had the greatest overall impact on customer satisfaction and are the

areas that customers consider most important. Hemsö attaches great importance to customer feedback, and is continually improving its operations and offering. Hemsö aims to achieve a CSI score of 75 within a five-year period.

The CSI score is calculated as an average of three indicators:

1. The respondent's overall satisfaction with the company.
2. How well the company meet the respondent's expectations.
3. How the company compares with an ideal company.

In Finland, 19 property owners' tenants took part in a customer satisfaction survey in 2019, and Hemsö Finland was ranked first for customer satisfaction and second for Net Promoter Score (likely-to-recommend score).

Energy efficiency and renewable energy

Important work for achieving a sustainably developed property portfolio is to continuously improve the properties' energy performance. During the year, Hemsö maintained a high rate of investment in measures and development projects designed to reduce energy consumption and environmental impacts. Energy audits were performed on all properties in Sweden, providing a basis for optimisation and prioritisation of energy projects. Opportunities for potential energy efficiencies in the tenants' operations may also be identified in these projects. During the year, projects were largely focused on renewable energy technologies, such as photovoltaic systems and geothermal energy.

138

Energy consumption kWh/m²

Incl. business electricity, average year corrected for heating. Refers to heated area (A-temp), Sweden

During the year, photovoltaic systems were installed in 23 properties and Hemsö currently has 26 properties with photovoltaic systems. The total installed capacity is 2,092 kWh. Estimated annual generation from these facilities is 1,870 MWh, corresponding to 15-20 per cent of the total electricity consumed by these properties. Several development projects with photovoltaic systems have also been planned for the coming year. Hemsö is currently developing a central monitoring system, including smart alarms and

visualisation of photovoltaic installation performance.

Hemsö's first aquifer thermal energy storage

A large-scale energy project with heat pumps took place in Lund, including energy drilling for a groundwater well – aquifer thermal energy storage. The total installed capacity of the geothermal energy system is 1.6 MW and the estimated annual thermal energy delivered by the heat pumps is 5,200 MWh. The total heated area of the building served by the geothermal energy system when the culvert network is fully expanded is 48,000 sqm. The heat pumps installed will use the natural low-GWP HFO refrigerant R1234ze, which reduces GHG emissions compared with conventional refrigerants.

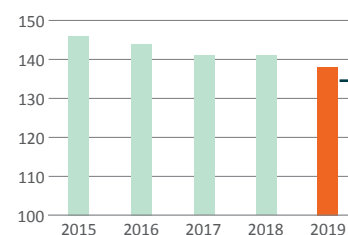
Targeted efforts

The overall aim is to reduce energy consumption by 3 per cent annually in the comparable portfolio. The comparable portfolio refers to the properties that Hemsö has owned over the past two years. In the comparable portfolio, energy consumption declined 3.1 per cent between 2019 and 2018 for the Swedish portfolio, and 1.7 per cent for the Finnish portfolio. There is no aggregate data for the German portfolio at present. The outcome for 2019, as a separate year, is 138 kWh/m² (141) for heating and electricity (including business electricity) for Sweden, and 221 kWh/m² (275) for Finland. No data is available for 2017. Hemsö has been working to increase the proportion of renewable energy sources for some time and the company only purchases electricity from hydro-power with guarantees of origin in

Sweden, and electricity from wind power in Finland. District heating accounts for most heating, but the proportion of properties with geothermal heating is growing, which is also helping to reduce Hemsö's GHG emissions.

Hemsö has adopted a climate strategy entailing 100-per cent non-fossil energy consumption and net-zero CO₂ emissions for the existing property portfolio by 2035. GHG emissions are estimated using GHG Protocol calculation tools. Hemsö measures GHG emissions per sqm for its Swedish and Finnish property portfolios. In 2019, GHG emissions in Sweden were 6.8 kg CO₂e/m², which is in line with the preceding year. Despite Hemsö's focus on renewable energy, GHG emissions did not decline due to lower year-on-year environmental data from district heating suppliers. In Finland, GHG emissions declined to 21.4 kg CO₂e/m² (25.0). The data for 2018 has been restated to allow comparison with 2019. Since it is not possible to ensure correct data for 2017, these have not been reported.

Energy consumption in Sweden kWh/m² A-temp



Hi there...



...Fredrik Lundholm, who moved to a new workplace at Hemsö in 2019.

In summer 2019, you swapped your workplace at Hemsö in Stockholm for a brand new office in Luleå.

Why did you decide to move?

In summer 2018, we found a house outside Älvsbyn, where we had previously owned a small summer cottage. When I heard that Hemsö was going to open an office in Luleå, I took the chance to move back after living in Stockholm for ten years.

How do you like your new workplace and what does your new job involve?

I really enjoy working at the new office in the former brewery building at Bergnäsbron. A lovely modern environment in an old building, close to public transport and the centre of the city. It involves strengthening the good relationships we have with our tenants and making new contacts. In addition, we can find new opportunities to develop our property portfolio

up here in the north together with development projects in Hemsö.

What is the biggest challenge you see as a property manager?

Working with new development projects and identifying what we need to develop in order to grow with more properties up here in this region.

What do you think is most important in your job?

Interacting with tenants and providing the best and fastest service possible.

What do you think is most important when interacting with tenants?

Listening to the tenant, and that both parties (tenant/landlord) are satisfied.

What do you like best about your job?

That my job is so flexible, and that no two days are alike.



Education, Klostergården 2:9 1, Lund

Digitisation

During the year, Hemsö continued to digitalise its working methods and the company's properties. Some parts of the property portfolio is now connected. The aim is to enable the collection of data related to the building's performance and user behaviour, making it easier to ensure a good indoor climate and to optimise energy consumption. During the year, the control systems in another 45 buildings were connected to a control portal.

We also conducted a pilot project for automated generation of fault reports from service alarms, for example, which is scheduled for implementation in 2020.

Efforts to create a property management concept for St Erik Eye Hospital were completed. The aim is to prepare for an inclusion of the property in the property management portfolio in 2020. The outcome was a vision for property management to create conditions for world-class eye care.

Suppliers

Hemsö's primary suppliers are contractors and consultants for development projects and operations and maintenance, as well as utility companies. Guidelines for purchasing and development projects guide the supplier assessment process. Strategically important suppliers for property management are monitored on a regular basis through, for example, quarterly contract meetings. Construction projects are monitored in the construction phase through regular meetings and a review of the quality, environmental and work environment management plan. Purchasing is characterised by high ethical standards, respect for human rights, professionalism, objectivity and equal treatment. Hemsö's suppliers are to act in accordance with set requirements in relation to, for example, the environment, sustainability, quality, reliability, service, social sustainability, terms of employment and human rights. These aspects are included in Hemsö's supplier requirements, and

apply for all central purchasing and procurement. Six central procurements were carried out in 2019 and 2018. Four central procurements were carried out in 2017.

Hemsö's focus has been to create conditions and sustainable incentives with clear objectives and requirements. Hemsö has procured and commenced the roll-out of a digital tool for handling regulatory inspections. In addition to better opportunities for monitoring and analysis, the actual handling of cases is digital, and the inspection is carried out via an app.

Sustainable property management

Hemsö continued its efforts to achieve a coordinated procurement of waste management. This will lead to better source separation and optimised fractions, receptacle sizes and frequencies. Improved management and procurement will increase opportunities for tenants to sort their waste, and ultimately reduce costs and waste volumes.



Education, Espoo in Finland

Through a partnership with Biman and the Beateberg Prison, several properties in southern Sweden have received beehives. The aim is to promote biodiversity and contribute to ecosystem services by supporting pollination.

Hemsö has a zero accident vision for its properties. Safety rounds and inspections are conducted in all properties to check, for example, maintenance, fire safety and fire protection equipment. In 2019, two accidents were reported that resulted in premises liability claims on Hemsö's properties. Both cases were analysed and investigated. No such cases were reported in 2018 or 2017.

Focus in 2020

A refinement of property management's working methods will continue and innovation will be more clearly incorporated into our day-to-day processes. The aim is to constantly challenge ourselves to improve, in order to create added value and reduce risk. Hemsö's end-users

in the buildings are prioritised to create the best conditions for students to learn, for patients to recover and for the exercise of public authority as an example. To further develop the portfolio and maintain the high standard that Hemsö strives for, we will continue to maintain a high level of planned maintenance.

Sustainability management will remain central for the company. In 2020, our efforts to digitise the properties and implement BREEAM-in-Use certification of existing buildings will continue. Additional focus will be placed on operational community initiatives that can generate synergies through Hemsö's business model, and on business development.

The rate of investment in energy projects will be high, in order to achieve the set targets. Energy consumption per sqm is decreasing and there is a well-formulated strategy to ensure that this trend continues to move in the right direction. One

focus area is to accelerate the rate of investment in renewable energy in the properties. Next year, we will start measuring carbon footprint per property.

In Germany and Finland, Hemsö's property managers are focused on the development potential of the existing property portfolio, the acquisition of older properties with refurbishment potential, and on implementing and adapting Hemsö's sustainability policy for the German property management portfolio. Efforts are ongoing to improve the efficiency of property management and agreements, and several renewable energy projects are being planned.

The Red Cross in Darmstadt

Upgrade averted the threat of closure

In 2016, Hemsö acquired a nursing home in Darmstadt Fiedlersee in Germany. The nursing home was built in 1994 with sub-standard fire protection and Hemsö is therefore refurbishing the object with a focus on fire safety measures. At the same time, the construction of new apartments and day hospital services is being planned together with the Red Cross as tenant.



Jens Nagel, Head of Region, Germany

The nursing home comprises a total of 4,200 sqm and 135 patient beds. The new construction consists of three buildings with a total of 26 assisted living apartments in a wonderful park setting, and one building containing 24 day hospital places. The total investment is an estimated EUR 6.8 million.

The acquisition strengthened Hemsö's portfolio in Germany, which totalled 56 properties and amounted to SEK 8.2 billion at year-end.

Refurbishment for the future

Following Hemsö's acquisition of the property, the previously overdue refurbishment for fire protection was carried out efficiently and professionally. In that way, the threatened closure of the home was avoided. At the same time, the home is being upgraded to meet modern nursing home standards. At year-end, for example, the new unit for secure dementia care on the ground floor was completed.

Successful collaboration

According to the tenant, the collaboration with Hemsö is characterised by mutual appreciation and permeated by excellent communication, trust and reliability.

A long-awaited and long-term collaboration for both parties, since previous owners have not shared the same focus. The Red Cross particularly appreciates Hemsö's internal structure where the same contact person is available throughout the entire process.

Satisfied tenants

Hemsö's initiatives have now made it possible to meet the future more closely aligned with market requirements, such as being able to offer a single room, and to introduce modern care concepts and a unique offering in the form of a secure dementia care home.

Despite the disruptions caused by the refurbishment process, there were very few complaints from the residents. This was partly due to close coordination between property management and the architectural firm, and ongoing dialogue with residents and their family members.

According to an independent quality report compiled for each nursing home in Germany (MDK), the residents are very satisfied.

Planning and implementation of the various construction projects would never have been possible without such effective collaboration.

Germany

Market value

SEK **8.2**
billion



The proportion of public-sector tenants was 19% in Germany.



In Germany, three large development projects are under way – a school in Zossen and nursing homes in Büttelborn and Darmstadt.



Hemsö's largest tenants in Germany are AWO Hesse Süd, Alloheim, the state of North Rhine-Westphalia and HEWAG.



City of Turku

“Collaboration with Hemsö is flexible and enables us to act fast.”

Turku is a growing and dynamic city and has been part of Hemsö’s property portfolio since 2013. Here, Hemsö owns premises for everything from education and technology to public services. The most recent acquisition is a number of buildings that are now used as a nursing home.

Turku is at the forefront when it comes to technology, education and culture. Unfortunately, municipal finances are hard pressed and the need for investment is great – a major challenge for the City of Turku. This is simply because the properties accommodating these types of services are old and in dire need of refurbishment, while the city’s population is growing fast. In addition, the age structure is skewed because the elderly population is higher than in neighbouring municipalities, for example. All of this means that new concepts and solutions are required for nursing homes, and for health and social care services. One solution could be to engage more private operators, who could also act as service producers over the next decade. That would make the structure easier and more flexible because decision-making processes would be streamlined with a stable operation to back them up. This required a long-term partner with close ties to the public sector, and the choice fell on Hemsö.

“We see several good reasons for working with operators like Hemsö, who can offer stability and a long-term approach. They have helped us avoid direct investments in buildings, for example, which present opportunities for development,” says Max Lönnqvist, Director of Economy and Administration, City of Turku.

The municipality has planned a health and social care reform that hasn’t been implemented, unfortunately, and the government has no timetable or model for the reform moving forward. The reform expired in March 2019. Despite the great need for investment and new construction, municipalities are unable to carry out these projects under the prevailing circumstances. Making Turku a vibrant and attractive city to live and work in requires investments in health and welfare, while public transport and a clean environment must be secured for both residents and visitors.

“Hemsö is pro-active and customer-oriented, with a high level of conceptual understanding that we appreciate. They also have similar operations in several countries, which is obvious from their broad knowledge in the area,” says Max Lönnqvist.

The City of Turku is facing a number of challenges, but remains optimistic. Investments are needed, of course, but that shouldn’t be impossible with the right partners.

“Our partnership with Hemsö feels stable and strong. We are happy that they are playing such a big part in the development of the City of Turku,” says Max Lönnqvist.



Max Lönnqvist,
Director of Economy and Administration,
City of Turku

Finland

Market value

SEK **9.3**
billion



The proportion of public-sector tenants was 67.3% in Finland.



In Finland, three large development projects are under way, the Kuparitie nursing home, and the Linnanmaa and Raksila fire and rescue stations.



The largest tenants are the City of Turku, the Ministry of Justice, the Sibelius Academy at the University of the Arts Helsinki and Mehiläinen.





Anna Marand, Head of Project Development

Development projects

Hemsö's unique knowledge and experience of developing and managing public properties creates long-lasting value, from well-functioning schools to nursing homes, with satisfied employees, students and patients.

Sweden needs 700 new schools

Sweden is growing fast. According to Statistics Sweden, the population of Sweden is growing by 100,000 people per annum and will reach 11 million by 2029. A growing population creates opportunities for growth and welfare, but also requires major investment in housing, schools and other basic public services. In addition to the need for new housing, a growing population also requires expanded infrastructure in the form of new schools, preschools and nursing homes. The age group that will grow fastest by 2026 is people aged 75-84 years, which is expected to increase by as much as 43 per cent. At the

same time, many children and young people will be of school age. The forecast shows a higher rate of urbanisation, with more young people moving to major cities, which creates

700

new schools will be needed in the coming decade.

greater demographic differences between urban and rural areas.

According to the Swedish Ministry of Finance, about 700 new nursing

homes (corresponding to 40,000 beds) will be needed in Sweden in the coming decade. Swedish municipalities will need more than 400 new elementary schools and 300 high schools in the coming decade.

Long-term partner to municipalities

Many municipalities will soon be faced by the major challenge of building public properties. For most municipalities and regions, construction is carried out at several year intervals. Hemsö, on the other hand, develops several public properties across the country every year, for both public and private operations. Hemsö has acquired broad knowl-

edge and experience in leading the development of modern properties that are sustainable and purpose-built, with good property management economics. Hemsö is now a long-term partner to municipalities, and helps them meet tomorrow's need for public properties.

Long-term ownership

At year-end, Hemsö had 12 large construction projects under way in the nursing home, education and health care categories. Projects are developed under own management,

and in collaboration with partner companies.

Unique knowledge and experience

Regardless of the form, Hemsö's objective is long-term ownership. Properties are developed in collaboration with in-house experts – including project developers and property managers – and external

consultants, tenants, business operators and municipalities. All parties are involved at an early stage to achieve consensus on the design of the property. This ensures a modern, appropriate and functional property from both an operational and management perspective, and long-term relationships with the company's tenants.

The Hemsö Apple

Hemsö has created a tool for identifying key aspects and parameters when developing new schools, we call it the Hemsö Apple (Hemsöäpplet). The Hemsö Apple is based on our own experience and research, which has been broken down and grouped into four core values, with related sub-groups.

The aim of the Hemsö Apple is to provide support for the systematic development of long-term sustainable elementary schools. It is a business tool with a holistic approach that aims to support the organisation all the way from the early stages to evaluation of the completed school.

The Hemsö Apple is dynamic and adaptable, and continuously updated as experience is gathered and documented for the development project. In the early stages, the tool can be used to identify the requirements and preferences of the operations, and to identify important parameters for the actual project. After completion, follow-up and evaluation can be based on the core values and become part of the systematic experience feedback.





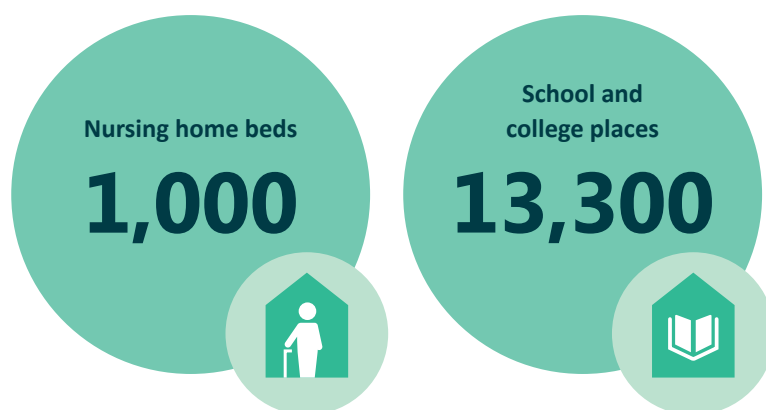
Education, the Sibelius Academy, University of the Arts Helsinki, Finland



Completed development projects

During the year, Hemsö completed the Sandbyhov schools in Norrköping, Björknäsgården in Boden and Villa Vikhem in Staffanstorp, Mälardalen University in Eskilstuna in Sweden, and the Sibelius Academy at the University of the Arts Helsinki in Finland.

Since its inception, Hemsö has completed 1,000 nursing home beds, 6,300 school places and 7,000 college places.



Development projects completed, 2019

Municipality		Development projects	Category	Area, sqm	Investment, SEK million	Rental duration, years	Rental value increase, SEK million	Occupancy rate, %
Norrköping	Diadem		Nursing home	4,025	45	20	3	100
Staffanstorp	Villa Vikhem		Nursing home	4,126	129	15	10	100
Norrköping	Sandbyhov – Apelgården school, years 7-9		Education	4,904	104	25	9	100
Norrköping	Sandbyhov – Ekhöjden school, years F-6		Education	3,545	93	25	7	100
Solna	Järvastaden school, stage 3		Education	1,440	57	30	3	100
Staffanstorp	Stora Uppåkra – Preschool		Education	1,195	42	20	3	100
Eskilstuna	Mälardalen University		Education	20,335	795	20	46	100
Boden	Björknäsgården		Nursing home	10,700	246	15	20	100
Helsinki	Sibelius Academy		Education	4,077	156	25	1	100
Norrköping	Estethuset		Education	1,785	62	25	4	100
Total				56,132	1,729	20	106	

Public-sector tenant

Private-sector tenant

Completed development projects

Björknäsgården, Boden

Property category: Nursing home

Project type: New construction

Project area: 10,700 sqm

Construction start-up: 2017

Let at start-up: 100%

Environmental certification: SGBC, Silver

Project description: In November 2019, Hemsö completed a new residential care facility in Boden with 126 beds. The facility is located in central Boden, close to green spaces as well as the city centre. The newly produced premises have been transferred to Norlandia with a 15-year rental agreement.



The Sibelius Academy, University of the Arts Helsinki, Finland

Property category: Education

Project type: Refurbishment

Project area: 5,900 sqm

Construction start-up: 2018

Let at start-up: 100%

Project description: The property has undergone a careful and extensive refurbishment and restoration. In classrooms and concert halls, the focus was on building conservation and acoustic requirements. The facades were preserved, and windows with better sound insulation and more suitable for the original architecture were installed.

Sandbyhov Norrköping

Property category: Education

Project type: Urban development area

Project area: 10,200 sqm

Construction start-up: 2018

Let at start-up: 100%

Environmental certification: SGBC, Silver

Project description: Development of the area continues and during the year, Sandbyängsskolan (an elementary school), Sandbyhovsskolan (a high school) and Estethuset with special classrooms were completed. The magnificent Art Nouveau buildings were carefully refurbished and allowed to retain their character. They are now filled with the warmth and activity of more than 500 students from Years 1-9. A 25-year rental agreement was signed with Norrköping Municipality. The entire new Sandbyhov district is scheduled for completion by the end of 2020.



Ongoing development projects

Hemsö's largest ongoing development projects >SEK 100 million

Municipality	Development projects	Category	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Solna	Patienten 1 ¹⁾	Health care	21,258	2,231	628	104	99	2020
Stockholm	Princeton 1 ¹⁾	Health care	22,364	1,576	645	107	93	2021
Västerås	Södra Källtorp	Nursing home	14,219	555	483	29	100	2021
Zossen	Dabendorf	Education	15,500	492	394	26	100	2021
Stockholm	Police head-quarters Rinkeby	Justice system	11,703	480	11	28	100	2020
Luleå	Kronan	Nursing home	12,005	288	121	21	100	2020
Borlänge	Paradisskolan	Education	9,200	252	215	17	100	2021
Norrköping	NOD-huset	Health care	4,495	247	185	13	89	2021
Kristianstad	Villa Boulevard	Nursing home	4,207	135	67	9	89	2020
Halmstad	Fyllinge	Nursing home	3,804	100	26	8	100	2020
Total			118,755	6,357	2,774	363		

¹⁾ The development projects are conducted in joint ventures with SveaNor.

Public-sector tenant

Private-sector tenant



Police station, Rinkeby

Property category: Justice system

Project type: New construction

Project area: 11,700 sqm

Construction start-up: 2017

Let at start-up: 100%

Project description: In 2019, Hemsö acquired the new police station in Rinkeby, Stockholm, which are under construction. As part of the acquisition, Hemsö assumed the role of project developer. The Swedish Police have signed a 15-year rental agreement for the entire property. Upon completion, the building will provide 240 new workplaces for the police in Rinkeby. The development project is scheduled for completion in Q2 2020.

Paradisskolan, Borlänge

Property category: Education

Project type: New construction

Project area: 9,200 sqm

Construction start-up: 2019

Let at start-up: 100%

Project description: In the fourth quarter of 2019, Hemsö commenced the construction of a new elementary school in Tjärna in Borlänge Municipality. The municipality awarded Hemsö a long-term contract to develop and manage the elementary school, plus a preschool and sports centre, for 600 students. A 20-year rental agreement was signed with the municipality. The school is scheduled for completion by the autumn school term of 2021.



Anoraken, Luleå

Property category: Nursing home

Project type: New construction

Project area: 12,000 sqm

Construction start-up: 2018

Let at start-up: 100%

Environmental certification: SGBC, Silver

Project description: In May 2019, Hemsö began the construction of a new residential care facility in Luleå. The facility has 144 beds, a lettable area of approximately 12,000 sqm and is located in the new district of Kronan. Luleå Municipality has signed a 20-year rental agreement. The facility is scheduled for completion in November 2020.



Dabendorf, Germany

Property category: Education

Project type: New construction

Project area: 16,300 sqm

Construction start-up: 2018

Let at start-up: 100%

Project description: Hemsö began construction of a high school in Zossen, south of Berlin at the end of 2018. The City of Zossen is the tenant and has signed a 20-year rental agreement. The school is designed for a population of 1,000 students and scheduled for completion in the first quarter of 2021.

Södra Källtorp, Västerås

Property category: Nursing home and education

Project type: Urban development area
Project area: 15,000 sqm excl. housing and sports centre

Construction start-up: 2019

Let at start-up: 100%

Environmental certification: SGBC, Silver

Project description: In 2019, Hemsö commenced the construction of a new nursing home in Södra Källtorp. The area is under development and the municipality has appointed Hemsö to develop public properties such as secure housing facilities, preschools and nursing homes. Västerås municipality signed a 25-year rental agreement for newly produced premises for public services. The nursing home is scheduled for completion in 2021, and the preschool and secure housing facilities by 2022.





Developing sustainable public properties

A key element of Hemsö's development process is the regular analysis of each municipality's conditions and the changing need for premises over time. The analysis includes such factors as demographics, public finance, the job market and property market. It is also important to understand the operations and their users. This provides invaluable knowledge for building efficient and sustainable public properties.

Hemsö requires all new construction to be environmentally certified. In Sweden, the Sweden Green Building Council (SGBC) system is mainly used with a minimum level of Silver, where Hemsö focuses on energy, the indoor environment and choice of materials.

In public properties in general, and preschools and schools in particular, the substances in building materials must not be harmful to human health or our environment. To ensure compliance, Hemsö in Sweden uses materials based on SundaHus Material Data assessments for all new construction in Sweden. All materials and products used by Hemsö must have either A or B classification under the SundaHus system. In 2019, 83 per cent of the assessed products in completed development projects were classified as either A or B. In 2018, the proportion was 92 per cent and in 2017, 90 per cent. In some cases, non-compliant products were approved after a special assessment, on account of no other options being available. SundaHus tightened its requirements in 2019, which meant that a few more products have now

received a lower classification but in the long term, this will help to ensure that hazardous substances in construction products are phased out. SundaHus Material Data is also used for large-scale refurbishments, and for ongoing property maintenance.

Quality control

In 2019, Hemsö systematically controlled the quality of its completed development projects. The aim is to use experience feedback to improve the process from project start to handover.

Monitoring is carried out by a quality control officer at Hemsö, with the assistance of project managers, project directors, property managers and technical managers. Projects are monitored six months after completion, which means that the tenant's



Education, Widénska high school, Västerås



Health care, Patienten 1, Solna

experience and views can also be taken into account.

Driving development

Because Hemsö develops and manages public properties, the company has unique knowledge and insight into the requirements for running a well-functioning school or nursing home. We use this knowledge to drive development forward and produce new cost-efficient public properties.

The sole purpose of Hemsö's project development is long-term ownership. We always proceed from the specific operations when launching a project. Because our properties are important for the function for public services, the starting point for our development is to create opportunities for effective care services

and education. By knowing what is important for our operations and their users, we can design effective properties from both an operational perspective and a long-term property-management and cost perspective. Hemsö always tries to find effective solutions for how premises can be co-utilised, serve multiple purposes and be adapted over time.

By ensuring an efficient construction process and developing high-use properties, we can offer our tenants attractive rents.

Focus and trends in 2020

In 2020, Hemsö will be focused on the development of public properties on its own land, or on land owned through joint ventures. This will be done by initiating and driving planning processes.

The trend is moving towards the inclusion of construction, extension and refurbishment in property acquisitions. Many tenants have a need to modernise their portfolios, and are primarily interested in retaining and refurbishing acquired properties. Hemsö has extensive experience in assessing whether an object is worth refurbishing, or whether it should be demolished. This procedure is important for maximising resource efficiency and securing a long-term sustainable investment.

Hemsö continues to develop new properties and draw on valuable experience in subsequent projects. To achieve cost and time efficiencies, the company will intensify its efforts to achieve standardised framework procedures for schools and nursing homes.



Sustainable business

Hemsö intensified its sustainability efforts during the year by focusing on increased specialised expertise. Certification and operational sustainability in property management are new focus areas.

Sustainable governance

Sustainability is a high priority for Hemsö. Sustainability efforts are coordinated by Hemsö's Sustainability Council. The Council is led by Hemsö's Head of Sustainability and meets to discuss current issues, make decisions on strategic sustainability issues and to monitor the sustainability targets. Hemsö's Head of Communications is responsible for sustainability in Group Management. The Heads of Asset Management in Finland and Germany are responsible for property-related sustainability issues in their respective countries.

Sustainability management is based on our sustainability policy, which contains overall standpoints on how our operations should be developed in relation to environmental, social and economic sustainability.

Sustainability management is also governed by several other guidelines, procedures and instructions regarding, for example, occupational health and safety, choice of materials and waste. The objective is that sustainability will be fully integrated with business management and planning.

Code of Conduct

The Code describes how our values, visions, obligations and expectations guide our everyday actions, and provides guidance for employees and other stakeholders. In 2019, 40 per cent of employees completed training in Hemsö's Code of Conduct. A new whistleblower system was launched on hemso.se that ensures total whistleblower anonymity. The new function makes it easier for internal and external stakeholders to

make anonymous reports of suspected unethical behaviour or irregularities in the company's operations. To counteract the risk of corruption, Hemsö has purchasing procedures and authorisation rules. Suspected cases are handled according to a special procedure and reported to the Board.

In 2019, no incidents of corruption or legal violations were reported in connection with Hemsö's operations. The same applies to 2018 and 2017. In 2019, one report was received and led to an investigation. The matter was dismissed.

Materiality assessment and stakeholder dialogue

The focus for sustainability management is reviewed each year as part of Hemsö's business intelligence and



strategy process, and stakeholder dialogues are conducted on a regular basis. Hemsö's key stakeholders are the groups that are most impacted by the company's operations and/or whose actions have a significant impact on Hemsö. Hemsö's key stakeholders are:

- Tenants (contractual parties and users)
- Employees
- Owners
- Investors
- Environment and society (local community, stakeholder organisations)
- Suppliers/contractors
- Decision-makers in municipalities and regions.

The sustainability topics with the most relevance, both internally and for external stakeholders, comprise Hemsö's material sustainability topics. Both our day-to-day operations and stakeholder communication will maintain a focus on these issues.

The material sustainability topics can be summarised as follows:

- Safe and healthy environments in our properties
- Attractive employer for existing and potential employees
- Resource efficiency
- Responsibility for any negative impacts on human health and/or the environment
- Sustainability expertise through training and communication
- Long-term sustainable financial growth in line with the profitability target
- Local impacts on society and community engagement

Climate strategy

Hemsö's efforts to mitigate climate-change also include how the company's operations impact the climate and how climate change will affect the company. The latter issue is part of preventive measures and risk management in property management, as well as development projects and acquisitions. In 2019, Hemsö commenced systematic carbon calculation for new construction. Hemsö's focus and objectives are still energy consump-

tion, reduction of CO₂ emissions and energy efficiency. Hemsö's GHG emissions are reported every year in accordance with the GHG Protocol. Hemsö's targets are:

- 100 per cent non-fossil energy consumption and net-zero CO₂ emissions for the existing property portfolio by 2035
- 3 per cent more energy-efficient per year in the comparable portfolio
- To make an inventory of the climate-change risk that our properties may be, and/or could be, exposed to, and take any necessary actions to avoid negative impacts
- Reduce total GHG emissions for new construction and large-scale refurbishment projects
- Climate-neutral travel
- Implement in-house training in sustainable development and climate-change risks to continuously strengthen Hemsö's expertise
- Promote development in the area of climate-smart and sustainable buildings by focusing on new technological solutions

GRESB Green Star

Hemsö has been reporting its sustainability performance in accordance with the Global Real Estate Sustainability Benchmark (GRESB) since 2014, which is an annual global assessment of environmental, social and governance (ESG) at company and portfolio level. Hemsö has achieved the highest GRESB rating – Green Star – since 2016. In 2019, Hemsö achieved a score of 72 points, which was 17 points higher than in 2018 when Hemsö received 55 points. Hemsö's goal is to continuously develop its sustainability performance, which will be reflected in the GRESB Assessment.

Environmental certifications

At the end of 2019, Hemsö had 36 environmental certifications distributed between 35 properties. The certifications comprised 21 Sweden Green Building Council, three LEED, one BREEAM, two BREEAM In-Use and

one DGNB. In Finland, Hemsö has five certifications – one BREEAM, one LEED and three BREEAM In-Use. Germany has five certifications – two LEED, one DGNB and two BREEAM In-Use.

In 2020, more environmental certifications are expected to flow into the portfolio from all of the three countries in which Hemsö operates, through development projects and project acquisitions. In addition, Hemsö will raise its level of ambition for certifications in the existing portfolio.

BREEAM In-Use

In 2019, Hemsö continued its efforts to certify the performance of its properties in the existing portfolio, with a focus on the Management category. These are BREEAM In-Use certifications. In 2019, two pilot projects were conducted in both Finland and Germany, as well as eight new certifications in Sweden distributed

across all regions. At the beginning of the year, Hemsö had seven BREEAM In-Use certifications and at the end of the year, another seven were submitted to BRE in the UK for assessment.

In December 2019, two of Hemsö's certified buildings were also nominated for BREEAM awards, an international competition for the highest-scoring projects in their category. One of the nominated buildings was one of Hemsö first two pilot projects in Sweden – a nursing home outside Västerås. The other building nominated was the Helsinki Court House, where environmental certification was a key part of the acquisition process. The target for 2020 is at least ten more certifications. During the year, Hemsö will evaluate completed development projects and work with experience feedback from these across the entire property portfolio in an effort to further develop the company's property management.

Membership of associations 2019

Organisation	Role and purpose
Almega	Almega helps service companies develop positive relationships between employer and employees.
Royal Institute of Technology's Funding for research related to property management. Property Academy	
SGBC – Sweden Green Building Council	Organisation that promotes sustainable construction and urban development.
Confederation of Swedish Enterprise	An employers' organisation that lobbies actively for Swedish pro-business interests.
Vinnova	Government agency for innovation in Sweden with a mission to promote sustainable growth. Hemsö is part of a research project on restorative workplaces/outdoor environments.
Bris	One of Sweden's leading organisations for children's rights, that supports children every day.
Berlin City Mission	Hemsö sponsors the organisation's initiatives to support the homeless (kältebus).
Forum Bygga Skola	A national networking arena for all parties involved in the process of planning, building and refurbishing schools.
Forum Vårdbyggnad	Association for development, research and education in the physical environment for health and social care.
Queen Silvia Nursing Award	A scholarship for nursing students who want to be involved and contribute to tomorrow's development of health and social care for the elderly.
CSR Skåne	A network that brings together environmentally and socially engaged organisations to share knowledge and create business value.
Ifous	A non-profit independent research and development institute that works to promote practice-oriented research in the field of education.

Skolgårds- and Ljuslyftet

The 'Skolgårdslyftet' project, an initiative to raise the quality of existing playgrounds in schools and pre-schools, continued in 2019. Hemsö is investing SEK 30 million in the identification and implementation of measures that will raise the quality of the entire existing portfolio. The plan is to create an inventory for all school playgrounds within five years. 18 school playgrounds have now been completed and 24 are ongoing.

The 'Ljuslyftet' project was launched in 2019, with a focus on digitisation and light environments at the Raoul Wallenberg School in Järvastaden, Solna. An innovative classroom lighting system was introduced, where the brightness and colour of the lighting can be adjusted. It helps students stay focused and learn better.

Community engagement

As a long-term owner, property manager and developer of public properties, Hemsö has a strong commitment to sustainable social development. Hemsö will have contributed 2,100 new nursing home beds and more than 16,500 new school places – from preschools to colleges. The company also participates in various partnerships and research projects.

In collaboration with other property companies and the Swedish University of Agricultural Sciences (SLU) in Alnarp, we are involved in a project with Vinnova that focuses on green outdoor environments and their significance for the workplace environment. The aim is to develop a tool for assessing and developing qualitative outdoor environments, based on a model for rest and recovery in the work environment. The goal is to boost the well-being and performance of students and employees.



Sponsorship

Hemsö prioritises sponsorships where the efforts are focused on particularly vulnerable groups, and on activities and initiatives that create social benefit in line with the company's values. We want children to feel healthy and happy both in and outside our schools. We work together with BRIS (Children's Rights in Society) and support their work by offering contacts and opportunities to reach out to children and adults in the schools owned and managed by Hemsö.

Every year, the Hemsö Gift (Hemsö-gåvan) is awarded to people in Hemsö's properties, with the aim of facilitating and enriching their daily lives. In 2019, the gift was awarded to 17 different units within the justice system and health care categories. The Police Headquarters in Norrköping received teddy bears to give to children who are visiting the police, and three group homes received a greenhouse and a small garden house.

Target and indicators of the Sustainable Development Goals

Hemsö works strategically with sustainability and focuses on the areas where we, as a developer and owner of public properties, can make a difference and help to promote sustainability. To clarify how Hemsö's sustainability efforts are aligned with the Global Development Goals and to ensure that our efforts are helping to achieve the relevant Goals, a review of all goals and targets was conducted in 2019. The Goals that are most relevant to Hemsö are presented below.

Goal 3 *Ensure healthy lives and promote well-being for all at all ages*

Hemsö works here to ensure safe and healthy indoor climates in Hemsö's premises by applying, for example, environmental certification schemes, informed material choices and responsible property management.

Goal 4 *Quality education (Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)*

Hemsö promotes inclusive and safe learning environments with our Hemsö Apple concept. Environmental certification and responsible property management are also examples of how we are helping to achieve this goal.

Goal 7 *Ensure access to affordable, reliable, sustainable and modern energy for all*

We work systematically with energy efficiency and to reduce our GHG emissions by promoting developments in the renewable energy area. For example:

- Energy efficiency management system
- Renewable energy in energy projects, such as photovoltaic systems and geothermal energy
- High energy efficiency requirements for new construction

Goal 8 *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*

Through our focus on long-term value-creation and the fact that Hemsö is owned by the Third Swedish National Pension Fund, there is a link to this goal at an overall level. Hemsö's operations generate returns that create social benefit in the national pension system and therefore contribute to sustainable economic development.

Goal 11 *Sustainable cities and communities*

Within the framework of Hemsö's operations, we are working with a range of issues, all of which contribute to sustainable cities and sustainable construction in various ways.

Goal 12 *Ensure sustainable production and consumption patterns*

The production of buildings is resource-intensive, which is why this goal is relevant for Hemsö. Property management is also resource-intensive and generates waste.

Goal 13 *Take urgent action to combat climate change and its impacts*

Hemsö works actively to combat climate change in various ways, for example:

- Climate strategy for the entire operations
- Measuring CO₂ emissions using a global standard
- Climate-related measures related to energy performance in property management
- Carbon calculation for new construction
- Climate transition for new construction

Directors' Report

The Board of Directors and Chief Executive Officer of Hemsö Fastighets AB, Corp. Reg. No. 556779-8169 hereby present the 2019 annual accounts for the Group and the Parent Company.

About the operations

Hemsö is Sweden's largest private owner of public properties and owns, manages and develops properties for nursing homes, education, health care and the justice system. The operations are characterised by a long-term and sustainable approach. Due to its size and geographic presence, Hemsö is well-positioned to meet the changing needs of its tenants over time. Hemsö has a credit rating of A- from Standard & Poor's.

On 31 December 2019, Hemsö owned 370 properties with a market value of SEK 55.0 billion. The properties are located in Sweden, Finland and Germany. Tenants are mostly state, municipal and regional operators. In addition, Hemsö also has tenants that are private companies with taxpayer-funded operations. The Third Swedish National Pension Fund is the majority owner and holds, directly and indirectly, 85 per cent of Hemsö.

Hemsö presents some performance measures in the Annual Report that are not IFRS-defined measures. Calculations and definitions of these alternative performance measures (APMs) can be found on pages 130-132.

Profit from property management

SEK million	2019	2018	Δ %
Property income	3,046	2,618	
Property costs	-770	-668	
Net operating income	2,276	1,950	16.7%
Central administrative expenses	-135	-146	
Profit from associated companies	-2	11	
Operating profit	2,139	1,815	17.9%
Financial items	-419	-372	
Profit from property management	1,720	1,443	19.2%
NOI margin	74.8%	74.5%	
Operating margin	70.2%	69.3%	

Income

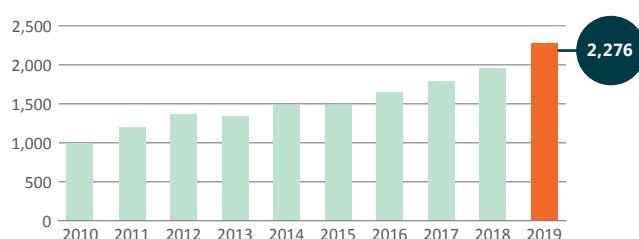
In 2019, property income amounted to SEK 3,046 million (2,618), up 16.3 per cent. The increase was a result of implemented acquisitions, completed development projects and investments in the existing portfolio. Property income in the comparable portfolio rose SEK 70 million (51), corresponding to 3.1 per cent (2.5). At year-end, the economic occupancy rate declined slightly to 98.1 per cent (98.3) and economic vacancies amounted to SEK 63 million (49). At period-end, contracted annual rent amounted to SEK 3,126 million (2,750). Hemsö's rental agreements typically include a Consumer Price

Index (CPI) clause, enabling inflation-related adjustments. The rental duration increased to 9.9 years (9.7). The high credit scores of tenants reduce the risk of credit losses.

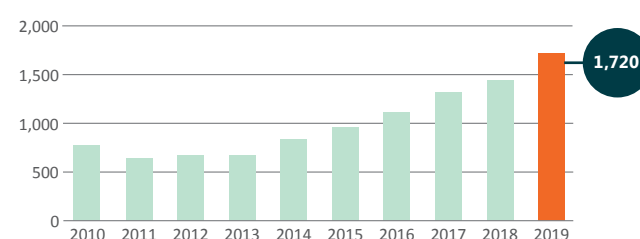
Costs

Hemsö's property costs largely comprise operating costs such as maintenance, heating, electricity and water, and the cost of ongoing and planned maintenance. Property costs amounted to SEK 770 million (668), up SEK 102 million, corresponding to 15.1 per cent. The increase was mainly attributable to a larger property portfolio and higher costs for planned maintenance.

Net operating income, SEK million



Profit from property management, SEK million



In the comparable portfolio, costs increased SEK 27 million, or 4.6 per cent, mainly attributable to maintenance measures arising from neglect, and increased property administration.

Net operating income

Net operating income rose SEK 326 million to SEK 2,276 million (1,950), up 16.7 per cent. The increase was mainly attributable to acquisitions and completed development projects. The NOI margin was 74.8 per cent (74.5), up 0.3 percentage points year-on-year. The increase was mainly due to the fact that a higher proportion of the portfolio is attributable to Finland and Germany, where the NOI margin is generally higher than in Sweden.

In the comparable portfolio, net operating income amounted to SEK 1,734 million in 2019, up 2.6 per cent year-on-year. The increase was mainly attributable to rent negotiations and inflation, which increased rental income.

Net financial items

Net financial items amounted to an expense of SEK -419 million (-372). The increase in net financial items was due to an increase of SEK 5,814 million in interest-bearing debt, which totalled SEK 35,542 million (29,728). The fixed-rate period increased to 6.4 years (5.9), while the average interest rate remained unchanged at 1.3 per cent. Net financial items comprised interest expense of SEK -420 million (-381), other financial expenses of SEK -42 million (-41), interest income of SEK

5 million (2), other financial income of SEK 57 million (48) and interest expense of SEK -19 million (-) on ground leases. Hemsö adopted IFRS 16 Leases on 1 January 2019, which means that ground rent is no longer recognised as net operating income, but included in net financial items. Comparative figures for preceding years have not been restated.

Profit from property management

Profit from property management totalled SEK 1,720 million (1,443), up 19.2 per cent. The increase was mainly attributable to a larger property portfolio.

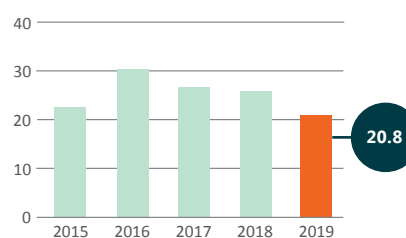
Change in value of properties

At the end of 2019, the market value of investment properties was SEK 55,027 million (46,236). During the period, the change in value of investment properties was SEK 2,037 million (2,060), of which unrealised change in value accounted for SEK 1,983 million (2,088) and realised for SEK 54 million (-28). The value change was mainly due to lower yield requirements in Sweden and Germany, but also to completed development projects and new lettings.

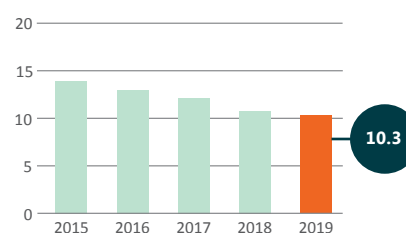
Change in value of financial instruments

Changes in the value of interest-rate derivatives had a positive impact of SEK 66 million (81) on profit, largely due to the fact that the new interest-rate derivatives carried a lower interest rate than the rate at the closing date. Foreign exchange derivatives had a negative impact of SEK -91 million (pos: 10) on profit,

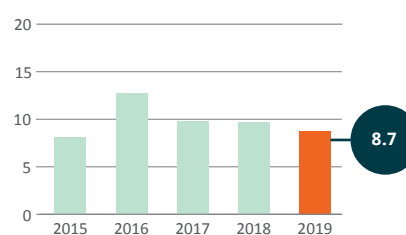
Return on equity, %



Return on profit from property management, %



Total yield, %



attributable to currency risk management in connection with property acquisitions in EUR.

Tax

Recognised tax for the period amounted to SEK -621 million (-502), of which current tax accounted for SEK -78 million (-36) and deferred tax for SEK -543 million (-466).

Profit for the year

Profit for the year before tax amounted to SEK 3,732 million (3,594), and profit for the year after tax to SEK 3,111 million (3,092), representing a year-on-year increase of SEK 19 million. The earnings improvement was mainly attributable to increased profit from property management.

Property portfolio development 2019

	SEK million	No.
Market value, opening balance	46,236	365
Acquisitions	5,242	23
Investments in new construction, extension and refurbishment	2,724	
Divestments	-1,239	-16
Disposals	-43	-2
Exchange-rate fluctuations	124	
Unrealised value changes	1,983	
Market value, closing balance	55,027	370

Profitability

Return on equity was 20.8 per cent (25.8). Return on profit from property management was 10.3 per cent (10.8). The total yield was 8.7 per cent (9.7).

Investments

Investments refer to investments in existing properties, new construction and acquisitions. During the year, Hemsö invested SEK 7,966 million (5,795), of which SEK 5,242 million (3,135) pertained to acquisitions and SEK 2,724 million (2,660) to new construction, extension and refurbishment. SEK 2,215 million (2,303) was invested in new construction and SEK 508 million (357) pertained to leasehold improvements and new lettings. For all ongoing development projects with project volumes of more than SEK 20 million, the remaining investment volume is SEK 2,774 million (3,592).

Cash flow

Consolidated cash flow from operating activities was SEK 1,614 million (1,430) and operating cash flow was SEK 1,628 million (1,383). Investing activities had a negative impact of SEK -7,139 million (-5,010) on cash flow, while increased borrowings had a positive impact of SEK 5,940 million (2,923) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 544 million (declined: -657) during the year.

Parent Company

Sales amounted to SEK 78 million (63) and consisted of fees for services performed on behalf of subsidiaries. Administrative expenses increased to SEK -164 million (-158). Operating profit totalled SEK 167

million (128) and profit after financial items was SEK 267 million (227).

Employees

At period-end, Hemsö had 122 employees (109), of whom 57 (49) were women. Of all employees, 110 (93) are employed in Sweden, 6 (5) in Germany and 6 (4) in Finland.

Sustainability performance

In accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11, Hemsö has elected to prepare the statutory Sustainability Report separately from the Annual Report. The 2019 Sustainability Report has been audited. For a summary of Hemsö's compliance with the applicable accounting standards for the Sustainability Report pursuant to the Swedish Annual Accounts Act, refer to page 129 of this document. Hemsö's sustainability efforts are governed by a Group-wide policy and reported in accordance with the Global Reporting Initiative's GRI Guidelines. Sustainability management is focused on the following areas:

- Safe and healthy environments in our properties
- Attractive employer for existing and potential employees
- Resource efficiency
- Responsibility for any negative impacts on human health and/or the environment
- Sustainability expertise through training and communication
- Long-term and sustainable financial growth in line with yield requirements.
- Local impacts on society and community engagement

Future trends

Investors are showing a strong interest in public properties but investment objects in this segment are still in short supply. Tenant demand for premises in public properties is high and the supply of new premises is limited. The need for nursing homes and school premises is greatest, due to the demographic trend.

Statement by the Board of Directors regarding the proposed dividend

Due to the Board's proposed dividend, the Board and CEO hereby issue the following statement, based on the Swedish Companies Act, Chapter 18, Section 4.

The proposed dividend is based on the annual accounts for 2019, which were presented to the Annual General Meeting for adoption on 27 April 2020, and with consideration for the company's investment and liquidity requirements. After the dividend, the equity/assets ratio would be considered satisfactory in light of the continued profitability of the operations conducted by the Parent Company and the Group. Access to liquidity for both the Parent Company and the Group is expected to remain favourable. The Board's view is that the proposed dividend will not prevent the company, or any other Group companies, from meeting their short-term or long-term obligations, or from completing any necessary investments. The proposed dividend can thereby be justified by reference to the provisions of the Swedish Companies Act, Chapter 17, Paragraph 3, items 2–3 (the prudence concept).

Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	186	108	59	17	370
Lettable area, tsqm	836	565	294	189	1,884
Rental duration, years	9.7	12.2	7.3	7.8	9.9
Property value, SEK million	21,644	17,177	9,790	6,416	55,027
Property income	1,213	958	508	367	3,046
Net operating income, SEK million	926	711	357	282	2,276
Economic occupancy rate, %	99.6	98.7	95.2	95.8	98.1
Property yield, %	4.5	4.7	5.1	4.9	4.7

Proposed appropriation of profits

Unappropriated earnings available for distribution by the Annual General Meeting, SEK:

Retained earnings	1,350,682,390
Share premium reserve	2,000,000,000
Profit for the year	301,454,727
Carrying amount at period-end	3,652,137,117

The Board proposes that the profits be appropriated as follows, SEK:

To shareholders	860,000,000
To be carried forward	2,792,137,117
Total	3,652,137,117

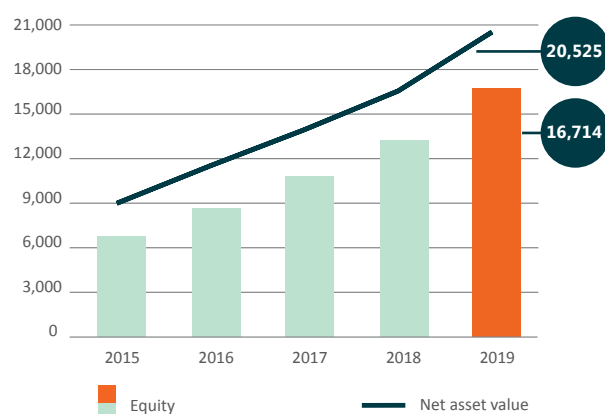
Dividend policy

Hemsö's dividend policy is that dividends should amount to half of the total profit from property management. When determining the dividend proposal, the Board accounts for such factors as the company's investment plans, consolidation needs and financial position in general.

Balance sheet

SEK million	2019	2018	2017	2016	2015
Properties	55,027	46,236	38,883	33,629	26,502
Right-of-use assets	582	–	–	–	–
Other assets	1,348	720	660	392	443
Cash	988	450	1,134	932	157
Assets	57,945	47,406	40,677	34,953	27,102
Equity	16,714	13,199	10,795	8,673	6,764
Interest-bearing liabilities	35,542	29,728	25,575	22,442	17,433
Interest-bearing debt, right-of-use assets	582	–	–	–	–
Derivatives	211	281	544	724	679
Deferred tax	3,600	3,067	2,591	2,104	1,518
Other liabilities	1,296	1,131	1,172	1,010	708
Equity and liabilities	57,945	47,406	40,677	34,953	27,102
Payment to shareholders					
Dividends paid	721	657	555	585	265
Interest paid on shareholder loans	–	–	–	–	53
Total	721	657	555	585	318
Financial resilience					
Equity	16,714	13,199	10,795	8,673	6,764
Equity/assets ratio, %	28.8	27.8	26.5	24.8	25.0
Net asset value	20,525	16,547	13,930	11,501	8,961
Adjusted equity/assets ratio, %	35.4	34.9	34.2	32.9	33.1

Development of equity, SEK million



Financing

Hemsö's financing aims to maintain a stable capital structure and low financing costs. In 2019, Hemsö continued to diversify its funding by raising a loan in the German Schuldschein market. Hemsö has worked actively to extend the company's loan maturity and fixed-rate periods to reduce risk and secure stable cash flows.

Debt management

Hemsö's Treasury Department is responsible for ensuring the company's long-term financing and for minimising costs based on identified constraints. To achieve this goal, Hemsö works actively to broaden the company's financing to reduce the need for single creditors and markets. Hemsö owns properties in Sweden, Finland and Germany, which means that the company requires financing in both EUR and SEK.

Good access to capital

In recent years, the fixed-income market has been characterised by historically low interest rates and generally low credit margins due to continued central bank stimulus.

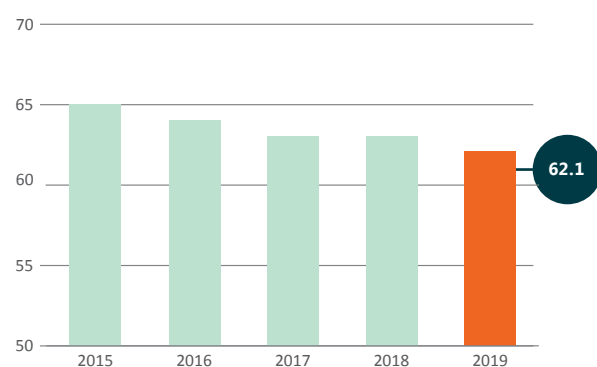
Capital structure

At year-end, assets totalled SEK 57,945 million (47,406). Hemsö financed its operations with equity of SEK 16,714 million (13,199), interest-bearing liabilities of SEK 35,542

million (29,728), deferred tax liabilities of SEK 3,600 million (3,067) and other liabilities of SEK 1,296 million (1,131).

The interest-bearing liabilities comprised uncovered bonds of SEK 27,042 million (23,679), Schuldschein of SEK 783 million (-), commercial papers of SEK 5,074 million (4,449), and unsecured loans from EIB and the NIB of SEK 2,643 million (1,600). At year-end, Hemsö's loan-to-value ratio was 62.1 per cent (63.3).

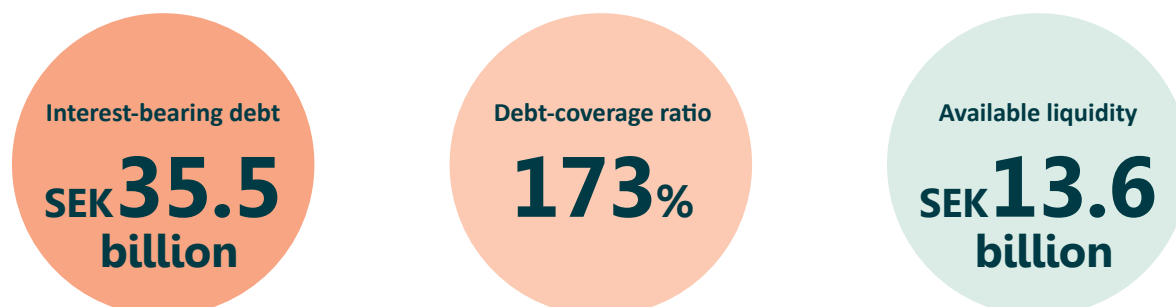
Loan-to-value ratio, %



Capital structure

SEK million	2019	2018
Interest-bearing liabilities	35,542	29,728
Cash and cash equivalents	988	450
Net debt	34,554	29,278
Market value of investment properties	55,027	46,236
Associated companies	635	183
Property assets	55,662	46,419
Loan-to-value ratio, %	62.1	63.3
Proportion of secured debt, %	0.0	0.0

Capital structure



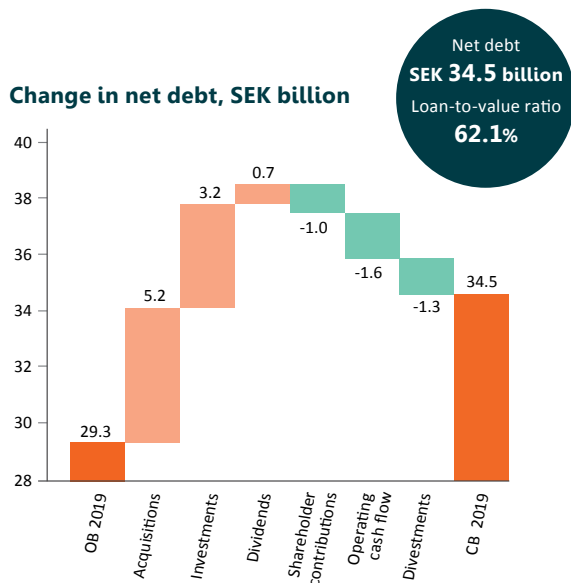
Sources of funding

SEK million	2019	2018
Bonds, SEK	12,989	12,604
Bonds, EUR	14,053	11,075
Total bonds	27,042	23,679
<i>Of which sustainability bonds</i>	<i>1,000</i>	<i>1,000</i>
Commercial papers	5,074	4,449
European Investment Bank	1,843	800
Nordic Investment Bank	800	800
Schuldschein	783	–
Secured loans	–	–
Interest-bearing liabilities	35,542	29,728
<i>Of which sustainable financing</i>	<i>3,643</i>	<i>2,600</i>

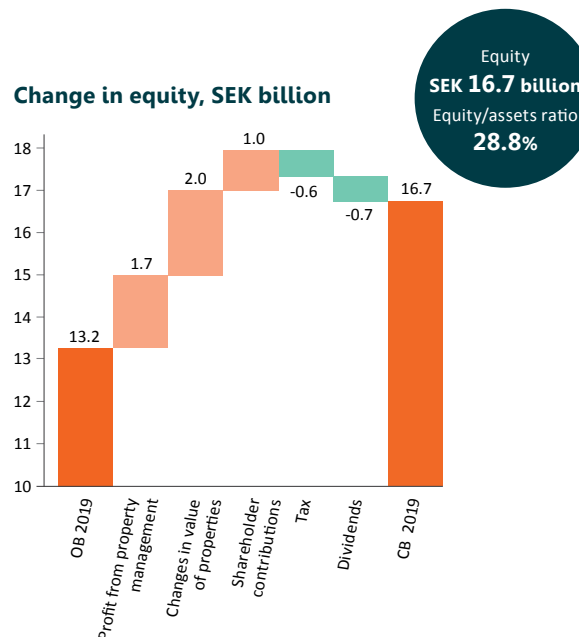
Committed credit facilities and underwriting commitments

SEK million	2019	2018
Banks	6,500	6,500
Third Swedish National Pension Fund	5,000	4,000
European Investment Bank	1,161	2,200
Total	12,661	12,700
Cash and cash equivalents	988	450
Available liquidity	13,649	13,150
Short-term loans	7,898	7,994
Debt-coverage ratio, %	173	165

Change in net debt, SEK billion



Change in equity, SEK billion



*Working capital, currency effects and adjustment items

A-
Rating

Secure borrower with a credit rating of A- from Standard & Poor's

Standard and Poor's began issuing a credit rating for Hemsö in 2015. Hemsö's rating has remained unchanged at A-. The rating means that more investors can buy the company's bonds and has attracted many new international investors.

S&P Global Ratings

Diversified funding sources

Hemsö is an established issuer in the Swedish and European bond markets. At year-end, Hemsö had outstanding bonds of SEK 12,989 million (12,604) in the Swedish capital market, making the company one of the largest issuers in Sweden. Hemsö has been issuing bonds in the European market since September 2016 and at year-end, the total issuance of outstanding EUR-denominated bonds corresponded to SEK 14,053 million (11,075), making Hemsö an established name among European investors. In recent years, Hemsö has continued to diversify its funding through a large proportion of Asian investors and by raising a loan in the German Schuldschein market.

Focus on stable cash flows

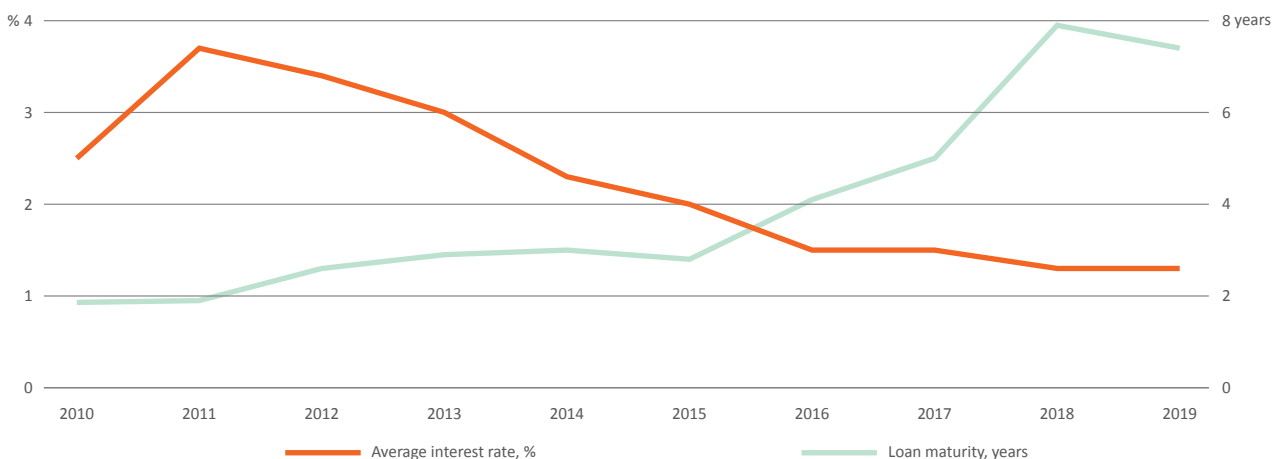
Hemsö works actively to secure stable and predictable cash flows for the company. Through access to the

European capital market and a calculated borrowing strategy, the company extended its fixed-rate period to 6.4 years (5.9) during the year, while the loan maturity remained long at 7.4 years (7.9). Despite a longer fixed-rate period, Hemsö's average interest rate at period-end was 1.3 per cent (1.3).

Focus on 'unsecured' capital market financing

Hemsö's strategy to focus on unsecured capital market financing will continue. Hemsö had already repaid all remaining secured debt in 2018, and has zero per cent outstanding. The fact that Hemsö has not used any secured debt reduces the risk associated with the company's bonds and commercial papers.

Average interest rate and loan maturity



Interest-bearing liabilities

At year-end, Hemsö had interest-bearing liabilities of SEK 35,542 million (29,728), representing a loan-to-value ratio of 62.1 per cent (63.3).

Of Hemsö's interest-bearing liabilities, SEK 25,914 million (19,918) carries variable interest rates, and SEK 9,628 million (9,810) million fixed rates. The company uses interest-rate derivatives to adjust interest-rate risk. Of Hemsö's debt, 69 per cent had a fixed-rate period of more than one year.

Bonds

Hemsö has one EMTN programme with a ceiling of EUR 3,000 million, and another MTN programme with a ceiling of SEK 12,000 million.

In 2019, Hemsö issued bonds totalling SEK 7,490 million. At 31 December 2019, the volume of bonds therefore amounted to SEK 27,042 million (23,679), of which two sustainability bonds accounted for SEK 1,000 million (1,000). The MTN bonds are traded on Nasdaq Stockholm, and the EMTN bonds on the Irish stock exchange. The sustainability bonds are included on Nasdaq Stockholm's Sustainable Bond List.

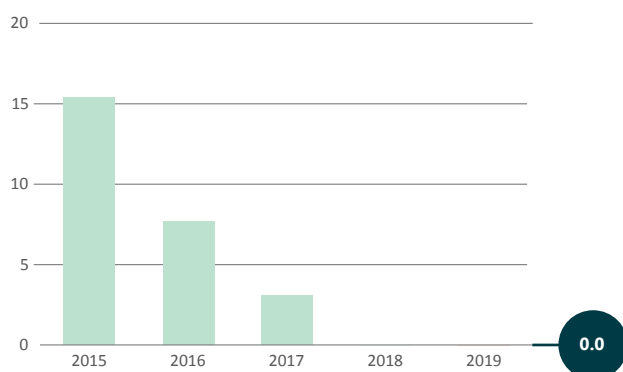
Commercial papers

Hemsö has one commercial paper programme with a ceiling of SEK 8,000 million. On 31 December 2019, Hemsö had outstanding commercial papers of SEK 5,074 million (4,449).

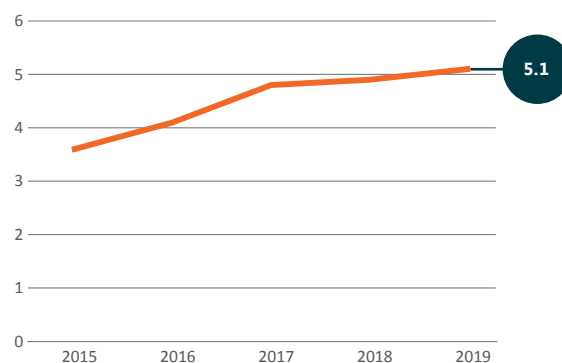
Committed credit facilities and liquidity

Hemsö has committed credit facilities to reduce the company's liquidity and refinancing risk. Committed credit facilities can be drawn to refinance bonds, commercial papers or other debts due. They can also be used to finance the operations. At 31 December 2019, Hemsö's undrawn credit facilities totalled SEK 12,661 million (12,700), comprising an underwriting commitment of SEK 5,000 million (4,000) from the Third Swedish National Pension Fund, credit facilities of SEK 6,500 million (6,500) from banks, and SEK 1,161 million (2,200) from the European Investment Bank. At year-end, cash and cash equivalents amounted to SEK 988 million (1,134), bringing available liquidity to SEK 13,649 million (13,150).

Share of secured debt, %



Interest-coverage ratio, times



Interest-rate and foreign exchange derivatives

Hemsö uses interest-rate and currency derivatives to manage interest and currency risk. Interest-rate derivatives are used to manage the length of the fixed-rate period and thereby adjust the interest-rate risk to the desired level. Foreign exchange derivatives are used to manage and adjust the currency risk. At year-end, the negative value of Hemsö's derivatives portfolio was SEK 211 million (281). In order to extend the fixed-rate period, Hemsö signed new forward-starting interest-rate derivatives totalling SEK 2,500 million during the year. The notional amount of outstanding interest-rate derivatives was SEK 6,300 million (6,350).

Changes in value

Changes in the value of financial instruments had a negative impact of SEK -25 million (91) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 66 million (81) on profit and the foreign exchange derivatives had a negative impact of SEK -91 million (-10).

Currency exposure

Currency exposure is defined as the difference between the value of the company's assets in EUR (property value and cash) and the company's liabilities in the same currency. Hemsö can also use foreign exchange derivatives to manage currency exposure. At 31 December, net exposure defined as property assets and cash including currency hedging less interest-bearing liabilities amounted to EUR 189 million, corresponding to SEK 1,971 million. The amount represents 11.8 per cent of the Group's equity.

Interest-rate derivatives at 31 Dec 2019

Extendable Start	Due	Volume SEK million	Pay	Receive	Value
7 Apr 2014	5 Apr 2023	500	2.3%	STIBOR	-34
7 Apr 2014	5 Apr 2023	500	2.3%	STIBOR	-34
19 Nov 2013	5 Oct 2023	500	2.6%	STIBOR	-43
7 Apr 2015	5 Apr 2024	500	2.5%	STIBOR	-46
7 Apr 2015	5 Apr 2024	300	2.4%	STIBOR	-26
7 Apr 2015	5 Apr 2024	200	2.4%	STIBOR	-17
6 Jul 2015	5 Jul 2024	500	2.2%	STIBOR	-42
18 Jun 2020	18 Jun 2030	500	0.7%	STIBOR	0
13 Jul 2020	15 Jul 2030	500	0.7%	STIBOR	2
15 Jul 2020	15 Jul 2030	500	0.7%	STIBOR	1
12 Jul 2021	12 Jul 2028	500	0.7%	STIBOR	-1
16 Aug 2022	16 Aug 2030	500	0.3%	STIBOR	21
Total		5,500			-219

Short-rate Start	Due	Volume SEK million	Pay	Receive	Value
8 Feb 2018	8 Feb 2023	500	STIBOR + 0.60%	1.3%	6
28 Mar 2018	8 Feb 2023	300	STIBOR + 0.56%	1.1%	2
Total		800			8
Total		6,300			-211

Forward start

Active

Currency exposure

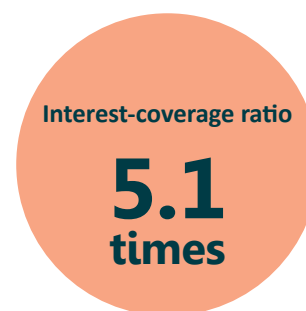
SEK million	31 Dec 2019	31 Dec 2018
Properties EUR	17,559	12,592
Cash, EUR	291	0
Assets, EUR	17,850	12,592
Debt, EUR	15,879	11,075
Exposure, EUR	1,971	1,517
Currency hedging	0	0
Currency exposure	1,971	1,517
Equity	16,714	13,199
Currency exposure, %	11.8	11.5

Financial policy

Hemsö's financial policy is decided annually by the Board and provides frameworks for financing activities. The policy describes the company's approach to financial risk management by regulating the distribution of responsibilities and risk management mandates, and establishing reporting, monitoring and control principles. The overall objective is to secure a long-term stable capital structure and optimal net income, within the defined constraints.

Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 70%	62.1%
Loan maturity	At least 2 years	7.4 years
Debt-coverage ratio	At least 125%	173%
Share of secured debt	Max. 20%	0%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 times	5.1 times
Fixed-rate period	3-8 years	6.4 years
Fixed-rate maturity	Max. 40% < 1 year	31%
Counterparty risk		
Financial instruments	A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20%	12%



Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreements, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2020	2,825	2,825	9.3	11,068	31.1
2021	11,828	5,167	17.0	1,250	3.5
2022	3,745	2,745	9.0	1,050	3.0
2023	2,806	1,806	5.9	1,750	4.9
2024	5,000	1,000	3.3	2,000	5.6
2025	0	0	0.0	0	0.0
2026	5,996	5,996	19.7	5,196	14.6
2027	100	100	0.3	0	0.0
2028	100	100	0.3	500	1.4
2029	3,991	3,991	13.1	3,991	11.2
2030	485	485	1.6	2,485	7.0
2031	0	0	0.0	0	0.0
2032	874	874	2.9	874	2.5
2033	1,379	1,379	4.5	1,379	3.9
2034–	3,999	3,999	13.1	3,999	11.3
Total	43,129	30,468	100.0	35,542	100.0
Commercial papers		5,074			
Total		35,542			

Risk management

Hemsö is exposed to various risks that may affect the company's future operations, costs and results. Risks and opportunities are continuously identified and managed within the operations. The Board is ultimately responsible for the company's risk management.

Hemsö defines risk as a conceivable future event that could affect the company's achievement of its targets. Risks and uncertainties do not necessarily have a negative impact. They may also have the potential to become a business opportunity.

Strategic risks



Changes in value of properties

Risk

Hemsö recognises properties at fair value, which is equal to their market value. Changes in value impact Hemsö's income statement, financial position and loan-to-value ratio. Changes in value may arise due to macroeconomic changes, but also for market or property-specific reasons. The value of properties is also affected by Hemsö's contract and tenant structure, and by Hemsö's ability to optimise and develop the properties. There is also a risk that individual properties are incorrectly valued.

Management

Hemsö's portfolio of public properties with stable cash flows is mainly concentrated to geographic markets with population growth, economic growth and a highly liquid market for transaction settlements. The property portfolio has a wide geographical spread in three markets, which balances the risk profile. Hemsö performs continuous market analyses and reviews of the property portfolio's value. The value of all properties is assessed internally four times per year. The internal valuation is quality-assured every year by an external independent valuer. In 2019, 94 per cent of Hemsö's property portfolio was valued externally.



Income and vacancy risk

Risk

Risk factors for Hemsö's rental income and vacancy rate include cyclical fluctuations and the market's need for public properties which, in turn, depends on the demographic trend.

Management

Most of Hemsö's tenants have high creditworthiness, long-term rental agreements and conduct operations that are directly or indirectly publicly funded. Income-loss risk and vacancy risk are therefore considered low. The risk of bad debt loss is limited because

Hemsö always performs credit assessments before signing new rental agreements, and continuously monitors the creditworthiness of its tenants. The vast majority of Hemsö's tenants are state, municipal and regional operators with high creditworthiness, which also limits the risk. The occupancy rate is high and will remain stable over time. In 2019, the occupancy rate was more than 98 per cent. Hemsö's target is an average remaining rental duration of at least five years. In 2019, it was more than nine years.



Political and macroeconomic risk

Risk

Macroeconomic risks are risks related to overall economic demand, inflation and a general lack of access to financing. Political risk is risk associated with changed conditions due to policy decisions that affect Hemsö.

Management

Hemsö performs ongoing business intelligence and analysis to update the risk register. Hemsö also maintains ongoing dialogue with shareholders and other stakeholders. The monitoring of external factors, credit markets and Hemsö's other markets, as well as transactions, is performed through Hemsö's business council, and on a regular basis.



Property portfolio composition

Risk

When acquiring existing properties or land on which Hemsö intends to construct new buildings (through development), there is a risk that the property is situated in a sub-market, city or location that may be unfavourable in relation to future growth and the need for premises. There is also a risk that Hemsö holds obsolete properties, meaning properties that do not meet technical standards, or customer requirements and expectations.

Management

As one of Sweden's largest public property owners, Hemsö develops economies of scale and expertise in order to provide appropriate premises for its tenants. Hemsö work continuously with macroanalyses and analyses of its sub-markets' conditions, including demographic trends, the rental market and so forth. Hemsö regularly reviews the portfolio and its exposure in various sub-markets and segments. Hemsö also maintains regular contact and dialogue with stakeholders, including municipalities, and ongoing dialogue with customers to achieve a better understanding of their current and future needs.

Operational risks



Property costs

Risk

Hemsö's property costs are mainly derived from operating costs related to heating, electricity, maintenance, property tax and ground rent. Unless offset by higher rental income, increased or unexpected property costs could have a negative impact on Hemsö's earnings.

Management

Hemsö works purposefully to reduce property costs by maintaining an efficient organisation with specialised

expertise, a structured purchasing process and procurements in order to limit costs and seek economies of scale wherever possible. Hemsö works continuously to reduce its energy consumption by conducting energy projects and operational optimisation. Hemsö hedges most of the electricity consumed. In most cases, tenants are charged for costs related to electricity and heating. Unforeseen damage and repairs could have a negative impact on earnings and are prevented through proactive and long-term maintenance.



Liability risk

Risk

Liability risk is primarily risk related to damages on Hemsö's properties, and accidents or incidents that cause personal injury or damage to property for which Hemsö is found liable.

Management

The risks are limited through Hemsö's full value insurance for all properties. Hemsö is also covered by property damage liability insurance. Hemsö also reduces this risk by auditing suppliers, by working preventively to prevent

injuries, and by imposing requirements in all supplier contracts. Prior to acquisitions, and within the framework for due diligence, an environmental inventory is carried out to identify any interior or exterior environmental liability and, if necessary, to rectify environmental risks. The risk of human rights violations in the supply chain is prevented by a systematic purchasing process with specification and follow-up of suppliers in regard to labour rights, the environment and a safe and healthy working environment.

Operational risks, cont.



Property acquisitions

Risk

Risks associated with acquisitions mainly comprise misjudgements of market yield requirements, rental rates, vacancies, the ability of tenants to pay, the acquired company's obligations, environmental conditions and technical liability.

Management

Acquisition risk is reduced by quality-assured and standardised internal processes and tools. Hemsö always

performs a prior due diligence and analysis of the micro-market (such as the geographical location), economics, agreements and the property's technical conditions and appropriateness with the assistance of internal and external specialists. All acquisitions are carried out with the intention of long-term ownership and management. Completed acquisitions are always followed up internally after a period of one and three years.



Tax

Risk

Changes in the rules for corporate tax, property tax and VAT could have either a positive or negative effect on Hemsö's earnings. One risk is that Hemsö does not comply with current tax legislation.

Management

To ensure that Hemsö manages tax in accordance with the applicable laws and regulations, Hemsö has procedures for effective internal control. Correct management is secured through internal and external quality

assurance and regular training for employees. Hemsö maintains a commercial approach to tax expense, but also applies the prudence concept in line with Hemsö's core values of acting sustainably and reliably. In the 2016 financial year, the Board adopted a tax policy that governs Hemsö's management of taxation. Hemsö continually monitors proposed legal and regulatory changes in order to respond early and adapt the operations. Hemsö is not currently subject to any material tax litigation.



Project risk

Risk

New construction, extension and refurbishment entail a risk that customer needs and expectations are not met, that regulatory permits are not granted, or that the cost of a project increases due to delays or project failure.

Management

The risks are limited by only investing in projects in markets where Hemsö has good market insights, and where

demand for Hemsö's premises is favourable. Hemsö focuses on growth areas in all countries. The risk is also limited by using turnkey contracts for most development projects and, in general, by not starting construction until the property is fully let. Hemsö quality-assures its development projects with standardised internal processes, a high level of internal project competence and creditworthy contractors and partners.



Crises

Risk

Crises include external events including terrorist and cyber attacks, extreme weather events, environmental disasters, serious accidents, information leaks, negative branding and business disruptions. Outages or errors in critical systems can have a negative impact on Hemsö, primarily in relation to business continuity and financial reporting.

Management

Hemsö works actively with crisis prevention. Hemsö has an established crisis organisation, guidelines for crisis management and an IT continuity plan. Hemsö also works continuously to improve internal processes and procedures to prevent crises from arising, and to reduce any damage that may arise.

Operational risks, cont.



Environment and climate

Risk

Environmental and climate-change risk is the risk of Hemsö's impact on the environment and the surrounding community. Hemsö's activities impact the environment when properties are being built, the ongoing operations of the properties and the activities conducted in them. Changed legislation or regulatory requirements for the environment and energy consumption, as well as growing customer demands on environmental management and environmental certifications, may entail a risk of higher costs and financial losses. There is a risk that climate change could impact Hemsö's operations due to higher costs for handling extreme weather events such as heavy rain and flooding.

Management

Hemsö works systematically with preventive measures to achieve good indoor environments, energy efficiencies, sustainable material choices and safe handling of chemicals and waste in the company's properties. Environmental and climate-change due diligence is carried out prior to acquisitions.

Hemsö has clear procedures for following the applicable regulations regarding property owner responsibility for environmental impact from operations and maintenance. In 2019, Hemsö adopted a climate strategy focused on managing climate change risk for the operations. All new construction holds at least Silver certification under the SGBC system, or an equivalent level under a similar certification scheme. For new construction, Hemsö chooses materials based on SundaHus Material Data assessments to protect human health and the environment.

Hemsö conducts systematic sustainability management, with a focus determined in agreement with stakeholders, and that undergoes annual revision to account for any changes in requirements or needs. Governance is based on a sustainability policy and guidelines that are revised annually, and by addressing strategic sustainability issues in Hemsö's Sustainability Council. In 2019, no incidents were recorded that led to fines or any other sanctions under environmental legislation.



Employees

Risk

Employee risk mainly relates to Hemsö's inability to meet its own needs for competence, and the risks associated with employee health. If Hemsö is unable to attract competent and qualified staff, or if key employees leave Hemsö, this could have a negative impact on the operations. Risks related to employee health are problems associated with sick leave which, in addition to the problems these cause for individuals, may also cause problems with productivity and continuity.

Management

Hemsö has a structured method for working preventively with both competence development and health. Hemsö works actively to be a reliable employer and strives for an open and transparent working environment based on Hemsö's values. Hemsö has an HR policy and a structured OHS programme that govern how

Hemsö works. Employee surveys are conducted every year, and includes a Net Promoter Score (NPS). In 2019, Hemsö's NPS score increased from 48 to 51, which was considerably higher than the benchmark (9). Hemsö works continuously to maintain a pipeline of talented employees through internal training programmes via Hemsö's Social School, and through trainee and work placement programmes. All managers at Hemsö undergo a leadership development programme. Succession planning is in place for key people and senior positions.

Hemsö works systematically with health and safety by setting targets that are monitored annually. Hemsö works preventively with employee wellness, which includes regular health checks and wellness activities for all employees. In 2019, employee attendance was 98.5 per cent. No workplace accidents were reported for Hemsö's employees.

Changed regulations and regulatory compliance



Changed regulations

Risk

Changes in laws, rules and regulations can impact Hemsö in the form of increased costs and the impairment of Hemsö's reputation and brand.

Most of Hemsö's tenants conduct taxpayer-funded operations on behalf of the state, a municipality or a region. These activities are largely dependent on state policy and regulatory requirements in regard to property ownership, letting, rent levels and premise

requirements. New or amended laws and regulations could have an adverse effect on Hemsö's operations and financial results.

Management

Hemsö continually monitors proposed legal and regulatory changes in order to respond early and adapt the operations. Hemsö participates actively in matters of public debate that affect Hemsö and in such cases, submits responses to proposed legislative changes.



Regulatory compliance

Risk

Failure to comply with regulations, as well as fraud and corruption, could lead to economic loss and sanctions, as well as impairment of Hemsö's reputation and brand.

Management

Hemsö has effective, continuous internal control and quality assurance

at several levels, and well-documented processes. Third-party auditors perform annual audits. To reduce corruption risk, Hemsö has guidelines and procedures for purchasing and authorisation. Hemsö has one internal Code of Conduct, and one for suppliers. Hemsö also has one whistleblower system for internal use, and one for suppliers and external stakeholders.

Financial risks



Financing

Risk

Financing risk is the risk of not being able to access the capital required by Hemsö's operations, or that financing can only be obtained at a significantly higher cost. A large proportion of Hemsö's capital is raised on capital markets, mainly supplied by bonds and commercial papers. As these loans mature, they must be repaid or refinanced.

Management

Hemsö has diversified sources of funding, a well-balanced maturity spread and a long-term loan maturity. At year-end, the loan maturity was 7.4 years.

Short-term financing mainly consists of commercial papers, but also short-term bonds. To further reduce financing risk and manage its short-term debt, Hemsö has undrawn committed credit facilities. At 31 December 2019, these amounted to SEK 12,661 million and were provided by several Nordic banks, the European Investment Bank and the Third Swedish National Pension Fund (Hemsö's owner).

Hemsö's financial policy regulates the distribution of responsibilities and risk mandates, and establishes principles for reporting, monitoring and internal control.



Interest

Risk

Interest-rate risk is the risk that market-rate fluctuations and credit margins will have a negative impact on Hemsö's cash flow, or on the fair value of financial assets and liabilities. Interest expense is Hemsö's single largest cost item.

Management

To manage its interest-rate risk, Hemsö issues fixed-rate bonds or extends variable-rate loans using interest-rate derivatives with different maturities. Hemsö's average fixed-rate period should range from three to eight years and no more than 40 per cent of the interest should be due within 12 months. At 31 December 2019, Hemsö's average fixed-rate period was 6.4 years and 31 per cent was due within 12 months.

Financial risks, cont.



Counterparty

Risk

Derivatives, long and short-term credit agreements and investments of temporary surplus liquidity entail the risk that a financial counterparty is unable to fulfil all or some of their obligations.

Management

Hemsö only enters into financial transactions with counterparties with high credit ratings. Derivatives are only contracted with bank counterparties with a minimum credit rating of A-/A3 (S&P/Moody's), or if collateral can be provided. Excess liquidity is only invested in instruments considered investment grade, or a similar minimum rating.



Currency

Risk

In addition to Hemsö's property portfolio in Sweden, Hemsö owns properties in Finland and Germany. Hemsö therefore has income, expenses, assets and liabilities in EUR. Hemsö is therefore exposed to the risk that exchange-rate fluctuations will Hemsö's income statement and balance sheet.

Management

Hemsö's currency risk is limited to EUR. The foreign properties are financed with external financing in EUR, which minimises risk. Currency exposures must not exceed 20 per cent of the Group's equity without currency hedging. At 31 December 2019, Hemsö's currency exposure in EUR corresponded to SEK 1,971 million, representing 12 per cent of the Group's equity.



Liquidity

Risk

Liquidity risk is the risk of not having access to cash and cash equivalents. Hemsö's payment commitments mainly comprise the ongoing costs of operation and maintenance, investments and interest expense. Loan maturities account for the largest payment obligations.

Management

Hemsö's business model is based on a stable and predictable cash flow. Hemsö makes regular liquidity forecasts to increase predictability and ensure sufficient funds to meet loan maturities and other major payment commitments. Hemsö should also maintain an adequate liquidity buffer. The debt/equity ratio (available liquidity in relation to short-term debt) should be at least 125 per cent. At year-end, the ratio was 173 per cent.

Sensitivity analysis

Sensitivity analysis

	Change	Earnings effect before tax, SEK million
Rental income	+/- 1%	+/- 30
Economic occupancy rate	+/- 1 percentage point	+/- 32
Property costs	+/- 1%	-/+ 8
Interest rates, market	+/- 1 percentage point	-107/+89
Valuation yield, change in value of properties	+/- 0.1 percentage point	-1,302 / +1,366
EUR/SEK (effect on profit from property management)	+/- 10%	+/- 85



Pär Nuder, Chairman of the Board

Chairman's comments

Community building continues

Hemsö has continued to strengthen its position and is now a natural property partner for public services Sweden remains Hemsö's most important market and the need for new, modern and sustainable public properties is substantial. Municipalities will face major challenges when the construction of new schools and nursing homes is required. Hemsö will then be able to contribute knowledge, expertise and capital. The strategic decision to build a comprehensive development project organisation proved right, and Hemsö can now offer solutions for all of a municipality's property-related needs. To take advantage of the business opportunities that arise, it is only natural that Hemsö's owners add new equity while securing the company's financial stability. The owners contributed SEK 1 billion in

2019, and are planning to inject the same amount in 2020. Over time, Hemsö has demonstrated its ability to manage the Third Swedish National Pension Fund's capital efficiently and responsibly. The expectation is therefore that the company will continue to develop and provide high future returns for Sweden's national pension system.

Hemsö's focus on the green transition will continue and I would also like to highlight the year's efforts to support social sustainability. Skolgårdsluftet – the initiative to upgrade school playgrounds in Sweden, and Ljuslyftet – the initiative to work with lighting brightness and colour to help the students in our schools stay focused and learn better are examples of best practice, where Hemsö is helping to create better

and safer environments for both younger and older generations. Hemsö's investments in vulnerable areas are also worth mentioning. During the year, the construction of a new school started up in the Tjärna area in Borlänge based on the 'Village school' concept, and Hemsö also took over construction of the new police headquarters in Rinkeby, which are scheduled for completion in spring 2020.

The Third Swedish National Pension Fund will continue to promote Hemsö's sustainability efforts and the new equity will enable this community building to continue. Strong owners, a strong brand and a long-term approach will ensure a continued positive outlook for the company.

Corporate governance

Corporate governance refers to the rules and structure established to efficiently and systematically control and direct the operations of a limited company. Corporate governance in Hemsö is based on the Swedish Companies Act, the Articles of Association, the rule book for issuers of interest-bearing instruments in the marketplaces where Hemsö is listed, policies, internal regulations and guidelines.

The Swedish Corporate Governance Code ("the Code") is applied by all companies whose shares or depositary receipts are traded on a regulated market. With only bonds listed on Nasdaq Stockholm, Hemsö is not required to apply the Code.

Shares and ownership

At year-end, Hemsö's share capital was SEK 1,000,010, divided between a total of 100,001,000 shares. The company's shares carry one vote per share and entitle the holder to a corresponding proportion of the company's assets and dividends. The Annual General Meeting resolves on dividends.

Hemsö's owners are the Third Swedish National Pension Fund (70 per cent of the share capital and votes) and Hemsö Intressenter AB (30 per

cent of the share capital and votes). Hemsö Intressenter AB is 50-per cent owned by both the Third Swedish National Pension Fund and AB Sagax.

Annual General Meeting

The Annual General Meeting (AGM) is the company's highest decision-making body. All shareholders registered in the share register by the record date and who have notified their participation in time are entitled to participate in the Meeting. Decisions at the AGM are normally made by simple majority. Under the Swedish Companies Act, some decisions, such as changes to the Articles of Association, require a qualified majority.

The AGM is to be held within six months of the end of the financial

year. Issues addressed at the AGM include dividends, adoption of the income statement and balance sheet, discharge from liability for Board members and the CEO, the election of Board members, Board Chairman and auditors, and fees to Board members and auditors.

The Articles of Association contain no restrictions on the number of votes any one shareholder may cast at the AGM.

2019 Annual General Meeting

The 2019 AGM was held on 29 April 2019 in Stockholm. All shares were represented. The 2018 financial statements were adopted and the Board members and CEO were granted discharge from liability. Decisions were also made regarding the election of Board members, Chairman of the Board and auditors, the fees paid to Board and Committee members and auditors.

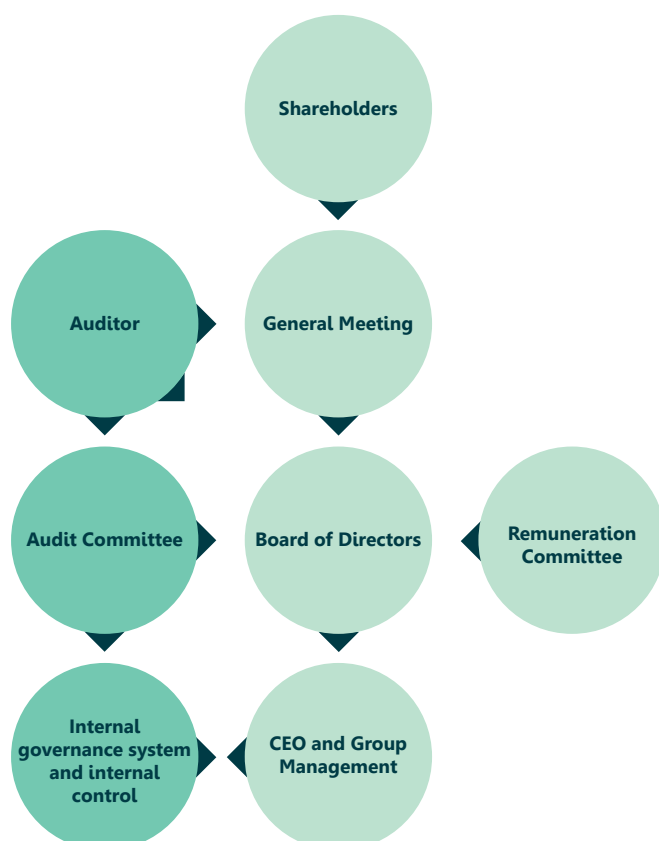
The AGM did not grant the Board authorisation to issue new shares or repurchase own shares.

Extraordinary General Meetings

No Extraordinary General Meetings (EGM) were held in 2019.

Board of Directors

The duties of the Board of Directors include determination of the company's overall objective and strategies, business plan and budget, to submit interim reports and financial statements and to adopt policies. The Board is also to monitor the financial performance, assure the quality of the financial reporting and internal control and evaluate the company's operations based on the objectives and policies adopted by the Board. Finally, the Board also makes decisions



on major investments, and on organisational and operational changes in the company.

The Board's work is regulated by the Swedish Companies Act, the Articles of Association and the Board's rules of procedure. The Board's overall responsibilities cannot be delegated, but the Board may appoint a committee to prepare and evaluate matters for decision by the Board.

Every year, the Board adopts rules of procedure for its work to ensure that the company's operational processes and the company's financial circumstances are controlled in a satisfactory manner. The Board's rules of procedure and instructions for the division of duties between the Board and the CEO are reviewed and adopted at least once per year.

Board work

Board work mainly follows an annual cycle of regular meetings on specific dates, adapted to the Board's assignment of assuring the financial reporting.

At regular meetings, the CEO also provides general information about

the business operations, such as important events in the operations, business plan follow-ups, the Group's economic and financial position, major ongoing development projects and transactions and, if necessary, the Group's financing. In addition to regular Board meetings, extra meetings are also held when needed, such as when a business decision requires the Board's approval. In 2019, seven regular Board meetings were held, including the statutory Board meeting, and five extra Board meetings.

Chairman of the Board

The Chairman of the Board is to work closely with the CEO to monitor the company's performance, and to chair Board meetings. The Chairman is responsible for ensuring that other members receive sufficient information to carry out their duties efficiently. The Chairman is also responsible for evaluating the performance of both the Board and the CEO.

The Board's evaluation

The performance of the Board and the CEO is evaluated annually in a systematic and structured process. This is conducted with the assistance

of an external consultant and the results are presented to the Board.

Committees

The Board has established two preparatory committees from within its own ranks, the Remuneration Committee and the Audit Committee. The committees have no independent decision-making authority.

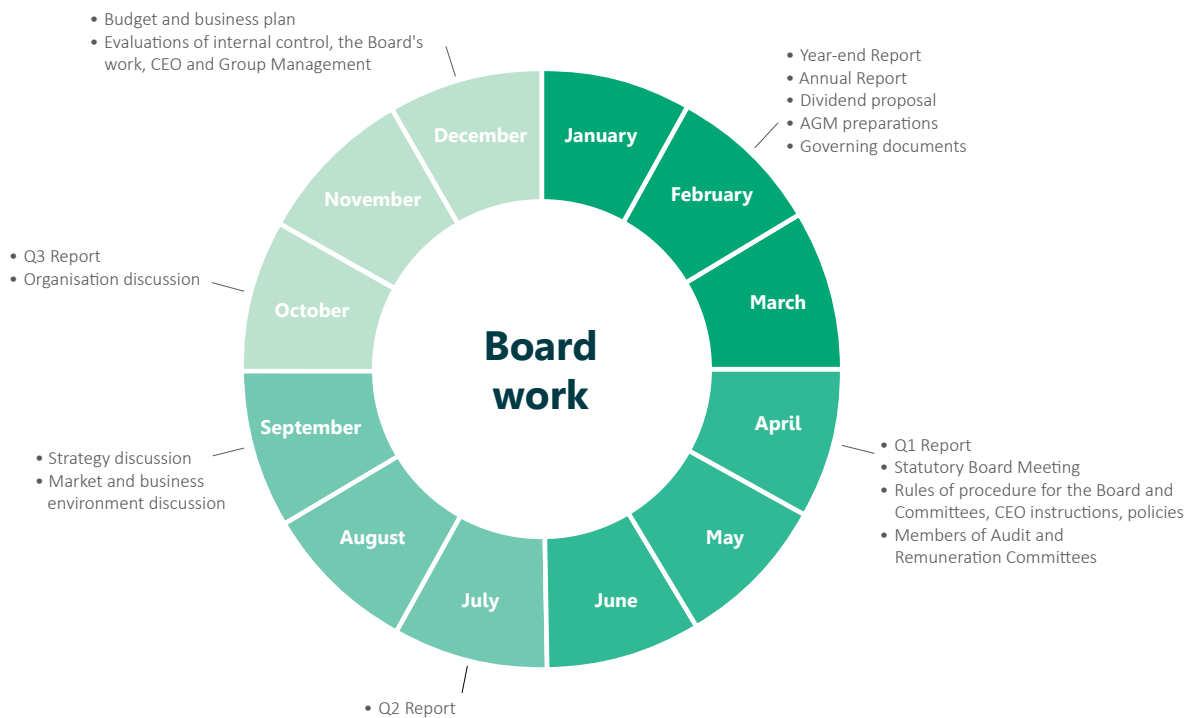
Audit Committee

The Audit Committee has been assigned by the Board to continuously monitor and evaluate the auditors' work. The Audit Committee is also to make recommendations to the Board on the election of auditors and fees, the company's accounts and internal control, risk management, external audit and financial information.

The Audit Committee held three meetings during the year. The Committee members are Johan Thorell (Chairman), Bengt Hellström and Åsa Bergström. David Mindus was a member (Chairman) until the statutory Board meeting.

Remuneration Committee

The Remuneration Committee's main tasks are to make recommendations



Composition of the Board

Name	Year of election	Independent of the company	Independent of major shareholders	Meeting attendance in 2019		
				Board of Directors	Audit Committee	Remuneration Committee
Pär Nuder	2013	Yes	No	12/12	–	2/2
Johan Thorell	2013	Yes	Yes	11/12	3/3	–
David Mindus	2009	Yes	No	11/12	2/3	2/2
Bengt Hellström	2009	Yes	No	12/12	3/3	–
Kerstin Hessius	2009	Yes	No	11/12	–	2/2
Åsa Bergström	2017	Yes	Yes	12/12	2/3	–

to the Board on matters related to remuneration principles, remuneration and other terms of employment for the CEO and senior executives, succession planning, to monitor and evaluate ongoing and completed variable remuneration programmes, and to monitor and evaluate the implementation of guidelines for remuneration of senior executives.

The Remuneration Committee held two meetings during the year. The Committee members are Pär Nuder (Chairman), Kerstin Hessius and David Mindus.

Composition of the Board

According to the Articles of Association, Hemsö's Board is to consist of at least three and at most eight AGM-elected members for a term extending until the end of the next AGM. At the 2019 AGM, six regular Board members were elected. There is no representative of Group Management on the Board and no employee representatives or deputies have been appointed to the Board. The Board is presented on page 81.

Remuneration of the Board

The AGM resolves on remuneration of the Board. No Board or Committee fees are paid to members who are employed by any of the company's owners. Kerstin Hessius and Bengt Hellström are employed by the Third Swedish National Pension Fund, and David Mindus by AB Sagax. The 2019 AGM resolved that fees of SEK 450,000 (unchanged) would be paid to the Chairman of the Board, and SEK 200,000 (unchanged) to each of the other Board members.

In addition, the AGM resolved that remuneration of SEK 40,000 (unchanged) for committee work would be paid to the Chairman of the Remuneration Committee and SEK 30,000 (unchanged) to each of the Committee's other members, and SEK 100,000 (unchanged) to the Chairman of the Audit Committee and SEK 50,000 (unchanged) to each of the Committee's other members.

CEO and Group Management

The CEO is responsible for the company's ongoing management and daily operations. The division of work between the Board and the CEO is set out in the rules of procedure for the Board and in the CEO's instructions. The CEO is also responsible for preparing reports and compiling information from management prior to Board meetings, and for presenting the material at Board meetings.

According to the financial reporting instructions, the CEO is responsible for Hemsö's financial reporting and must therefore ensure that the Board regularly receives enough information to make an assessment of the Group's financial situation. The CEO should also ensure that the Board remains continuously informed about Hemsö's operations, earnings and financial position. The CEO is also to ensure that the Board receives information about important operational matters, including acquisitions and divestments, approved investments, marketing activities and other strategic initiatives. The CEO and other senior executives are presented on pages 82-83.

Auditors

The auditor's task is to review the company's annual report and accounts, and the management of the Board and the CEO. The auditor participates in the Board meeting that addresses the annual accounts and consolidated financial statements. At the Board meeting, the auditor presents the financial information and discusses the audit with Board members without the attendance of the CEO and other senior executives. The company's auditor performs an annual review of the internal control relevant to the company's presentation of its financial statements. In addition, an in-depth review of significant areas is conducted. Ernst & Young AB has been appointed auditor, with Magnus Fredmer as Auditor in Charge. The company's auditors attended two Board meetings and two meetings with the Audit Committee.

Internal control

Under the Swedish Companies Act, the Board is responsible for the company's internal control. The objective of internal control is to achieve operational effectiveness and efficiency, and to ensure the reliability of financial reporting and information about the operations, and compliance with applicable laws, regulations, policy and guidelines. Hemsö's organisation consists of 122 employees in three countries. All personnel are employed in the Parent Company, except for 16 people in Hemsö Development AB, six people in Germany and six people in Finland. All property operations are conducted in six segments (East,

West, Central/North and South in Sweden, and Germany and Finland) and through the property-owning subsidiaries. Financing activities are conducted by the Parent Company. This means that the finance function serves as the controller function for Property Management in Sweden, Germany and Finland, and for the Treasury Department. The CFO and Director of Finance also report directly to the Audit Committee in matters related to observations and measures related to regulatory compliance. Against this background, the Board does not consider there is any need to establish a separate internal audit function.

Control environment

The Board has appointed an Audit Committee to present recommendations in regard to internal control over financial reporting. The internal control system is based on documented policies, guidelines, process descriptions, delegation of responsibilities and duties including the Board's rules of procedure, the CEO's instructions with related delegation lists and authorisation instructions, financial policy and financial reporting instructions. Compliance

is continuously monitored and evaluated. The risk of errors in financial reporting is continuously identified, analysed and eliminated through new or revised guidelines for internal control.

Risk management

Risk assessment and management is an integral part of the company's processes. Various methods are used to evaluate risks and to ensure that the relevant risks for Hemsö are managed in accordance with established policies and guidelines.

Control activities

The Board monitors and evaluates the effectiveness of internal control over financial reporting through the CEO's instructions, and by addressing the Audit Committee's reports, recommendations and proposals for decisions and actions. The Audit Committee receives regular status reports of the Group's internal control over financial reporting and accounting policies.

Information and communication

Hemsö's information policy sets out the framework for how Hemsö's

communication activities should be conducted, and the overall delegation of responsibilities in regard to the company's internal and external information. The information policy is designed to comply with Swedish legislation, Nasdaq Stockholm's Rule Book for Issuers and the Irish stock exchange.

Management and monitoring

Continuous monitoring of activities and results takes place at several levels of the company, both property and Group level. The results are analysed by the people responsible within property management and staff functions. These results are reported to the CEO, management and Board.

In connection with interim reports, the Board monitors the financial trend in relation to the business plan and budget and whether approved investments are progressing as planned.



Education, Raoul Wallenberg School, Järvastaden



Åsa Bergström, Bengt Hellström, Johan Thorell, David Mindus, Kerstin Hessius, Pär Nuder

Board of Directors

Åsa Bergström born 1964

Board member since 2017.
Member of the Audit Committee.

Education and professional experience:

MBA. Senior Manager KPMG, CFO roles in several property companies, including Granit & Betong and Oskarsborg.

Other current assignments:

Vice President, CFO of Fabege AB.
Board member of NP3 fastigheter AB.

Bengt Hellström born 1959

Board member since 2009.
Member of the Audit Committee.

Education and professional experience:

MBA. Partner (Investment Manager), EQT Partners AB, Vice President Corporate Finance, Investor AB.

Other current assignments:

Head of Alternative Investments at the Third Swedish National Pension Fund. Chairman of the Board of Trophi Fastighets AB and Fastighets AB Regio. Board member of Hemsö Intressenter AB, Trenum AB and PC Rettig & Co AB and Ortala AB/Pensan AB.

Johan Thorell born 1970

Board member since 2013.
Member of the Audit Committee.

Education and professional experience:

MBA. Active in property companies since 1997.

Other current assignments:

CEO and Board member of Gryningskust Holding AB. Chairman of the Board of Kallebäck Property Invest AB, K2A Knaust & Andersson Fastigheter AB and Gamefederation Svenska AB. Board member of AB Sagax, Tagehus Holding AB, Delarka Holding AB, Nicoccino Holding AB and Storskogen Group AB.

David Mindus born 1972

Board member since 2009.
Member of the Remuneration Committee.

Education and professional experience:

MBA. Analyst and business developer.

Other current assignments:

CEO and Board member of AB Sagax. Board member of Söderport Holding AB and Mindustri AB. Chairman of the Board of Hemsö Intressenter AB.

Kerstin Hessius born 1958

Board member since 2009. Member of the Remuneration Committee.

Education and professional experience:

MBA. President and Chief Executive Officer of the Stockholm Stock Exchange, Deputy Governor of the Swedish Riksbank.

Other current assignments:

CEO of the Third Swedish National Pension Fund. Board member of Svenska Handelsbanken AB, Vasakronan AB, Trenum AB, Öresundsbro Konsortiet, Svensk-Danska Broförbindelsen SVEDAB AB.

Pär Nuder born 1963

Chairman of the Board since 2013.
Chairman of the Remuneration Committee.

Education and professional experience:

Master of Laws Has served as Minister for Finance, Minister for Policy Coordination, Member of Parliament and State Secretary to the Swedish Prime Minister.

Other current assignments:

Chairman of the Board of Öbergs färghus. Board member of Beijerinvest AB, and Azelio AB. Senior Counsellor at Albright Stonebridge Group.



Top row: Kristina Rosqvist and Jarkko Leinonen. Bottom row: Ulrika Frisk and Mats Wilborg.

Senior executives

Kristina Rosqvist

Head of Region East since 2016.
Born 1960.

Education: MSc in Civil Engineering, Royal Institute of Technology

Most recent position: Head of Asset Management, Aberdeen Asset Management.

Ulrika Frisk

Head of HR since 2015.
Born 1970.

Education: HR degree, Uppsala University.

Most recent position: HR Director, Anticimex Sweden.

Jarkko Leinonen

Head of Asset Management Finland since 2014.
Born 1971.

Education: Construction engineer, Helsinki University of Technology.

Most recent position: Property Manager, Aalto University.

Mats Wilborg

Chief legal counsel since 2014.
Born 1969

Education: Master of Laws, Stockholm University

Most recent position: Corporate lawyer Vasakronan.



Top row: Jens Nagel. Bottom row: Anna Marand, Nils Styf and Rutger Källén.

Jens Nagel

Head of Region, Germany since 2011.
Born 1971.

Education: Property economist,
Chamber of Commerce and Industry, Berlin.

Most recent position: Own consulting business in the prop-
erty industry.

Anna Marand

Head of Project Development since 2017,
at Hemsö since 2009.
Born 1980.

Education: Master of Science degree, Land Surveying, Royal
Swedish Institute of Technology.

Most recent position: Property economist, Kungsleden.

Nils Styf

President and CEO since 2016.
Born 1976.

Education: MBA, Stockholm School of Economics.

Most recent position: Chief Investment Officer, Citycon Oyj.

Rutger Källén

CFO since 2016,
at Hemsö since 2009.
Born 1972.

Education: Studies in Economics, Uppsala University.

Most recent position: Head of Finance, Kungsleden.



Multi-year overview

Amounts in SEK million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Income statement										
Property income	3,046	2,618	2,375	2,204	2,000	2,063	1,887	1,899	1,671	1,396
Property costs	-770	-668	-587	-552	-524	-577	-547	-535	-469	-407
Net operating income	2,276	1,950	1,788	1,652	1,476	1,486	1,340	1,364	1,202	989
Central administrative expenses	-135	-146	-130	-182	-154	-173	-173	-169	-150	-90
Profit/loss from associated companies	-2	11	1	–	–	–	–	–	–	–
Operating profit	2,139	1,815	1,659	1,470	1,322	1,313	1,167	1,195	1,052	899
Financial items	-419	-372	-345	-359	-363	-480	-493	-521	-409	-124
Interest on shareholder loans	–	–	–	–	-53	-210	-210	-210	-210	-138
Profit before changes in value	1,720	1,443	1,314	1,111	906	623	464	464	433	637
Profit from property management	1,720	1,443	1,314	1,111	959	833	674	674	643	847
Change in value, properties	2,037	2,060	1,682	2,072	581	-261	-125	84	897	479
Value change, derivatives	-25	91	135	-208	140	-760	297	-128	-235	–
Current tax	-78	-36	-63	-49	-46	-89	-9	-17	-19	-24
Deferred tax	-543	-466	-477	-583	-231	127	-99	178	-250	-162
Profit/loss for the year	3,111	3,092	2,591	2,343	1,350	-360	528	581	826	930
Other comprehensive income	87	22	31	81	-50	42	16	-13	-3	–
Comprehensive income for the year	3,198	3,114	2,622	2,424	1,300	-318	544	568	823	930
Balance sheet										
Investment properties	55,027	46,236	38,883	33,629	26,502	24,668	22,637	22,951	20,858	18,518
Right-of-use assets	582	–	–	–	–	–	–	–	–	–
Other assets	1,348	720	660	392	443	209	156	201	443	419
Cash and bank balances	988	450	1,134	932	157	107	13	70	265	353
Total assets	57,945	47,406	40,677	34,953	27,102	24,984	22,806	23,222	21,566	19,290
Equity	16,714	13,199	10,795	8,672	6,764	2,682	3,061	2,633	2,169	1,570
Deferred tax liabilities	3,600	3,067	2,591	2,103	1,518	1,289	1,416	1,325	1,502	1,254
Derivatives	211	281	544	723	679	826	66	363	235	–
Shareholder loans	–	–	–	–	–	3,000	3,000	3,000	3,000	3,000
Interest-bearing liabilities	35,542	29,728	25,575	22,483	17,454	16,507	14,699	15,085	13,445	11,085
Interest-bearing liabilities, right-of-use assets	582	–	–	–	–	–	–	–	–	–
Non-interest-bearing liabilities	1,296	1,131	1,172	972	687	680	564	816	1,215	2,381
Total equity and liabilities	57,945	47,406	40,677	34,953	27,102	24,984	22,806	23,222	21,566	19,290
Key ratios*										
Financial ratios										
Loan-to-value ratio, %**	62.1	63.1	62.6	64.0	65.2	66.5	64.9	65.4	63.2	58.0
Interest-coverage ratio, times	5.1	4.9	4.8	4.1	3.6	2.7	2.4	2.3	2.6	7.3
Proportion of secured debt, %	0.0	0.0	3.1	7.7	15.4	29.2	40.6	62.5	64.5	59.9
Equity/assets ratio, %	28.8	27.8	26.5	24.8	25.0	22.7	26.6	24.3	24.0	23.7
Average interest rate, %	1.3	1.3	1.5	1.5	1.9	2.3	3.0	3.4	3.7	2.2
Return on profit from property management, %	10.3	10.8	12.1	13.0	13.9	12.8	10.4	11.2	11.9	16.0
Return on equity, %	20.8	25.8	26.6	30.4	22.4	-2.6	12.6	14.6	21.3	24.5
Total yield, %	8.7	9.7	9.8	12.8	8.1	5.2	5.3	6.6	10.9	8.9
Net asset value, SEK million	20,525	16,547	13,930	11,498	8,961	7,797	7,543	7,321	6,906	5,824
Property-related key ratios										
Market value of investment properties, SEK million	55,027	46,236	38,883	33,629	26,502	24,668	22,637	22,951	20,858	18,518
Property yield, %	4.7	4.9	5.2	5.7	6.0	6.0	6.1	6.2	6.2	6.4
NOI margin, %	74.8	74.5	75.3	75.0	73.8	72.0	71.0	71.8	71.9	70.8
Economic occupancy rate, %	98.1	98.3	98.3	97.5	97.3	97.0	96.9	96.4	97.0	97.6
Property value, SEK/sqm	29,208	26,695	23,763	20,528	17,686	16,186	13,956	13,445	13,731	12,753
No. of properties	370	365	346	356	317	313	348	357	312	297
Lettable area, tsqm	1,884	1,732	1,636	1,638	1,499	1,524	1,622	1,707	1,519	1,452

* Hemsö had subordinated shareholder loans between 2010 and 2015. These loans have been treated as equity in the calculation of key ratios.

**Due to its investments in associated companies, Hemsö has updated its definition of loan-to-value ratio to include these investments. 2017 and 2018 have been restated in accordance with the new definition.

Consolidated statement of comprehensive income

Amounts in SEK million	Note	2019	2018
Property income			
Rental income		3,027	2,607
Other income		19	11
Total property income	3-4	3,046	2,618
Property costs			
Operating costs	5	-472	-411
Maintenance costs		-221	-197
Other property costs		-77	-60
Total property costs		-770	-668
Net operating income	3	2,276	1,950
Central administrative expenses	6-8	-135	-146
Profit/loss from participations in associated companies		-2	11
Operating profit		2,139	1,815
Financial items			
Interest income and similar profit items	10	62	43
Interest expense and similar loss items	10	-481	-422
Profit from divestment of subsidiaries		0	7
Total financial items		-419	-372
Profit from property management		1,720	1,443
Changes in value			
Properties, realised	14	54	-28
Properties, unrealised	14	1,983	2,088
Financial instruments, realised		-95	-172
Financial instruments, unrealised		70	263
Total value changes	11	2,012	2,151
Profit before tax		3,732	3,594
Current tax	12	-78	-36
Deferred tax	12	-543	-466
PROFIT FOR THE YEAR		3,111	3,092
Other comprehensive income, items that may be reclassified to profit or loss			
Translation difference for the year, including tax effect		87	22
COMPREHENSIVE INCOME FOR THE YEAR		3,198	3,114
Profit for the year attributable to			
Parent Company shareholders		2,948	2,980
Non-controlling interests		163	112
Comprehensive income for the year attributable to			
Parent Company shareholders		3,035	3,002
Non-controlling interests		163	112
Data per share (no dilutive effect, since there are no potentially dilutive shares)			
Average no. of shares, 000s		100,001	100,001
Earnings per share for the year, SEK		31.1	30.9

Comments on the statement of comprehensive income are provided in the Directors' Report on pages 60-61.

Consolidated statement of financial position

Amounts in SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	13	0	1
Total intangible assets		0	1
Tangible assets			
Investment properties	14	55,027	46,236
Right-of-use assets	4	582	–
Machinery and equipment	15	4	2
Total tangible assets		55,613	46,238
Financial non-current assets			
Participations in associated companies	17	635	112
Non-current receivables from associated companies		–	71
Other long-term assets		90	89
Total financial non-current assets		725	272
Total non-current assets		56,338	46,510
Current assets			
Current receivables			
Rent and accounts receivable	18	23	24
Tax assets		7	0
Other current receivables		298	261
Prepaid expenses and accrued income		291	161
Total current receivables	19, 23	619	446
Cash and cash equivalents	26	988	450
Total current assets		1,607	896
TOTAL ASSETS		57,945	47,406
EQUITY AND LIABILITIES			
Equity			
Share capital		1	1
Other capital contributions		6,835	6,356
Reserves		235	126
Retained earnings including profit for the year		9,095	6,369
Equity attributable to Parent Company owners		16,166	12,852
Non-controlling interests		548	347
Total equity		16,714	13,199
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	12	3,600	3,067
Derivatives	29	211	281
Interest-bearing liabilities	22, 23	27,644	21,736
Interest-bearing debt, right-of-use assets	4	582	–
Total non-current liabilities		32,037	25,084
Current liabilities			
Interest-bearing liabilities	22, 23	7,898	7,992
Accounts payable		243	278
Current tax liabilities		25	34
Other current liabilities		57	80
Accrued expenses and deferred income	28	971	739
Total current liabilities		9,194	9,123
Total liabilities	23	41,231	34,207
TOTAL EQUITY AND LIABILITIES		57,945	47,406

Comments on the statement of financial position are provided in the Directors' Report under Financing on pages 64-69.

Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Share of equity from non-controlling interests	Total equity
Opening equity, 1 Jan 2018	1	6,856	104	3,546	288	10,795
Dividends	–	-500	–	-157	–	-657
Contribution from minority interests	–	–	–	–	-53	-53
Comprehensive income	–	–	22	2,980	112	3,114
Closing equity, 31 Dec 2018	1	6,356	126	6,369	347	13,199
Opening equity, 1 Jan 2019	1	6,356	126	6,369	347	13,199
Dividends	–	-500	–	-221	–	-721
Reclassification of capital contribution, 2015	–	-21	–	21	–	–
Shareholder contributions received	–	1,000	–	–	–	1000
Contribution from minority interests	–	–	–	–	38	38
Adjustment of translation reserve	–	–	22	-22	–	–
Comprehensive income	–	–	87	2,948	163	3,198
Closing equity, 31 Dec 2019	1	6,835	235	9,095	548	16,714

The total number of shares was 100,001,000 with a par value of SEK 0.01.

Consolidated statement of cash flows

Amounts in SEK million	Note	2019	2018
Operating activities			
Profit from property management		1,720	1,443
Adjustment for non-cash items in profit from property management	26	14	-9
Adjustment for non-cash items	26	-14	47
Tax paid		-106	-51
Cash flow before changes in working capital		1,614	1,430
Changes in working capital			
Increase (-)/decrease (+) in operating receivables		-131	-13
Increase (+)/decrease (-) in operating liabilities		260	13
Cash flow from operating activities		1,743	1,430
Investing activities			
Acquisition of properties	26	-5,242	-3,135
Investments in new construction, extension and refurbishment	14	-2,724	-2,660
Property divestments	26	1,288	871
Investment in financial non-current assets		-461	-86
Other non-current assets		0	0
Cash flow from investing activities		-7,139	-5,010
Financing activities			
Interest-bearing liabilities	26	9,892	8,463
Repayment of interest-bearing liabilities		-4,174	-4,711
Redemption of financial instruments		-95	-172
Shareholder contributions received		1,000	–
Contributions from non-controlling interests		38	–
Dividends paid		-721	-657
Cash flow from financing activities		5,940	2,923
Cash flow for the year		544	-657
Opening cash and cash equivalents		450	1,134
Exchange-rate differences in cash and cash equivalents		-6	-27
Closing cash and cash equivalents		988	450

Parent Company income statement

Amounts in SEK million	Note	2019	2018
Net sales		78	63
Central administrative expenses	7-8	-164	-158
Other operating income		253	223
Operating profit		167	128
Income from financial items			
Profit/loss from participations in Group companies	9	-52	508
Interest income and similar profit items	10	559	83
Interest expense and similar loss items	10	-407	-492
Profit after financial items		267	227
Changes in value			
Financial instruments, unrealised		70	-281
Financial instruments, realised		-95	-172
Profit/loss before changes in value		242	-226
Appropriations			
Group contributions paid		-1	-61
Group contributions received		102	700
Provision to tax allocation reserve		-24	14
Profit before tax		319	427
Current tax	12	-3	0
Deferred tax	12	-15	58
PROFIT FOR THE YEAR		301	485

Parent Company statement of comprehensive income

Amounts in SEK million	2019	2018
Profit for the year	301	485
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	301	485

Parent Company balance sheet

Amounts in SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets			
Capitalised development expenditure	13	0	1
Total intangible assets		0	1
Tangible assets			
Equipment	15	3	1
Total tangible assets		3	1
Financial non-current assets			
Participations in Group companies	16	7,697	6,233
Deferred tax assets	12	43	58
Other non-current receivables from Group companies	23	26,674	16,119
Total financial non-current assets		34,414	22,410
Total non-current assets		34,417	22,412
Current assets			
Current receivables			
Receivables from Group companies		5,122	10,797
Tax assets		30	–
Other receivables	18	17	–
Prepaid expenses and accrued income		81	126
Total current receivables	23	5,250	10,923
Cash and cash equivalents		0	0
Total current assets		5,250	10,923
TOTAL ASSETS		39,667	33,335
EQUITY AND LIABILITIES			
Equity			
Share capital (100,001,000 at SEK 0.01)		1	1
Share premium reserve		3,000	2,500
Retained earnings		351	87
Profit for the year		301	485
Total equity		3,653	3,073
Untaxed reserves			
Tax allocation reserves	21	58	34
Provisions			
Deferred tax liabilities	12	26	25
Total provisions		26	25
Non-current liabilities			
Derivatives		211	281
Interest-bearing liabilities	22	27,644	21,736
Total non-current liabilities	23	27,855	22,017
Current liabilities			
Interest-bearing liabilities	22	7,898	7,992
Liabilities to Group companies		6	–
Accounts payable		6	12
Tax liabilities		–	19
Other current liabilities		6	26
Accrued expenses and deferred income	28	159	137
Total current liabilities	23	8,075	8,186
TOTAL EQUITY AND LIABILITIES		39,667	33,335

Parent Company statement of changes in equity

Amounts in SEK million	Restricted equity		Unrestricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings including profit for the year		
Opening equity, 1 Jan 2018	1	3,000	244		3,245
Dividends	–	-500	-157		-657
Profit for the year	–	–	485		485
Closing equity, 31 Dec 2018	1	2,500	572		3,073
Opening equity, 1 Jan 2019	1	2,500	572		3,073
Dividends	–	-500	-221		-721
Shareholder contributions received	–	–	1,000		1,000
Profit for the year	–	–	301		301
Closing equity, 31 Dec 2019	1	2,000	1,652		3,653

Parent Company statement of cash flows

Amounts in SEK million	Note	2019	2018
Operating activities			
Profit from property management		267	227
Adjustment for non-cash items	26	-5	-116
Tax paid		-51	-7
Cash flow from operations before change in working capital		211	104
Changes in working capital			
Increase (-)/decrease (+) in operating receivables		29	-45
Increase (+)/decrease (-) in operating liabilities		12	485
Cash flow from operating activities		252	544
Investing activities			
Shareholder contributions paid		-2,030	-64
Sale of shares and participations in subsidiaries		517	347
Acquisition of other non-current assets		-2	1
Cash flow from investing activities		-1,515	284
Financing activities			
External borrowings	26	9,892	8,462
Repayment of external borrowings		-4,174	-3,490
Redemption of financial instruments		-95	-172
Shareholder contributions received		1,000	–
Intra-Group loans		-4,639	-5,877
Dividends paid		-721	-657
Cash flow from financing activities		1,263	-1,734
Cash flow for the year		0	-906
Opening cash and cash equivalents		0	906
Closing cash and cash equivalents		0	0

Note 1 Accounting policies

GROUP

Applied standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as adopted by the EU. In addition, the consolidated financial statements have been prepared in accordance with Swedish law, applying the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. The new policies applied in 2019 are set out below. On 25 March 2020, the Board approved these annual accounts and consolidated financial statements which will be presented to the Annual General Meeting on 27 April 2020 for adoption.

New policies applied in 2019

IFRS 16 Leases

This standard supersedes IAS 17 and Hemsö has applied IFRS 16 Leases since 1 January 2019. Hemsö has elected not to apply the policy retroactively, which means that comparative figures for 2018 and prior periods have not been restated. For Hemsö as lessor, the transition to IFRS 16 has not given rise to any adjustments. The new standard requires lessees to recognise leases on the balance sheet as a right-of-use asset and a lease liability. For Hemsö, most of the right-of-use assets recognised on the balance sheet are ground leases. Under IFRS 16, ground leases are considered a perpetual contract and measured at fair value and not therefore depreciated. The value remains unchanged until the ground rent is renegotiated. The lease liability arising is not depreciated, the value remains unchanged until the ground rent is renegotiated. The ground rent is recognised in its entirety as an interest expense on the income statement, and no longer included in net operating income.

In the transition, Hemsö has elected to exclude agreements that expire in 2019 and that are thereby considered short-term. Hemsö has also elected to apply the short-term and low-value lease exemptions. The impact on Hemsö as a lessee is limited. An interest rate of 3 per cent has been used to calculate the average interest rate implicit in the ground leases, which is the interest rate applied by Land and Environmental Courts and the Swedish Supreme Court for 10-year ground leases. Since Hemsö's average term for ground leases is 28 years, the calculation of the rate implicit in the right-of-use asset has been adjusted for the longer duration and set at 4.0 per cent. A bridge between closing operating lease liabilities at 31 December 2018 and opening lease liabilities according to IAS 16 at 1 January 2019 is presented in the table below. The changed accounting policy has impacted some financial ratios, including a -0.1 percentage point change in the equity/assets ratio.

Reconciliation OB lease liability

Operating leases, 31 Dec 2018 (SEK million)	434
Discounting ground leases	-40
Short-term leases	-7
Less reclassification to service agreements	-2
Adjustment for intra-Group agreements	-2
OB lease liabilities, 1 Jan 2019	383

New and revised IFRSs effective on or after 1 January 2020

A number of new and revised IFRSs will only become effective in the coming financial year, and have not been applied in advance in the preparation of Hemsö's financial statements.

IFRS 3 Business combinations

The changed definition of a business is significant for the distinction between a business combination and an asset acquisition. A screening test has been introduced to determine whether substantially all the fair value of the assets acquired is concentrated in a single asset or a group of similar assets, whereby the acquisition is an asset acquisition. If this is not the case, further assessments are made to determine whether the acquisition is a business combination or an asset acquisition.

The change became effective for reporting periods beginning on or after 1 January 2020. EU endorsement is expected in the second quarter of 2020. The change is not expected to have any material effect on Hemsö's financial statements.

Basis of preparation of financial statements

The Parent Company's functional currency is the Swedish krona (SEK), which is also the reporting currency for the Group. All amounts, unless otherwise

stated, are presented in millions of SEK, and pertain to the 1 January-31 December 2019 period (2018) for income-statement items, and 31 December 2019 (2018) for balance-sheet items. Due to rounding, some totals may not correspond with the sum of notes and tables.

Assets and liabilities are recognised at their historical cost, except for investment properties and some financial instruments that are measured at fair value. Changes in fair value are recognised in profit or loss. Preparation of the financial statements in compliance with IFRS requires that management make estimates and assumptions that affect the application of accounting policies and the market values of assets, liabilities, income and expenses. Estimates and assumptions are based on historical experience and other various factors deemed reasonable under the current circumstances. The results of these estimates and assumptions are then used to determine the carrying amounts of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates.

Estimates and assumptions

Judgments made by management in the application of IFRS that have a material effect on the financial statements and estimates are described in Note 2.

Consolidated financial statements

The consolidated financial statements include the Parent Company and subsidiaries. Subsidiaries are entities over which the Parent Company has a controlling interest. An investor controls an investee when the investor is exposed to, or has rights to, variable returns from their involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidated financial statements were prepared in accordance with the acquisition method.

The income and expenses of acquired companies are included in the consolidated financial statements from the transfer date. The income statements of divested companies are included until the date of transfer. Intra-Group receivables and liabilities, income and expenses and unrealised gains or losses arising from transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

The share of equity from non-controlling interests is recognised as a separate component of equity, separately from Parent Company owners' portion of equity. The share of net profit allocated to non-controlling interests is presented separately.

Hemsö owns 50 per cent of the participations in Hemsö Norden KB. Since Hemsö has unlimited liability for the company's obligations and by agreement, is individually entitled to manage the company's affairs, Hemsö Norden KB is included with subsidiaries in the consolidated financial statements. In addition, Hemsö owns half of the shares and votes in Scandinavian Life Science AB and Scandinavian Life Science Två AB. Due to agreements on future acquisitions of additional participations, these companies are also included in the consolidated financial statements.

Associated companies

Holdings in associated companies are recognised using the equity method, which means that the consolidated carrying amount of the holding is adjusted by Hemsö's share of net profit and by any dividends received. The owner company's income statement therefore includes its share of the associated company's net profit.

Related-party transactions

The delivery of services between Group companies and other related companies and individuals is based on commercial terms and market prices.

Acquisitions and divestments

Acquisitions and divestments of properties and companies are recognised at the transfer date.

Asset acquisitions

Indirect property transactions often taken place with companies holding properties, and not through direct property transactions.

When an asset is acquired through a company transaction, the acquisition is treated as a direct property transaction. This type of acquired company normally has no employees, organisation or activities other than those directly attributable to the property holding. Deferred tax is not recognised as a liability on initial temporary differences attributable to the acquisition. Any deductions for deferred tax (discounts) obtained in addition to the recognised tax in acquired companies reduces the property's cost instead. In the subsequent valuation, the value changes are thus affected by the tax discounts. In 2018 and 2019, all acquisitions were classified as asset acquisitions.

Business combinations

In acquisitions where Hemsö obtains control over one or more, basically autonomous, businesses, the acquisition method is applied in accordance

Note 1, cont.

with IFRS 3 Business Combinations. The acquired entity's identifiable assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date, and the profit attributable to the acquired business is included from the transfer date. Deferred tax on any surplus value, except goodwill, attributable to the acquisition is recognised as a liability based on the nominal tax rate.

The difference between deferred taxes at the nominal tax rate, and the temporary value difference in the acquisition analysis is recognised as goodwill. Deferred tax is not recognised as goodwill. No acquisitions were classified as business combinations in either 2019 or 2018.

Income

Rental agreements are classified as operating leases on the basis that the property remains in Hemsö's ownership, even when the term of the agreement is 25 years or more. All rental income is notified in advance and accrued in profit or loss on a straight-line basis, based on the terms of the rental agreements. Rental income includes additions such as water consumption, invoiced property tax and heating costs. Advance rent is recognised as deferred rental income.

Financial income and expenses

Interest income is recognised in the accounting period to which it relates. Derivatives are used to achieve the desired fixed-rate period. Income and expenses relating to derivatives are recognised on a continuous basis. Income and expenses deriving from redemption and renegotiation of derivatives, as well as redemption fees, are recognised when they occur.

Interest income and expense on financial instruments is recognised using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash inflows and outflows over the expected life of the financial instrument at the recognised net value of the asset or liability.

Income taxes

The income statement includes current and deferred income tax for Swedish and foreign Group units, unless the underlying transaction is recognised in other comprehensive income or directly in equity, whereby the associated tax effect is recognised in other comprehensive income or in equity. The Group's companies are taxable under the applicable laws of each country. In 2019, the tax rate in Sweden was 21.4 per cent, and is calculated on nominal recognised income adding non-deductible items and deducting non-taxable income. The tax rate in Finland was 20 per cent and 16 per cent in Germany.

Income tax is recognised using the balance-sheet method, implying that deferred tax is calculated on the closing date's identified temporary differences between assets and liabilities for tax purposes and their carrying amounts. Temporary differences are primarily related to property, financial instruments and tax allocation reserves.

Deferred tax is recognised for loss carryforwards and for temporary differences. Temporary differences are measured at the nominal tax rate and the change from the previous closing date is recognised as deferred tax through profit or loss. Deferred tax assets for deductible temporary differences and loss carryforwards are only recognised to the extent it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely they will be utilised.

Employee benefits

Employee benefits, such as salaries and payroll overheads, holidays and paid sick leave, are recognised as the employees render services. Commitments to employees are secured through defined-contribution plans or ITP. Defined-contribution plans are plans in which the company's obligation is limited to the contributions the company has undertaken to pay. In such cases, the size of the employee's pension depends on the contributions the company pays into the plan or to an insurance company, and the investment earnings on the contributions. Consequently, it is the employee who bears the actuarial risk (that benefits will be lower than expected) and investment risk (that the invested assets will be insufficient to provide the expected benefits). The company's obligations for contributions to defined-contribution plans are recognised as an expense in net profit as they are earned by the employees' services to the company during a period.

The Group's ITP pension plan is secured through insurance with Alecta, which according to a statement from the Swedish Financial Reporting Board, UFR 10, is considered a defined-benefit plan covered by many employers. However, the plan has been treated as a defined-contribution plan, since Alecta has not been able to produce the values required to recognise the plan as a defined-benefit plan.

An expense for remuneration in connection with the termination of employees is only recognised if the company is demonstrably committed, without realistic possibility of withdrawal, by a formally detailed plan to terminate employment before the normal time. When remuneration is paid as an offer to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted, and if the number of employees who will accept the offer can be reliably estimated.

Leases

Hemsö adopted IFRS 16 Leases on 1 January 2019. Hemsö is a major lessor, and rental agreements are classified as operating leases since the lease does not transfer substantially all of the risks and benefits of ownership of the properties. Refer also to the section on Income above.

As lessee, Hemsö initially recognises a right-of-use asset and a lease liability on the commencement date of the lease. The majority of Hemsö's right-of-use assets are ground leases. These are considered a perpetual contract and are measured at fair value. Ground leases are not depreciated, the value remains unchanged until the ground rent is renegotiated. The lease liability associated with the ground leases is not depreciated since the contract, and therefore the liability, is perpetual. Ground rent is recognised as an interest expense on the income statement. Other leases that are not ground leases are initially measured at cost and then depreciated on a straight-line basis from the date of commencement until their expiry date. The value of leases with a term of 12 months or less, or an underlying asset of low value, was insignificant in the Hemsö Group, and no right-of-use asset was recognised for these leases.

Leases (comparative year in accordance with IAS 17)

Hemsö is a major lessor, since its rental agreements are classified as operating leases. Refer to the section on Income above. As a lessee, Hemsö has entered into a number of ground leases and smaller leases for office premises, cars and office equipment. Lease payments are expensed as incurred.

Investment properties

Properties are initially recognised at cost. Within the Group, properties are measured at fair value in accordance with the method stated below. Expenditures for new construction, extension or refurbishment are recognised as construction in progress until the project is completed and final inspection performed. Work related to maintenance, maintenance activities associated with refurbishment and tenant adaptations is activated when deemed value-added. Value-added means that the measure will generate a future economic benefit, compared with earlier measures, and thus affect the market value.

IAS 40 is applied and the holding is measured at fair value. During the financial year, revaluations are recognised quarterly, based on internal valuations. For a description of valuation methods, refer to Note 14. For considerations etc., regarding property valuations, refer also to Note 2. Any deductions for deferred tax on the purchase of property through a company (asset acquisition) obtained in addition to the tax recognised in the acquired company is recognised net against the fair value of the purchased property on both the acquisition date and in subsequent financial statements. Buildings under construction for future use as investment properties are recognised at fair value in accordance with IAS 40 with consideration for project risk and deductions for remaining investments.

Interest expense relating to the specific financing of major new property construction, extension or refurbishment is capitalised until the project is completed and final inspection performed. The basis of valuation is estimates of future cash flows, and the price level expected to be achieved in a transaction between knowledgeable, willing parties on market terms. However, non-completed properties are slightly more difficult to value than existing properties, because the final cost and process until the property is functional/let can only be estimated.

Machinery and equipment

Machinery and equipment are recognised at cost less accumulated depreciation according to plan and any impairment. Machinery and equipment are depreciated on a straight-line basis over five years.

Financial instruments

Financial instruments are any form of agreement that gives rise to a financial asset in one company and a financial liability or equity instrument in another company. Financial instruments recognised on the assets side of the balance sheet include cash and cash equivalents, accounts receivable, other long-term receivables, other receivables and derivatives. Liabilities include accounts payable, borrowings, loans from minority interests, commercial papers, other liabilities and derivatives. Recognition depends on how the financial instruments have been classified.

Recognition and derecognition

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognised in the balance sheet when an invoice has been sent and the company's right to consideration is unconditional. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not been received. Accounts payable are recognised when an invoice has been received.

A financial asset and financial liability are only offset and recognised in a net amount in the balance sheet when there is a legal enforceable right to offset the amounts and an intention to settle the items with a net amount or

Note 1, cont.

to simultaneously realise the asset and settle the liability. A financial asset is derecognised from the balance sheet when the contractual rights are realised, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability. At each reporting date, the company assesses whether there is any objective evidence that a financial asset or group of financial assets may be impaired.

Gains and losses from balance sheet derecognition and modification are recognised in profit or loss.

Classification and measurement

Financial assets

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and its contractual cash flow characteristics:

Instruments are classified as:

- amortised cost
- fair value through other comprehensive income, or
- fair value through profit or loss

The Group's debt instruments are classified as amortised cost.

Financial assets classified as amortised cost are initially measured at fair value plus transaction costs.

Accounts and rent receivable are initially measured at invoiced value. After initial recognition, the assets are measured using the effective interest method. Assets classified as amortised cost are held, according to the business model, to collect contractual cash flows that are solely payments of principal, and interest on the principal amounts outstanding. The assets are covered by a loss allowance for expected credit losses.

Equity instruments: are classified and measured at fair value through profit or loss unless they are not held for trading, since an entity can make an irrevocable election to measure them at fair value through other comprehensive income without subsequent reclassification to profit or loss. The Group does not hold any such equity instruments at present.

Derivatives: are classified and measured at fair value through profit or loss unless they are classified as hedging instruments and the effective portion of the hedge is recognised in "Other comprehensive income."

Fair value is determined according to the following description.

Classification and measurement of financial liabilities

Financial liabilities are classified as amortised cost except for derivatives. Financial liabilities measured at amortised cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

Derivatives: are classified and measured at fair value through profit or loss unless they are classified as hedging instruments and the effective portion of the hedge is recognised in "Other comprehensive income."

To determine the fair value of interest-rate derivatives, market rates are used for each term listed on the closing date and generally accepted calculation methods, which means that their fair value measurement is a level 2 input according to IFRS 13. The carrying amount is based on measurements from bank counterparties and verified against an internal measurement based on observable market data. Closing date exchange rates are used to determine the fair value of foreign exchange derivatives.

Impairment of financial assets

The Group's financial assets, except those measured at fair value through profit or loss or equity instruments not measured at fair value through other comprehensive income, are subject to impairment on expected credit losses. Impairment based on credit losses under IFRS 9 is forward-looking and a loss allowance is made for credit risk exposure, usually at initial recognition. Expected credit losses reflect the present value of all cash flow deficits resulting from default events that are possible within the next 12 months or for the expected remaining term of the financial instruments, depending on the asset class and extent of credit deterioration since initial recognition. Expected credit losses reflect an objective, probability-weighted outcome using multiple scenarios based on reasonable and supportable forecasts.

The simplified approach is applied for accounts receivable, contract assets and rent receivable. Under the simplified approach, a loss allowance is recognised for the expected remaining term of the receivable or asset.

For other items covered by expected credit losses, a three-stage impairment model is applied. Initially, and at each closing date, a loss allowance is recognised for the next 12 months, alternatively for a shorter period depending on the remaining term (stage 1). If a significant increase in credit risk has occurred since initial recognition, resulting in a credit rating below investment grade, a loss allowance is recognised for the asset's remaining term (stage 2). For assets considered credit-impaired, a loss allowance is also made for expected credit losses for the remaining term (stage 3). For credit-impaired assets and receivables, interest income is calculated based

on the carrying amount of the asset, less the loss allowance, in contrast to the gross carrying amount in preceding stages.

Different approaches are applied for measuring expected credit loss. The approach for accounts receivable, contract assets and rent receivable is based on historical bad debt losses combined with forward-looking factors. Other receivables and assets are depreciated using a ratings-based approach based on external credit ratings. Expected credit losses are measured using the product of probability of default, loss given default and exposure at default. For credit-impaired assets and receivables, an individual assessment is made using historical, current and forward-looking information. The measurement of expected credit losses includes any collateral and other credit enhancements in the form of guarantees.

The financial assets are measured at amortised cost on the balance sheet (that is, the gross carrying amount less the loss allowance). Changes in the loss allowance are recognised in profit or loss.

The calculations of expected credit losses at 31 December 2019 did not add up to any material amounts for the Group. The Group has not therefore recognised any provisions for expected credit losses.

Hedge accounting

The Group applies hedge accounting for financial instruments in accordance with IAS 39, with the aim of hedging financial risks arising from net investments in foreign operations.

Hemsö is exposed to currency risk through the company's investments in Finland and Germany. This currency risk is managed by financing assets in EUR with external loans in EUR. To reflect this in accounting, Hemsö has chosen to apply hedge accounting for net investments in foreign operations in the consolidated financial statements. The effective portion of the hedging relationship is recognised in other comprehensive income as a translation difference. The ineffective portion is recognised in net profit or loss. The amount recognised in other comprehensive income attributable to the hedging relationship is reclassified to profit or loss when Hemsö has completely or partially divested the hedged entity so that Hemsö is no longer required to consolidate the subsidiary comprising the hedged entity under IFRS.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and immediately available balances from banks and similar financial institutions and short-term liquid investments with a maturity of less than three months from the acquisition date. Cash and cash equivalents are subject to a loss allowance requirement for expected credit losses.

Provisions

A provision differs from other liabilities because there is an uncertainty about the timing or the amount required to settle the obligation.

A provision is recognised in the statement of financial position when there is a present legal or constructive obligation due to a past event, and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made for the amount which is the best estimate of the expenditure required to settle the present obligation at the closing date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities

A contingent liability is recognised when the existence of a possible obligation is confirmed only by one or more uncertain future events, or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

Transactions in foreign currency

Transactions in foreign currency are translated using the exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate, and exchange differences are recognised in profit or loss. Exchange differences relating to operating receivables and liabilities are recognised in operating profit, while differences attributable to financial assets and liabilities are recognised in net financial items. Non-monetary assets and liabilities recognised at historical cost are translated using the exchange rate at the transaction date.

Assets and liabilities of foreign operations are translated to SEK using the current exchange rate at the closing date. Income and expenses of foreign operations are translated to SEK using an average rate that approximates the exchange rates prevailing at the transaction date. Translation differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve under equity.

Statement of cash flows

The statement of cash flows has been prepared using the indirect method. Cash flows from realised value changes in connection with sales of properties are recognised together with other sales proceeds under investing activities. Purchase or sale of properties via companies that are asset acquisitions are recognised on a separate line as acquisition of properties or divestment of properties. Selling expenses are recognised under investing activities as a deduction from the sales proceeds of the year in which the cash flow occurs. Acquisition costs are recognised in the same way under investing activities.

PARENT COMPANY Applied standards and legislation

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. Statements issued by the Swedish Financial Reporting Board have also been applied.

The accounting policies applied are presented in the relevant parts of the Group's accounting policies, with the following additions for the Parent Company.

Group contributions and shareholder contributions

Shareholder contributions are recognised directly in equity of the recipient, and capitalised in shares and participations of the contributor, to the extent that impairment is not required. Hemsö recognises Group contributions both paid and received as appropriations.

Participations in subsidiaries

Participations in subsidiaries are recognised in the Parent Company using the cost method, less any impairment.

Financial instruments

Due to the relationship between accounting and taxation, the requirements for financial instruments under IFRS 9 are not applied in the Parent Company as a legal entity. The Parent Company applies the cost method in accordance with the Swedish Annual Accounts Act. Accordingly, non-current assets in the Parent Company are measured at cost and current assets according to the lowest value principle, with the application of impairment for expected credit losses according to IFRS 9 for assets that are debt instruments. For all other financial assets, impairment is based on the asset's market value. Derivative instruments with negative fair value are recognised as a liability at their negative fair value with the value change in profit or loss.

The Parent Company's financial guarantees consist of guarantees on behalf of Group companies. The Parent Company applies the exception of not recognising financial guarantee contracts on behalf of subsidiaries, associated companies and joint ventures under the requirements of IFRS 9, but recognises financial guarantee contracts as provisions on the balance sheet when the company has an obligation for which payment is probable, otherwise the obligation is recognised as a contingent liability.

Leases

The rules for recognising leases under IFRS 16 are not applied in the Parent Company. This means that lease payments are recognised as an expense on a straight-line basis over the lease term, and that right-of-use assets and lease liabilities are not included on the Parent Company balance sheet. However, leases are identified in accordance with IFRS 16, i.e. a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Group information

Hemsö Fastighets AB has its registered office in Stockholm and the address of the Head Office is Linnégatan 2. Hemsö is 85-per cent owned, directly and indirectly, by the Third Swedish National Pension Fund, Corp. Reg. No. 802014-4120, with its registered office in Stockholm, Sweden, and 15-per cent owned, indirectly, by Sagax AB, Corp. Reg. No. 556520-0028, with its registered office in Stockholm, Sweden.

Note 2 Special considerations and judgements

The presentation of financial statements in accordance with IFRS and generally accepted accounting principles requires making judgements and assumptions that affect the assets, liabilities, income, expenses and other information recognised in the annual accounts. These judgements and assumptions are based on historical experience and other factors considered reasonable under the circumstances. Actual results may differ from these judgements under different assumptions or conditions.

The financial statements are particularly sensitive to the judgements and assumptions used in the valuation of investment properties. Property values are assessed individually per property throughout the year, based on a number of judgements and estimates of future cash flows and yield requirements in a potential transaction. In most cases, reconciliation is also performed against external valuations. The range of values between the appraised value and selling price in a well-functioning market is normally (+/-) 5-10 per cent. For more information about this and the assumptions and judgements made, refer to Note 14.

An essential use of judgement in the recognition is how deferred tax attributable to temporary differences should be treated in the consolidated financial statements. Hemsö uses the balance-sheet method to calculate deferred tax on temporary differences arising between the carrying amount of an asset or a liability and its tax base. This means that a tax liability or asset exists in the balance sheet that is realised on the date the asset or liability is sold. Temporary differences are primarily related to property, financial instruments and tax allocation reserves. Due to the Riksdag's introduction of a change in tax legislation on 13 June 2018, deferred tax arising from temporary differences between the market value and taxable value of Swedish properties has been calculated using the tax rate that will come into effect in 2021. Temporary differences arising on initial recognition of an asset or liability that represents an asset acquisitions are not recognised as deferred tax according to the balance-sheet method. Hemsö has recognised all company acquisitions completed during the year as asset acquisitions, whereby deferred tax that existed at the acquisition date has not been included in the balance sheet.

Note 3 Segment information

The identification of reportable segments 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 the following six operating segments: East, West, Central/North, South, Germany and Finland.

2019	East	West Central/North	South	Germany	Finland	Unallocated items	Group	
Property income	781	303	618	323	434	568	–	3,027
Other income	5	2	3	2	–	7	–	19
Total income	786	305	621	325	434	575	–	3,046
Property costs	-222	-99	-177	-111	-31	-130	–	-770
Net operating income	564	206	444	214	403	445	–	2,276
Administrative expenses	–	–	–	–	–	–	-135	-135
Profit from participations in associated companies	–	–	–	–	–	–	-2	-2
Net financial items	–	–	–	–	–	–	-419	-419
Profit/loss before changes in value	564	206	444	214	403	445	-556	1,720
Changes in value								
Properties, realised	33	15	23	-17	–	–	–	54
Properties, unrealised	832	126	510	191	241	83	–	1,983
Financial instruments, realised	–	–	–	–	–	–	70	70
Financial instruments, unrealised	–	–	–	–	–	–	-95	-95
Total value changes	865	141	533	174	241	83	-25	2,012
Current tax	–	–	–	–	–	–	-78	-78
Deferred tax	–	–	–	–	–	–	-543	-543
Profit/loss for the year	1,429	347	977	388	644	528	-1,202	3,111
Investment properties – investments, acquisitions, divestments per segment								
Investments, new construction, extension and refurbishment	1,092	121	764	305	130	312	–	2,724
Acquisitions	923	102	1	138	516	3,562	–	5,242
Divestments	-662	-288	-256	-76	–	–	–	-1,282
Total	1,353	-65	509	367	646	3,874	–	6,684
Assets per segment at period-end								
Investment properties	16,942	3,898	11,286	5,342	8,225	9,334	–	55,027
Unallocated corporate assets	–	–	–	–	–	–	2,918	2,918
Total assets	16,942	3,898	11,286	5,342	8,225	9,334	2,918	57,945
2018	East	West Central/North	South	Germany	Finland	Unallocated items	Group	
Property income	772	292	587	314	325	317	–	2,607
Other income	4	1	2	2	1	1	–	11
Total income	776	293	589	316	326	318	–	2,618
Property costs	-207	-98	-171	-98	-19	-76	–	-668
Net operating income	569	196	419	218	307	242	–	1,950
Administrative expenses	–	–	–	–	–	–	-146	-146
Profit from participations in associated companies	–	–	–	–	–	–	11	11
Net financial items	–	–	–	–	–	–	-372	-372
Profit/loss before changes in value	569	196	419	218	307	242	-507	1,443
Changes in value								
Properties, realised	–	1	-44	15	–	–	–	-28
Properties, unrealised	616	-48	669	161	519	171	–	2,088
Financial instruments, realised	–	–	–	–	–	–	-172	-172
Financial instruments, unrealised	–	–	–	–	–	–	263	263
Total value changes	616	-47	625	176	519	171	91	2,151
Current tax	–	–	–	–	–	–	-36	-36
Deferred tax	–	–	–	–	–	–	-466	-466
Profit/loss for the year	1,185	149	1,044	394	826	413	-918	3,092
Investment properties – investments, acquisitions, divestments per segment								
Investments, new construction, extension and refurbishment	820	146	980	139	29	545	–	2,660
Acquisitions	85	333	112	321	1,588	695	–	3,135
Divestments	-1	-136	-436	-338	–	–	–	-911
Total	904	343	657	123	1,617	1,241	–	4,884
Assets per segment at period-end								
Investment properties	14,758	3,837	10,266	4,784	7,240	5,352	–	46,236
Unallocated corporate assets	–	–	–	–	–	–	1,170	1,170
Total assets	14,758	3,837	10,266	4,784	7,240	5,352	1,170	47,406

Note 4 Leases

Lessor

Future minimum lease payments for non-cancellable leases amounted to:

Group	31 Dec 2019	31 Dec 2018
Contracted income, payment within 1 year	3,228	2,709
Contracted income, payment within 1-5 years	10,952	8,911
Contracted income, payment later than 5 years	20,029	14,913
Total	34,209	26,533

For accounting purposes, rental agreements are considered operating leases when Hemsö is the lessor. The table shows rental income calculated on current rental contracts.

The rent is usually indexed. In most cases, property tax is payable in addition to base rent. Additional amounts are based on the actual costs incurred by the landlord.

Lessee

As a lessee, a number of leases have been signed for ground leases, company vehicles and premises. Company vehicles and premises are grouped in the 'other' category.

Total cash flow for leases was SEK 35 million.

Group	Ground leases	Other leases	Total Right-of-use assets
Opening balance, 1 Jan 2019	375	8	383
Depreciation for the year	–	-9	-9
Additional	172	36	208
Closing balance, 31 Dec 2019	547	35	582

Amounts recognised in profit or loss, 2019

Depreciation	-9
Interest expense	-19
Leases of 12 months or less	-7

Maturity analysis of lease liabilities

Group	31 Dec 2019*	31 Dec 2018
Due within 1 year	10	27
Due within 1-5 years	23	62
Due later than 5 years	2	345
Total	35	434

*) Excluding ground leases in 2019 considered perpetual according to IFRS 16.

Note 5 Operating costs

Group	2019	2018
Media usage	227	216
Supervision	216	178
Other operating costs	29	17
Total	472	411

Note 6 Central administrative expenses

Group	2019	2018
Personnel costs	156	147
Premises and office expenses	14	13
Services purchased	59	67
Depreciation	2	2
Other operating expenses	7	4
Reversal to other items	-102	-87
Total	135	146

Note 7 Employees, personnel costs and remuneration of senior executives

Group	2019			2018		
	Total	Women	Men	Total	Women	Men
Average no. of employees	112	53	59	97	41	56
No. of Group Management	10	3	7	8	2	6
No. of Board of Directors	6	2	4	6	2	4

At year-end, Hemsö had 122 employees (109), of whom 94 (85) in the Parent Company, 16 (14) in Hemsö Development AB, 6 (5) in Germany and 6 (4) in Finland.

Group	2019		2018	
	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
Board	990	–	939	–
CEO	4,542	–	4,383	–
Deputy CEO	3,792	–	2,079	–
Other senior executives	5,238	–	5,437	108
Other employees	63,334	4,283	68,947	4,180
Total Sweden	77,896	4,283	81,784	4,288
Other senior executives	3,632	–	3,399	–
Other employees	7,508	–	4,419	271
Total Foreign	11,140	–	7,818	271
Total Group	89,036	4,283	89,602	4,559

Group	2019		2018	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	311	–	233	–
CEO	1,427	1,723	1,697	1,321
Deputy CEO	1,192	830	756	422
Other senior executives	1,982	1,319	1,976	1,104
Other employees	19,899	11,309	24,207	10,488
Total Sweden	24,811	15,181	28,869	13,334
Other senior executives	205	450	214	522
Other employees	610	786	473	317
Total Foreign	815	1,236	687	839
Total Group	25,626	16,417	29,556	14,173

Parent Company	2019			2018		
	Total	Women	Men	Total	Women	Men
Average no. of employees	87	44	43	79	43	36
No. of Group Management, 31 Dec	7	2	5	5	1	4
Board members, 31 Dec	6	2	4	6	2	4

Parent Company	2019		2018	
	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
Board	990	–	939	–
CEO	4,542	–	4,383	–
Deputy CEO	3,792	–	2,079	–
Other senior executives	4,863	–	4,221	–
Other employees	50,464	3,555	52,700	3,698
Total Sweden	64,651	3,555	64,321	3,698
Total Foreign	–	–	–	–
Total Parent Company	64,651	3,555	64,321	3,698

Parent Company	2019		2018	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	311	–	233	–
CEO	1,427	1,478	1,697	1,321
Deputy CEO	1,192	834	756	422
Other senior executives	1,646	931	1,594	1,104
Other employees	19,900	8,175	18,452	7,807
Total Sweden	24,475	11,418	22,732	10,654
Total Foreign	–	–	–	–
Total Parent Company	24,475	11,418	22,732	10,654

Remuneration of the Board

The Chairman and other members of the Board of Hemsö Fastighets AB are remunerated in accordance with a resolution adopted by the Annual General Meeting (AGM). Remuneration of the Chairman amounts to SEK 450,000, while each of the other Board members are paid an amount of SEK 200,000. The Chairman's Audit Committee is paid remuneration of SEK 100,000 and other members are paid an amount of SEK 50,000. The

Chairman's Remuneration Committee is paid remuneration of SEK 40,000 and other members are paid an amount of SEK 30,000. Members of the Board who are employed by the owners receive no remuneration.

Variable remuneration

Hemsö's variable remuneration scheme for 2019 includes all permanent employees except for senior executives. The reported variable remuneration for senior executives relates to one person and the period before this person was included in the category of senior executives. Under the scheme, most employees can receive up to one monthly salary in variable remuneration, while a smaller number of employees can receive up to two monthly salaries subject to the achievement of predefined targets.

The targets are 50-per-cent based on the company's financial performance, and 50-per-cent based on individual, team or department performance, depending on the employee's role. The variable remuneration scheme is determined annually by the Board.

Pensions

Under the CEO's contract, Hemsö is required to pay premiums for occupational pension and health insurance amounting to 30 per cent of gross salary.

Senior executives and other employees are covered by the ITP plan. The age of retirement for the CEO is 65, and 67 for other senior executives.

60 employees (61) have defined-benefit ITP plans with continuous payments to Alecta. The year's contributions for defined-benefit pension plans with Alecta amounted to SEK 7,381,000 (5,800,000). Alecta's surplus can be distributed to the policyholders and/or insured. At December 2019, Alecta's surplus in the form of the collective funding ratio was 148 per cent (142). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance commitments calculated using Alecta's actuarial assumptions, which are not consistent with IAS 19.

Severance pay

An agreement has been reached whereby the CEO will be eligible for severance pay in the event of termination by the company. The severance pay corresponds to 12 months' fixed salary, in addition to the mutual six-month notice period. The severance pay is not pensionable, is fully deductible and not payable upon retirement. Other senior executives have a mutual notice period of six months.

Note 8 Auditor fees and remuneration

	Group		Parent Company	
	2019	2018	2019	2018
Audit engagement				
Ernst & Young	3	3	2	1
Audit activities in addition to the audit engagement	–	–	–	–
Tax consultancy	0	1	–	–
Other assignments	1	2	–	1
Total	4	6	2	2

The audit engagement refers to the statutory audit of the annual accounts and of the administration of the Board and the CEO. Audit activities in addition to the audit engagement refer to reviews of the administration or financial statements pursuant to statute. Tax consultancy refers to consultation on fiscal issues. Other assignments refer to consultation that cannot be linked to any of the other categories.

Note 9 Profit/loss from participations in Group companies

Parent Company	2019	2018
Dividends	250	539
Profit from unlimited and limited partnerships	29	28
Impairment	-331	-59
Total	-52	508

Some of the subsidiaries received shareholder contributions during the year due to equity depletion. These shareholder contributions were recognised in the Parent Company as an increase in the value of the shares in the subsidiaries, which was not matched by an equally large increase in the value of the shares. This explains most of the impairments made during the year.

Note 10 Income from financial items

Financial income and expenses recognised in profit/loss	Group	Parent Company	Group	Parent Company
SEK million	2019	2019	2018	2018
<i>Assets and liabilities required to be measured at fair value through profit or loss:</i>				
Interest received, derivatives that do not qualify for hedge accounting	251	251	304	304
Interest paid, derivatives that do not qualify for hedge accounting	-326	-326	-450	-450
Total	-75	-75	-146	-146
<i>Assets and liabilities measured at amortised cost:</i>				
Interest income from rent and accounts receivable	0	–	0	–
Interest income, other financial assets	5	559	2	83
Total interest income, effective interest method	5	559	2	83
Interest expense, loans	-345	-344	-235	-229
Interest expense, other financial liabilities	–	–	–	–
Total interest expense, effective interest method	-345	-344	-235	-229
Exchange-rate differences, financial items	0	55	0	-75
Remuneration for guarantee commitments	57	–	41	–
Other income	–	–	7	–
Commitment fees	-22	-22	-20	-18
Other financial expenses	-39	-21	-21	-24
Expected credit losses on financial assets	–	–	–	–
Total	-4	12	7	-117
Total recognised in net financial items	-419	152	-372	-409
<i>Assets and liabilities required to be measured at fair value through profit or loss:</i>				
Gains from the change in value of derivatives that do not qualify for hedge accounting	70	70	263	10
Loss from the change in value of derivatives that do not qualify for hedge accounting	-95	-95	-172	-364
Total	-25	-25	91	-354
Total recognised in profit/loss	-444	127	-281	-763

Note 11 Value changes

Investment properties

The value changes attributable to investment properties amounted to SEK 2,037 million (2,060). The value changes were SEK 54 million (-28) in realised changes and SEK 1,983 million (2,088) in unrealised changes. The realised value change was mainly attributable to sales of properties in 2019.

Unrealised value changes were mainly related to the market's lower yield requirements. The largest reduction in yield requirement was found in the

metropolitan areas and expansive locations as well as in the categories of Nursing homes, Education and Health care. However, reductions were made in all categories. The unrealised value changes were also due to revised estimates of net operating income as a result of new lettings, terminated rental agreements and renegotiations. The property yield on the entire property portfolio, excluding development properties, was 4.7 per cent (4.9).

Note 11, cont.

Unrealised value changes, SEK million	2019	2018
Property management and development-related value change	890	988
General market value change	769	409
Subtotal Sweden	1,659	1,397
Property management and development-related value change	32	53
General market value change	292	638
Subtotal Foreign	324	691
Total unrealised value changes	1,983	2,088

Change in value of derivatives

Hemsö uses interest-rate derivatives to manage and adjust the Group's interest-rate risk and foreign exchange derivatives to manage and adjust the Group's currency risk. If the agreed interest rate deviates from the market rate, a surplus or negative value arises on the interest-rate derivatives, whereby the value changes are recognised in the statement of comprehensive income. If the agreed exchange rate deviates from the market rate, a surplus or negative value arises on the foreign exchange derivatives. At period-end, the nominal value of the interest rate derivatives portfolio was SEK 6,300 million (6,350) and the foreign exchange derivatives portfolio was SEK 0 million (0). The negative value of the interest-rate derivatives was SEK 211 million (281) and the negative value of the foreign exchange derivatives was SEK 0 million (0).

Changes in the value of financial instruments had a negative impact of SEK -25 million (91) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 66 million (81) on profit, of which the unrealised value change was SEK 70 million (256). At the same time, a previously recognised loss of SEK -4 million (-175) was realised in connection with Hemsö's early termination of an interest-rate derivative. The unrealised change in value of financial instruments was largely due to the fact that new interest-rate derivatives were included at an interest rate that was lower than the market rate on the closing date. At period-end, the average duration of the interest-rate derivatives was 5.9 years (3.4). At year-end, the 10-year swap rate was 0.7 per cent (1.1).

The foreign exchange derivatives purchased during the year had a negative impact of SEK -91 million (-10) on profit.

Note 12 Tax

	Group		Parent Company	
	2019	2018	2019	2018
Recognised profit before tax	3,732	3,594	319	-
Current tax	-73	-35	-3	-
Deferred tax	-543	-466	-15	58
Tax attributable to prior years	-5	-1	-	-
Total tax recognised in profit or loss	-621	-502	-18	58

Tax expense analysis	Group		Parent Company	
	2019	2018	2019	2018
Recognised profit before tax	3,732	3,594	319	427
Reversal of profit/loss from associated companies	2	-11	-	-
Profit before tax excluding profit/loss from associated companies	3,734	3,583	319	427
Expected tax expense at Swedish rate	-799	-788	-68	-94
Difference in foreign tax rates	50	61	-	-
Tax attributable to prior years	-5	-1	-	-
Effect of changed tax rate*	20	174	-2	-2

Tax effect of

Impairment of capitalised tax-loss carryforwards	18	-7	-	-
Utilisation of uncapitalised tax-loss carryforwards	7	2	-	-
Non-taxable sales	91	39	54	49
Impairment of participations	-	-	-71	-13
Non-deductible expenses	-3	-2	-	-
Other tax adjustments	-	21	13	-2
Dividends	-	-	54	119
Income from limited partnership	-	-	2	1
Recognised tax expense	-621	-502	-18	58
<i>Effective tax rate</i>	<i>-17%</i>	<i>-14%</i>	<i>-6%</i>	<i>14%</i>

Expected tax expense at current rate refers to the tax that would be payable if tax was calculated on recognised profit without tax adjustments. The Group's effective tax expense accounts for 17 per cent (14) of consolidated profit before tax. Current tax is calculated using the current tax rate, which is 21.4 per cent in Sweden, 20 per cent in Finland and 16 per cent in Germany.

Deferred tax recognised on the income statement	Group		Parent Company	
	2019	2018	2019	2018
Derivatives	-15	-57	-14	62
Investment properties	-531	-583	-4	-2
Untaxed reserves	-15	9	-	-
Tax deficit	18	-9	-	-
Effect of changed tax rate*	-	174	-	-2
Total deferred tax recognised on the income statement	-543	-466	-18	58

Deferred tax recognised on the balance sheet	Group		Parent Company	
	2019	2018	2019	2018
Derivatives	-43	-58	-44	-58
Investment properties	3,638	3,116	26	25
Untaxed reserves	38	24	-	-
Tax deficit	-33	-15	-	-
Total deferred tax recognised on the balance sheet	3,600	3,067	-18	-33

* Effect of changed tax rate refers to adjustment for the fact that deferred tax is estimated at 20.6 per cent, while current tax is estimated at 21.4 per cent.

Deferred tax assets related to tax loss carryforwards used after more than 12 months amounted to SEK 20 million (13) in the Group, and SEK - (-) in the Parent Company. Deferred tax liabilities used after more than 12 months amounted to SEK 3,677 million (3,140) in the Group, and SEK 26 million (25) in the Parent Company. Unrecognised receivables for losses amounted to SEK 10 million (20), of which losses corresponding to a tax asset of SEK 10 million (15) have an indefinite life. Of the recognised tax assets, SEK 74 million (7) has an indefinite life.

Note 13 Capitalised development expenditure

	Group		Parent Company	
	2019	2018	2019	2018
Accumulated cost, opening balance	5	8	5	8
Reclassified	-	-3	-	-3
Total	5	5	5	5
Accumulated amortisation, opening balance	-4	-3	-4	-3
Depreciation for the year	-1	-1	-1	-1
Total	-5	-4	-5	-4
Market value, closing balance	0	1	0	1

Note 14 Investment properties

Group	31 Dec 2019	31 Dec 2018
Market value, opening balance	46,236	38,883
Acquisitions	5,242	3,135
Investments in new construction, extension and refurbishment	2,724	2,660
Divestments	-1,239	-867
Disposals	-43	-44
Exchange-rate fluctuations	124	381
Unrealised value changes	1,983	2,088
Market value, closing balance	55,027	46,236
of which recognised in net profit	2,037	2,060

At 31 December 2019, the estimated market value, corresponding to the carrying amount, totalled SEK 55,027 million (46,236). Of investments for the year, SEK 57 million (45) pertains to capitalised interest expense with an average interest rate of 1.3 per cent. Total value change amounted to SEK 8,791 million (7,353), corresponding to 19.0 per cent (18.9). The table below shows the estimated market value per property category and segment.

Significant obligations

Hemsö has the following significant obligations in relation to the acquisition and divestment of investment properties: The company acquired four properties in Germany for SEK 285 million that will be transferred in 2020. In Sweden, Hemsö acquired five properties for SEK 272 million that will be transferred between 2020 and 2022, of which properties amounting to SEK 22 million will be transferred in 2020. Hemsö also has obligations to complete ongoing development projects, in which the remaining investment amount is SEK 4,945 million (3,848).

Valuation method

Hemsö determines the value of a property using internal valuations that are conducted quarterly and are an integral part of Hemsö's business process. The market value of each property is assessed individually. The valuation method uses a 20-year cash flow analysis, based on the property's net operating income. Opening value-impacting factors, such as yield requirement, are assessed using the location-based pricing method. The location's market rental rate and long-term vacancy rate are also assessed. Each property is assessed using property-specific value-impacting events, such as newly signed and renegotiated rental agreements, terminated rental agreements and investments. The valuations have accounted for the highest and best use of the properties.

Changes to the unobservable inputs used in the valuations during the period are analysed by management at each closing date against internally available information, information from completed and planned transactions and information from external valuers.

The valuation method therefore complies with Level 3 of the fair value hierarchy in IFRS 13. No properties have been transferred to other fair value hierarchies. The same valuation method is applied for all of Hemsö's properties. Hemsö recognises its investment properties in Sweden at an internally assessed fair value in accordance with IAS 40 and, at 31 December 2019, had conducted internal valuations of all Swedish properties.

External valuations are used to determine the value of Hemsö's property portfolios in Germany and Finland, with minor internal adjustments. Buildings under construction for future use as investment properties are recognised at fair value in accordance with IAS 40 with consideration for project risk and deductions for remaining investments.

Market value refers to the price that would probably be received if the property was put up for sale in a free and open market, without party relations and undue pressure. The valuation yield and future earnings capacity of the property have been determined in a coherent manner and applied consistently in the valuations.

Property value per property category and segment at 31 December 2019, SEK million

	Property value, SEK million	No. of properties	Rental value, SEK million	Occupancy rate, %	Lettable area, tsqm	Long-term valuation yield, %	Long-term valuation yield, average, %
Nursing home	3,057	18	178	99.0	100	4.10-5.59	4.47
Education	5,275	39	269	99.3	130	4.00-6.50	5.10
Health care	6,756	19	256	92.8	123	3.65-7.25	5.21
Justice system	1,854	2	83	94.7	36	4.80-4.80	4.80
Sweden East	16,942	78	786	96.5	389	3.65-7.25	4.97
Nursing home	746	8	42	99.7	38	4.25-7.25	4.87
Education	1,492	12	111	96.6	86	5.00-7.50	5.89
Health care	1,427	27	131	95.8	88	4.53-8.49	6.44
Justice system	233	3	21	100.0	15	5.50-6.00	5.70
Sweden West	3,898	50	305	97.0	227	4.25-8.49	6.05
Nursing home	5,930	50	321	99.9	249	4.15-6.10	4.91
Education	3,566	25	176	100.0	129	4.50-9.00	5.54
Health care	225	4	17	99.6	12	5.50-6.00	5.80
Justice system	1,565	4	106	100.0	55	4.50-6.00	5.41
Sweden Central/North	11,286	83	620	99.9	445	4.15-9.00	5.15
Nursing home	2,254	29	132	98.9	93	4.25-6.00	4.90
Education	2,746	20	170	96.3	108	4.90-7.25	5.70
Health care	129	3	10	96.9	7	5.25-6.25	5.75
Justice system	213	2	14	100.0	7	5.00-6.00	5.50
Sweden South	5,342	54	326	97.5	215	4.25-7.25	5.26
Nursing home	6,561	48	346	100.0	245	4.15-5.90	4.80
Education	1,384	4	69	100.0	22	4.50-5.25	4.89
Justice system	280	4	20	100.0	22	4.10-5.70	4.66
Germany	8,225	56	435	100.0	289	4.10-5.90	4.80
Nursing home	3,096	33	194	99.5	111	4.90-7.00	5.65
Education	2,714	8	163	99.4	90	4.00-5.75	4.88
Health care	1,253	6	94	99.5	64	5.50-7.20	6.38
Justice system	2,271	2	123	91.4	54	4.80-6.30	5.55
Finland	9,334	49	574	97.7	319	4.00-7.20	5.63
Nursing home	21,644	186	1,213	99.6	836	4.10-7.25	4.97
Education	17,177	108	958	98.7	565	4.00-9.00	5.35
Health care	9,790	59	508	95.2	294	3.65-8.49	5.96
Justice system	6,416	17	367	95.8	189	4.10-6.30	5.24
Total	55,027	370	3,046	98.1	1,884	3.65-9.00	5.24

Note 14, cont.

Yield requirement assumptions

The yield requirement is individually assessed for each property and based on underlying assumptions of real interest rates, inflation and risk premiums. The yield requirement for each property are based on the location of the property, the characteristics of the location and the intended use of the property. Additional parameters that are taken into account include the appropriateness and design of the premises, the standard and condition of the property, the rental term and type of tenant. The yield requirements applied have been determined on the basis of Hemsö's knowledge of completed transactions in the markets in which Hemsö operates, and in bidding processes in which Hemsö has participated. The yield requirement is used to discount the estimated 20-year future cash flow. The residual value is discounted using the yield requirement less growth corresponding to inflation. Hemsö's in-house valuation, excluding development properties, provides an average property yield of 4.7 per cent (4.9).

Cash flow assumptions

When assessing the future earnings capacity of each property, the existing lease portfolio has been analysed. The current rental agreement is used to calculate future rental income for each property. Rental income for future lease periods, and for vacant premises, is calculated on the basis of case-by-case assessments of market rent and the long-term vacancy rate for each property. Average assumed long-term vacancy rate was 3.5 per cent.

The operating costs of the properties are assessed on the basis of historical costs. Costs for ground lease and property tax are set in accordance with actual costs, while maintenance costs are determined on the basis of a building's age, maintenance status and intended use.

Average cash flow assumptions on 31 December 2019, year 1

Rental value, SEK/sqm	1,619
Operating and maintenance costs, SEK/sqm	-423
Vacancy rate, %	2.0

Uncertainty range and sensitivity analysis

Property valuation is the result of an estimate of the value of a particular property value at a given date. The market value of investment properties is calculated using assumptions of expected rental income, property costs, economic vacancy and yield requirement. These factors vary depending on the economy, demand for properties and interest rates. Internal valuations assume an uncertainty range of +/- 5 per cent, corresponding to values between the range of SEK 52,276-57,779 million (43,924-48,548). In the sensitivity analysis, net operating income has been adjusted +/- 5 per cent one to show how the cash flow change affects the total value. Similarly, the yield requirement has been adjusted +/- 0.1 of a percentage point to show how the overall value is affected.

The sensitivity analysis provides a schematic view of the effect of input parameters on the value. One isolated parameter rarely changes so the various assumptions regarding cash flow and yield requirement are interconnected.

Sensitivity analysis

	Change	Valuation effect, SEK million
Net operating income	+/- 5%	+/- 2,751
Yield requirement	+/- 0.1 percentage point	-1,302 / +1,366

External valuation

To quality-assure the internal valuation, 351 properties, comprising 55 properties in Germany and 48 in Finland, and corresponding to 94 per cent of the portfolio's value, were valued by external, independent valuers. Savills performed the valuation of the Swedish portfolio, CBRE the German portfolio, and Newsec the Finnish portfolio. A full valuation was performed on 94 of the 351 properties, including a physical inspection. A desktop valuation was performed on the remaining properties. During the year, 9 properties were acquired in Sweden, five in Germany and nine in Finland. External valuations had not been performed on the Swedish acquisitions, and seven early-stage development projects, by the end of the 2019 financial year.

According to the external valuations, the estimated market value totalled SEK 51,829 million. Hemsö's valuation of the same properties amounted to SEK 51,852 million. This represents a net deviation of SEK 23 million, corresponding to a deviation of -0.04 per cent. The deviation lies within the approved uncertainty range of +/- 5 per cent.

Note 15 Equipment

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Accumulated cost, opening balance	10	9	7	7
Acquisitions	2	1	2	0
Divestments	–	–	–	–
Total	12	10	9	7
Accumulated depreciation, opening balance	-8	-8	-6	-6
Depreciation for the year	0	0	0	0
Total	-8	-8	-6	-6
Market value, closing balance	4	2	3	1

Note 16 Participations in Group companies

Carrying amount at period-end. Specification of the company's holdings of shares and participations in Group companies.

Parent Company Subsidiaries	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2019
				Direct	Indirect	
Hemsö Vårdfastigheter AB	556657-9958	Stockholm	Sweden	100.0		715
Fastighets AB Fordonsskolan	556691-2654	Stockholm	Sweden	100.0		177
Russeliana AB	556686-3733	Stockholm	Sweden	100.0		63
Tipton Erik AB	556617-6128	Stockholm	Sweden	100.0		13
Hemsö Bänken AB	556718-3396	Stockholm	Sweden	100.0		115
Hemsö Tavlan 08 AB	556746-9852	Stockholm	Sweden	100.0		22
Fastighets AB Beckomberga 1:12	556753-3780	Stockholm	Sweden	100.0		29
Hemsö Vreten AB	556417-3952	Stockholm	Sweden	100.0		459
Ärlingheden Fastighets AB	556761-3756	Stockholm	Sweden	100.0		–
Hemsö Draget Fastigheter AB	556340-0869	Stockholm	Sweden	100.0		43
Nya Vilunda Fastighets AB	556781-6789	Stockholm	Sweden	100.0		–
Hemsö Köping Fastigheter AB	556845-8912	Stockholm	Sweden	100.0		11
Hemsö Dona Fastigheter AB	556795-8987	Stockholm	Sweden	100.0		28
Hemsö Botkyrka Fastigheter AB	556786-3427	Stockholm	Sweden	100.0		13
Hemsö Krokslätt Fastighets AB	556259-2815	Stockholm	Sweden	100.0		18
Hemsö Gransångaren Fastighet AB	556591-2994	Stockholm	Sweden	100.0		40
Hemsö Rosengård AB	556709-9205	Stockholm	Sweden	100.0		42
Hemsö Patienthotell AB	556709-9206	Stockholm	Sweden	100.0		35
Hemsö Upplands Väsby Fastigheter AB	556911-7855	Stockholm	Sweden	100.0		–
Hemsö Skolfastigheter AB	556537-6901	Stockholm	Sweden	100.0		491
Bokbacken Fastigheter AB	556340-5538	Stockholm	Sweden	100.0		1,234
Hemsö Öresund KB	969647-9295	Stockholm	Sweden	99.0	1.0	3
Förvaltningsbolaget Krokslätt KB	969601-3839	Stockholm	Sweden	10.0	90.0	23
Förvaltningsbolaget Hanen 4 KB	969601-3862	Stockholm	Sweden	10.0	90.0	25
Bokbacken Fastigheter Fiskebäck KB	916850-4570	Stockholm	Sweden	10.0	90.0	49
Bokbacken Fastigheter Solskiftet KB	916434-5549	Stockholm	Sweden	10.0	90.0	51
KB S:t Jörgen Äldreboende	969673-1430	Stockholm	Sweden	10.0	90.0	24
FB Fair Fyrtiotre KB	916630-7455	Stockholm	Sweden	1.0	99.0	36
Bjölåhemmet KB	916849-3212	Stockholm	Sweden	1.0	99.0	18
Hemsö Britsen AB	556718-3388	Stockholm	Sweden	100.0		9
Krusleden Fastighets AB	556712-4986	Stockholm	Sweden	100.0		9
Ystad Liv 1 Fastighets AB	556640-8737	Stockholm	Sweden	100.0		29
Hemsö Hissen 08 AB	556746-9837	Stockholm	Sweden	100.0		470
Hemsö Klockarkärleken AB	556750-0862	Stockholm	Sweden	100.0		78
Hemsö Valsätra AB	556761-3749	Stockholm	Sweden	100.0		5
Hemsö Söderport AB	556752-5554	Stockholm	Sweden	100.0		36
Hemsö Beckomberga Fastigheter AB	556617-6151	Stockholm	Sweden	100.0		1
Hemsö Development AB	556873-8529	Stockholm	Sweden	100.0		2
Hemsö LSS fastigheter Holding	556923-9527	Stockholm	Sweden	100.0		–
Hemsö Intende AB	556802-4789	Stockholm	Sweden	100.0		4
Hemsö Norden KB	969769-2961	Stockholm	Sweden		50.0	–
Hemsö Komplementär AB	556951-8086	Stockholm	Sweden		50.0	–
Hemsö Häggen KB	969769-2920	Stockholm	Sweden		50.0	–
Hemsö Nacka 1 KB	969780-4194	Stockholm	Sweden		100.0	–
Hemsö Äldreboende KB	969781-6206	Stockholm	Sweden		100.0	–
Hemsö Norrbottenfastigheter KB	969780-9839	Stockholm	Sweden		100.0	–
Hemsö Baggen AB	556709-6812	Stockholm	Sweden	100.0		27
Hemsö Vreten AB	559132-9775	Stockholm	Sweden		100.0	–
Hemsö Cullberg Holding AB	556932-8080	Stockholm	Sweden		100	–
Hemsö Båthöjden AB	559079-7642	Stockholm	Sweden		100	–
Hemsö Nackavillan AB	559079-7600	Stockholm	Sweden		100	–
Hemsö Jungfruholmen Holding AB	556937-6493	Stockholm	Sweden	100.0		–
Hemsö Jungfruholmen HB	916585-3921	Stockholm	Sweden		100.0	–
Hemsö Kvillebäcken AB	556874-5292	Stockholm	Sweden	100.0		29
Hemsö Medicinaren AB	556822-2359	Stockholm	Sweden	100.0		236
Hemsö Sandudden Fastigheter AB	556928-1958	Stockholm	Sweden	100.0		4
Hjärup Fastighets AB	556973-2752	Stockholm	Sweden	100.0		–
Hemsö Tegen AB	556761-8938	Stockholm	Sweden	100.0		288
Hemsö Hälsan AB	556658-9510	Stockholm	Sweden	100.0		45
Hemsö Centrumhuset i Göteborg AB	556991-6249	Stockholm	Sweden	100.0		6
Alexander Holding 1 AB	556989-1491	Stockholm	Sweden	100.0		–
Hemsö Sandbypark 1 AB	559128-7122	Stockholm	Sweden		100.0	–
Hemsö Sandbypark 2 AB	559128-7130	Stockholm	Sweden		100.0	–
Blå Kruset 1 AB	556989-0014	Stockholm	Sweden	100.0		–
Hemsö Gävle Norrtull AB	559085-6943	Stockholm	Sweden		100.0	–
Hemsö Benzelius AB	556856-8165	Stockholm	Sweden		100.0	–
Blå Kruset 17 AB	556992-5679	Stockholm	Sweden	100.0		–
Blå Kruset 9 AB	556989-0089	Stockholm	Sweden	100.0		2
Hemsö Verkmästaren Holding AB	559083-3926	Stockholm	Sweden		100.0	–
Hemsö Verkmästaren Fastigheter AB	559042-0534	Stockholm	Sweden		100.0	–
Haninge Skola Fastighets AB	559110-7221	Stockholm	Sweden		100.0	–
Hemsö Juristen 4 AB	556761-9118	Stockholm	Sweden		100.0	–
Hemsö Bråmaregården 37:1 AB	556761-9134	Stockholm	Sweden		100.0	–
Hemsö Notarieängan 8 AB	556802-9192	Stockholm	Sweden		100.0	–
Blå Kruset 13 AB	556989-0162	Stockholm	Sweden	100.0		–
Hemsö Solvåndan 3 AB	559115-3639	Stockholm	Sweden		100.0	–
Hemsö Lagerqvist AB	559056-1873	Stockholm	Sweden		100.0	–
TKV Fastighets AB	556900-1323	Stockholm	Sweden	100.0		188
TKV 2 Fastighets AB	556967-4624	Stockholm	Sweden	100.0		316
Hemsö Gotland Holding Fastigheter AB	556930-2713	Stockholm	Sweden	100.0		–
Hemsö Gotland Fastigheter AB	556923-9592	Stockholm	Sweden	89.0	11.0	–

Note 16, cont.

Parent Company Subsidiaries	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2019
				Direct	Indirect	
Hemsö Life Holding AB	559017-8314	Stockholm	Sweden	100.0		–
Scandinavian Life Science AB	556761-5082	Stockholm	Sweden		50.0	–
Scandinavian Life Science Två AB	559015-3531	Stockholm	Sweden		50.0	–
Oslo Naeringseiendom AS	889976152	Hamar	Norway		100.0	–
Hemsö Huginerva AB	559002-6570	Stockholm	Sweden	100.0		96
Hemsö Arttiv Fastigheter AB	556745-4979	Stockholm	Sweden	100.0		19
Hemsö Skarpnäck AB	556757-1186	Stockholm	Sweden	100.0		21
Hemsö Ystad Tonsättaren AB	559005-5348	Stockholm	Sweden	100.0		41
Hemsö skolfastigheter i Järvastaden AB	559017-4354	Stockholm	Sweden	100.0		10
Hemsö Borstahusen Fastigheter AB	559017-4586	Stockholm	Sweden	100.0		1
Hemsö Kungshamn Fastigheter AB	556805-3085	Stockholm	Sweden	100.0		25
Fastighetsutveckling Lindholmen AB	559011-5233	Stockholm	Sweden	100.0		71
KV Mode Fastighetsutveckling AB	559029-6736	Stockholm	Sweden	100.0		31
Hemsö Sandarna 26:2 AB	556750-6547	Stockholm	Sweden	100.0		20
Hemsö Stafvre AB	559021-5660	Stockholm	Sweden	100.0		31
Hemsö Krusmyntan AB	556963-0246	Stockholm	Sweden	100.0		17
Hemsö Kopparormen AB	556762-2195	Stockholm	Sweden	100.0		15
Hemsö Hantverkaren 2 AB	556929-7889	Stockholm	Sweden	100.0		68
Hemsö Holding AB	556920-8050	Stockholm	Sweden	100.0		–
Hemsö Höbälen 1 AB	556673-5188	Stockholm	Sweden		100.0	–
Hemsö Finland AB	556948-0139	Stockholm	Sweden	100.0		1,660
Hemsö Åbo AB	556948-0147	Stockholm	Sweden		100.0	–
Hemsö Åbo Fastigheter Oy	2584434-9	Helsinki	Finland		100.0	–
Kiinteistö Oy Turun Lemminkäisenkatu 30	1879924-4	Helsinki	Finland		100.0	–
Hemsö Samhällsfastigheter Finland AB	556959-2859	Stockholm	Sweden		100.0	–
Hemsö Samhällsfastigheter Finland Oy	2601763-6	Helsinki	Finland		100.0	–
Kiinteistö Oy Hemsö Care I Holding 9	2552093-4	Helsinki	Finland		100.0	–
Kiinteistö Oy Louhelan Hoivakodit	2552379-9	Helsinki	Finland		100.0	–
Kiinteistö Oy Kuparitie 2	2552080-3	Helsinki	Finland		100.0	–
Kiinteistö Oy Espoon Kiltakallionrinne 1	2552077-4	Helsinki	Finland		100.0	–
Kiinteistö Oy Kuopion Koivardenkatu 10	2552078-2	Helsinki	Finland		100.0	–
Kiinteistö Oy Espoon Kattilatanhua 6	2552076-6	Helsinki	Finland		100.0	–
Kiinteistö Oy Vaasan Huvilatie 2	2552091-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Pitkäniemen R15	2552085-4	Helsinki	Finland		100.0	–
Kiinteistö Oy Arppentie 6B	2552075-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Kontinkankaan Kuntoutussairaala	2552100-5	Helsinki	Finland		100.0	–
Kiinteistö Oy Hovakoti Villa Olavi	2552096-9	Helsinki	Finland		100.0	–
Kiinteistö Oy Kununkaanaalaakon Hoivakoti	2552099-3	Helsinki	Finland		100.0	–
Kiinteistö Oy Palvelutalo Untuva	2552094-2	Helsinki	Finland		100.0	–
Kiinteistö Oy Hyvinkään Haavantie 4	2552097-7	Helsinki	Finland		100.0	–
Kiinteistö Oy Jämsän Hotellitie 1	2552098-5	Helsinki	Finland		100.0	–
Hemsö Keskiyöntie AB	556986-5495	Stockholm	Sweden		100.0	–
Hemsö Keskiyöntie Oy	2650175-1	Helsinki	Finland		100.0	–
Kiinteistö Oy Helsingin Keskiyöntie 6	2536809-8	Helsinki	Finland		100.0	–
Hemsö Finland Utbildningsfastigheter AB	559016-8950	Stockholm	Sweden		100.0	–
Hemsö Finland Utbildningsfastigheter Oy	2699026-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Porin Asema-Aukio	0165693-3	Helsinki	Finland		100.0	–
Fastighets Ab Academill	1508596-7	Helsinki	Finland		100.0	–
Kiinteistö Oy Helsingin Arkadiankatu 24	1487244-0	Helsinki	Finland		100.0	–
Kiinteistö Oy Haapaniemenkatu 6	0117833-7	Helsinki	Finland		100.0	–
Kiinteistö Oy Nervanderinkatu 13	2871086-4	Helsinki	Finland		100.0	–
Kiinteistö Oy Pohjoisen Rautatiekatu 9	2871081-3	Helsinki	Finland		100.0	–
Hemsö Finland Äldreboendefastigheter AB	559010-1688	Stockholm	Sweden		100.0	–
Hemsö Finland Äldreboende Oy	2713978-2	Helsinki	Finland		100.0	–
Kiinteistö Oy Kangasalan Herttuatar	2713658-1	Helsinki	Finland		100.0	–
Kiinteistö Oy Tampereen Tiikonmäenkatu 2	2734576-2	Helsinki	Finland		100.0	–
Kiinteistö Oy Klaukkalan Palvelukoti	2730171-9	Helsinki	Finland		100.0	–
Kiinteistö Oy Lohjan Maksjoen Palvelukoti	2430602-0	Helsinki	Finland		100.0	–
Kiinteistö Oy Pälkäneen Lastenlinnantie	2751230-5	Helsinki	Finland		100.0	–
Kiinteistö Oy Tampereen Niemenrannan Johannes	2400537-5	Helsinki	Finland		100.0	–
Kiinteistö Oy Hämeenlinnan Turuntie 13	2729637-4	Helsinki	Finland		100.0	–
Kiinteistö Oy Espoon Kivennavantie 15	2803647-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Avian Elämäntuokkoti	1704871-3	Helsinki	Finland		100.0	–
Kiinteistö Oy Rettingipuisto Kaarina	2839609-4	Helsinki	Finland		100.0	–
Kiinteistö Oy Pirttipuistikko Turku	2859382-1	Helsinki	Finland		100.0	–
Hemsö Finland Äldreboendefastigheter II AB	559026-2068	Stockholm	Sweden		100.0	–
Hemsö Finland Äldreboendefastigheter II Oy	2725168-6	Helsinki	Finland		100.0	–
Kiinteistö Oy Espoon Jänismäki	1992386-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Keravan Terveyslähde	1933749-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Oulun Mielikintie 8	2262427-9	Helsinki	Finland		100.0	–
Hemsö Storåker Finland AB	556989-0139	Stockholm	Sweden		100.0	–
Hemsö Storåker Finland Oy	2734709-8	Helsinki	Finland		100.0	–
Kiinteistö Oy Espoon Suurpellon Puistokatu	2755679-7	Helsinki	Finland		100.0	–
Kiinteistö Oy Espoon Suotie 4	2758356-8	Helsinki	Finland		100.0	–
Turun Seudun Sosiaali- ja Terveyspalvelukiinteistöt Oy	2718451-6	Turku	Finland		100.0	–
Hemsö Rättsväsendefastigheter Finland AB	559088-4267	Stockholm	Sweden		100.0	–
Hemsö Rättsväsendefastigheter Finland Oy	2730030-2	Helsinki	Finland		100.0	–
Karistonkulma Oy	0507064-9	Helsinki	Finland		100.0	–
Kiinteistö Oy Helsingin Salmisaarentalo	2696431-8	Helsinki	Finland		100.0	–
Hemsö Finland JV Holding AB	559122-5841	Stockholm	Sweden		100.0	–
Hemsö TTP Oy	2948694-8	Helsinki	Finland		100.0	–
Hemsö Germany Fastigheter AB	556843-9771	Stockholm	Sweden	100.0		10
Hemsö Steglitz GmbH	HRB 201253	Munich	Germany		100.0	–
Hemsö Offenbach GmbH	HRB 205413	Munich	Germany		100.0	–
Hemsö Dresden GmbH	HRB 156831 B	Munich	Germany		100.0	–
Hemsö GmbH	HRB 169543	Munich	Germany		100.0	–
Schulbau Dabendorf GmbH	HRB 31752 P	Potsdam	Germany		89.9	–
Hemsö Asset Mgmt GmbH	HRB 165326	Munich	Germany		100.0	–
Hemsö Vita GmbH	HRB 169542	Munich	Germany		94.9	–

Note 16, cont.

Parent Company Subsidiaries	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2019
				Direct	Indirect	
Hemsö Beteiligungs GmbH	HRB 170669	Munich	Germany		100.0	–
Aveca GmbH & Co KG	HRA 39598 B	Munich	Germany		94.9	–
Hemsö Wetter und Rositz GmbH	HRB 170964	Munich	Germany		94.9	–
Hemsö Barsel GmbH	HRB 171219	Munich	Germany		94.9	–
Hemsö Bocholt GmbH	HRB 172025	Munich	Germany		100.0	–
Hemsö Sozialimmobilien Lauterbach GmbH	HRB 183667	Munich	Germany		100.0	–
Aveca Vermögensverwaltungs GmbH & Co KG	HRA 40144 B	Munich	Germany		100.0	–
Hemsö Germany Invest 10 GmbH	HRB 217922	Munich	Germany		100.0	–
Hemsö Germany Invest 11 GmbH	HRB 224222	Munich	Germany		100.0	–
Hemsö Germany Invest 12 GmbH	HRB 222515	Munich	Germany		100.0	–
Hemsö Germany Invest 15 GmbH	HRB 234193	Munich	Germany		100.0	–
Hemsö Germany Invest Duisburg 16 GmbH	HRB 234192	Munich	Germany		100.0	–
Hemsö Germany Invest Duisburg 17 GmbH	HRB 234213	Munich	Germany		100.0	–
Hemsö Asset Management Duisburg GmbH	HRB 234212	Munich	Germany		100.0	–
Hemsö Germany Invest 20 GmbH	HRB 239156	Munich	Germany		100.0	–
Sozialzentrum Büttelborn GmbH	HRB 240798	Munich	Germany		100.0	–
Hemsö Germany Invest 13 GmbH	HRB 235714	Munich	Germany		94.5	–
Hemsö Germany Invest 14 GmbH	HRB 248303	Munich	Germany		94.5	–
Total						7,697

Parent Company	31 Dec 2019	31 Dec 2018
Accumulated cost, opening balance	7,562	7,594
Acquisitions	–	–
Profit from participations in limited partnerships after dividend	30	28
Shareholder contributions	2,029	64
Divestments	-264	-124
Total	9,357	7,562
Accumulated impairment, opening balance	-1,329	-1,270
Impairment for the year	-331	-59
Total	-1,660	-1,329
Total	7,697	6,233

Hemsö's holdings in the subsidiaries Scandinavian Life Science AB, Corp. Reg. No. 556761-5082, and Scandinavian Life Science Två AB, Corp. Reg. No. 559015-3531 amounted to 50 per cent. The remaining 50 per cent is owned by SveaNor JV Holding AB, Corp. Reg. No. 559017-8397. The SveaNor companies conduct development projects for the construction of life science properties, with Hemsö as their long-term property owner.

The holding in Hemsö KB, Corp. Reg. No. 969769-2961, is 50 per cent. The remaining 50 per cent of the participations is owned by the Third Swedish National Pension Fund, Corp. Reg. No. 802014-4120. However, Hemsö Fastighets AB is a general partner, and therefore has unlimited liability for the company's obligations. In addition, the parties have agreed that solely Hemsö is entitled to manage the company's affairs, which gives Hemsö a controlling interest.

Some of the subsidiaries received shareholder contributions during the year due to equity depletion. These shareholder contributions were recognised in the Parent Company as an increase in the value of the shares in the subsidiaries, which was not matched by an equally large increase in the value of the shares. This explains most of the impairments made during the year.

Note 17 Participations in associated companies

Group	Group	
	31 Dec 2019	31 Dec 2018
Opening balance	112	101
Settlement of share of profits	-2	11
Capital contribution	525	–
Closing balance	635	112

Specification of the company's holding of shares and participations in associated companies.

Group Associated companies	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2019
				Direct	Indirect	
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	Sweden		50.0	121
Turun Teknologiaikeistö Oy	2349955-3	Turku	Finland		34.8	514
Total						635

Note 18 Accounts receivable

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Rent receivable	15	10	–	–
Accounts receivable	9	19	0	0
Reserve for doubtful receivables	-1	-5	–	–
Total	23	24	0	0

An individual assessment of all accounts receivable and rent receivables is made on a quarterly basis to identify any need for provision.

Provision for doubtful accounts receivable and rent receivables amounted to SEK 1 million (5), corresponding to 4 per cent (21) of the total rent and accounts receivable balance.

Maturity analysis

	Not due		Due 1-30 days		Due 31-60 days		Due 61-90 days		Due >90 days		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Group												
Accounts receivable	13	13	1	0	–	0	–	1	1	2	15	16
Rent receivable	2	3	4	6	–	0	1	0	2	4	9	13
Total	15	16	5	6	–	–	1	1	3	6	24	29
Parent Company												
Accounts receivable	0	0	–	–	–	–	–	–	–	–	0	0
Total	0	0	–	–	–	–	–	–	–	–	0	0

Receivables mainly consist of rent and accounts receivable for which the Group has elected to apply the simplified approach for the recognition of expected credit losses. This means that a provision is made for the remaining life of the expected credit losses, which is expected to be less than one year for all of the receivables above. Rent is invoiced in advance, which means that all recognised rent receivables have fallen due. The Group's provisions for expected credit losses are based on historical credit losses and forward-looking information. The Group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially assessed collectively for all customers. Any major single receivables are assessed on a case-by-case basis. Hemsö writes off a receivable when there is no longer any expectation that payment will be received, and when active measures to claim the payment have been concluded.

Note 19 Maturity structure of receivables

Group	31 Dec 2019	31 Dec 2018
Current assets		
Payment due within 1 year	619	445
Non-current assets		
Payment due 1-5 years	65	135
Total	684	580

Note 21 Tax allocation reserves

Parent Company	31 Dec 2019	31 Dec 2018
Tax allocation reserve, set aside for taxation in 2020	24	–
Tax allocation reserve, set aside for taxation in 2019	–	–
Tax allocation reserve, set aside for taxation in 2018	34	34
Total	58	34

Note 20 Guidelines for management of capital

Summary of financial policy

Financing risk		Outcome, 31 December 2019
Loan-to-value ratio	Max. 70%	62.1%
Loan maturity	At least 2 years	7.4 years
Debt-coverage ratio	At least 125%	173%
Secured loans	Max. 20%	0.0%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 times (rolling 12-month period)	5.1 times
Fixed-rate period	Hemsö's average fixed-rate period should range from 3-8 years	6.4 years
Fixed-rate maturity	Max. 40% of fixed-rate periods should mature within 12 months.	31%
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% (in SEK) of the Group's equity without currency hedging.	12%

The Group's capital structure consists of interest-bearing net debt and equity attributable to Parent Company shareholders. Equity comprises share capital, other capital contributions and retained earnings. At 31 December 2019, the share capital was divided between 100,001,000 shares with a par value of SEK 0.01 per share.

Dividend policy

Hemsö's dividend policy is that dividends should amount to half of the total profit from property management. When determining the dividend proposal, the Board accounts for such factors as the company's investment plans, consolidation needs and financial position in general.

Note 22 Interest-bearing liabilities

Group	Carrying amount 31 Dec 2019	Carrying amount 31 Dec 2018
Statement of financial position		
Bond loans	27,042	23,679
Schuldschein (NSV)	783	–
Commercial papers	5,074	4,449
Bank loans	2,643	1,600
Total	35,542	29,728
Amount, opening balance	29,728	25,575
Borrowings	9,121	8,463
Loan repayment	-4,023	-5,123
Commercial papers	626	411
Exchange-rate differences	90	402
Liabilities, closing balance	35,542	29,728

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 35,542 million (29,728). The debt portfolio comprised uncovered bonds of SEK 27,042 million (23,679), commercial papers of SEK 5,074 million (4,449), unsecured bank loans of SEK 2,643 million (1,600) and unsecured Schuldschein (NSV) loans of SEK 783 million (–). Available liquidity amounted to SEK 13,649 million (13,150), of which bank deposits accounted for SEK 988 million (450) and undrawn credit facilities for SEK 12,661 million (12,700). In addition to the external liabilities, loans from minority interests amounted to SEK 0 million (0). At the closing date, Hemsö's average interest rate was 1.3 per cent (1.3).

Note 22, cont.

Liabilities	Group		Parent Company	
	2019	2018	2019	2018
Interest-bearing liabilities due within one year of the closing date	7,899	7,994	7,899	7,994
Other non-interest-bearing liabilities due within 1 year of the closing date	–	–	–	–
Interest-bearing liabilities due within 1-5 years of the closing date	10,719	8,149	10,719	8,149
Interest-bearing liabilities due later than 5 years after the closing date	16,924	13,585	16,924	13,585
Total excluding deferred tax liabilities and interest-rate derivatives	35,542	29,728	35,542	29,728

Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2020	2,825	2,825	9.3	11,068	31.1
2021	11,828	5,167	17.0	1,250	3.5
2022	3,745	2,745	9.0	1,050	3.0
2023	2,806	1,806	5.9	1,750	4.9
2024	5,000	1,000	3.3	2,000	5.6
2025	0	0	0.0	0	0.0
2026	5,996	5,996	19.7	5,196	14.6
2027	100	100	0.3	0	0.0
2028	100	100	0.3	500	1.4
2029	3,991	3,991	13.1	3,991	11.2
2030	485	485	1.6	2,485	7.0
2031	0	0	0.0	0	0.0
2032	874	874	2.9	874	2.5
2033	1,379	1,379	4.5	1,379	3.9
2034	1,043	1,043	3.4	1,043	2.9
2035-	2,956	2,956	9.7	2,956	8.3
Total	43,129	30,468	100.0	35,542	100.0
Commercial papers		5,074			
Total		35,542			

Interest-rate derivatives at 31 Dec 2019

Extendable Start	Due	Volume	Pay	Receive	Value
7 Apr 2014	5 Apr 2023	500	2.3%	STIBOR	-34
7 Apr 2014	5 Apr 2023	500	2.3%	STIBOR	-34
19 Nov 2013	5 Oct 2023	500	2.6%	STIBOR	-43
7 Apr 2015	5 Apr 2024	500	2.5%	STIBOR	-46
7 Apr 2015	5 Apr 2024	300	2.4%	STIBOR	-26
7 Apr 2015	5 Apr 2024	200	2.4%	STIBOR	-17
6 Jul 2015	5 Jul 2024	500	2.2%	STIBOR	-42
18 Jun 2020	18 Jun 2030	500	0.7%	STIBOR	0
13 Jul 2020	15 Jul 2030	500	0.7%	STIBOR	2
15 Jul 2020	15 Jul 2030	500	0.7%	STIBOR	1
12 Jul 2021	12 Jul 2028	500	0.7%	STIBOR	-1
16 Aug 2022	16 Aug 2030	500	0.3%	STIBOR	21
Total		5,500			-219
Short-rate Start	Due	Volume	Pay	Receive	Value
8 Feb 2018	8 Feb 2023	500	STIBOR+ 0.60%	1.3%	6
28 Mar 2018	8 Feb 2023	300	STIBOR+ 0.56%	1.1%	2
Total		800			8
Total		6,300			-211

Sensitivity analysis, interest-rate fluctuations

	Effect on net financial items (12 months), SEK million
The loan portfolio's average interest rate, +/- 1 percentage point	-/+ 346
Short-term market rate (≤ 3 months), +1 percentage point	-107
Short-term market rate (≤ 3 months), -1 percentage point	89

Financial risks and risk management

Hemsö's financing activities are conducted in accordance with the finance policy established by the Board, which regulates the frameworks and guidelines for Hemsö's financing and treasury management. The Group's financial transactions and risks are managed centrally by the Group's Treasury Unit. The finance policy outlines the overall delegation of responsibilities for financing activities, and the relevant mandates and limits for Hemsö's financial risk management.

Financing risk

Financing risk is the risk of not being able to access the capital required by Hemsö's operations, or that financing can only be obtained at a significantly higher cost.

Much of Hemsö's capital is secured through external borrowing. As these loans mature, they must be repaid or renewed. The conditions for Hemsö to refinance the loan facilities on acceptable terms as they expire depend on the amount of credit available in the market, Hemsö's financial position and the market's credit risk margins on those dates. Hemsö has credit agreements with several banks, a balanced maturity spread and is active in the capital market to achieve a diverse supply of capital.

Interest-rate risk

Interest-rate risk is the risk that market-rate fluctuations will have a negative impact on Hemsö's cash flow, or on the fair value of financial assets and liabilities. Hemsö's interest expense is the Group's largest single cost item. Interest expense is mainly affected by current market rates, lenders' margins and the strategy that Hemsö chooses for fixed-rate periods. The management of Hemsö's interest-rate risk includes interest-rate derivatives with a range of maturities to extend the loan portfolio's fixed-rate period and thereby achieve stable and more predictable net income.

Counterparty risk

Counterparty risk is the risk that a financial counterparty cannot fulfil all or some of its obligations. This includes interest-rate derivatives, long and short-term credit agreements and the investment of temporary liquidity surpluses. Hemsö only enters into transactions with counterparties with high credit ratings.

Currency risk

Currency risk is the risk that exchange-rate fluctuations will affect Hemsö's income statement and balance sheet. Hemsö's currency risk is limited to EUR and pertains to the properties owned by the Group in Germany and Finland. The foreign properties are financed with external financing in EUR, which minimises risk. Hemsö owns 49 (41) properties in Finland and 56 (51) properties in Germany, entailing EUR exposure. The properties are financed with equity, intra-Group loans and external loans. On 31 December 2019, external interest-bearing liabilities in EUR corresponded to SEK 15,878 million (11,075). At the same date, the market value of the properties in Finland and Germany corresponded to SEK 17,559 million (12,592). Hemsö's bank deposits in EUR corresponded to SEK 291 million (0). Net exposure on 31 December 2019, defined as property assets and cash less interest-bearing debt in EUR, amounted to SEK 1,971 million (1,517).

Since Hemsö applies IAS 21, most of the company's exchange-rate effects are recognised directly in equity. Hemsö's EUR bonds of EUR 1,351 million under the EMTN programme, a loan of EUR 100 million from EIB and a Schuldschein loan of EUR 75 million were hedged against net investments in foreign subsidiaries. Only a small portion of the exchange-rate effects are recognised in profit or loss.

Liquidity risk

Liquidity risk is the risk of not having access to cash and cash equivalents or credit facilities to meet payment commitments. Hemsö's payment commitments mainly comprise the ongoing costs of operation and maintenance, investments, interest expense and debt repayments. Hemsö has a liquidity buffer and performs regular liquidity forecasts to increase predictability and ensure sufficient time to meet loan maturities and other major payment obligations.

Note 22, cont.

Hedging instruments and hedge accounting

At 31 December 2019, the Group's debt in foreign currency were distributed between the following underlying amounts and maturities.

Maturity analysis, hedging instruments

Hedging instruments identified in hedging relationships at 31 December 2019.

Group	1-5 years	Due 5-10 years	10- years	Total nominal amount
<i>Debt in foreign currency – currency hedging of net investments in foreign operations</i>				
EUR debt, nominal amount*	1,485	8,930	4,704	15,119

*Translated to SEK million at the closing rate.

Effects of hedge accounting on financial position and results – Reconciliation of translation reserve

	Translation reserve	
	2019	2018
Opening carrying amount	126	104
Currency translation effects from net investments in foreign operations	155	138
Revaluation of debt in foreign currency identified as hedging instruments	-58	-116
Total additional items recognised in other comprehensive income	97	22
Tax effect recognised in other comprehensive income	-10	-
Adjustment of translation reserve**	22	-
Closing carrying amount, entirely attributable to continuous hedging	235	126

**The tax effect on the translation difference was not recognised in comprehensive income in prior years and was not therefore included in the item for 2019. Adjustment of prior years amounted to SEK 22 million.

Effects of hedge accounting on financial position and results – Current hedging relationships

SEK million	Hedging instruments identified in hedging relationships at 31 December 2019			The period – change in fair value, for measurement of ineffectiveness	
	Nominal amount	Carrying amount	Balance sheet item	Hedging instrument	Hedged item
<i>Currency hedging of net investments in foreign operations</i>					
Debt in foreign currency	15,119	15,051	Interest-bearing liabilities	-58	58

*Translated to SEK million at the closing rate.

The hedge ratio is 1:1 for all of the Group's hedges.
The Group did not recognise any ineffectiveness during the period.

Effects of hedge accounting on financial position and results – Current hedging relationships

SEK million	Hedging instruments identified in hedging relationships at 31 December 2018			The period – change in fair value, for measurement of ineffectiveness	
	Nominal amount	Carrying amount	Balance sheet item	Hedging instrument	Hedged item
<i>Currency hedging of net investments in foreign operations</i>					
Debt in foreign currency	4,347	4,290	Interest-bearing liabilities	-116	116

*Translated to SEK million at the closing rate.

Hedge accounting

Hemsö is exposed to currency risk through the company's investments in Finland and Germany. This currency risk is managed by financing assets in EUR with external loans in EUR. The Group applies hedge accounting according to IAS 39 for loans intended to hedge currency risk in net investments in foreign operations. The loans are measured at the closing rate. To the extent an effective hedge relationship exists, the exchange rate change on loans is recognised in other comprehensive income, and thereby offsets exchange-rate changes in net investments in foreign operations. Exchange-rate changes in the ineffective portion of a hedge relationship are recognised immediately in net profit or loss.

Hedges are designed so that they can be expected to be effective – a financial connection is expected because the hedging instrument offsets changes in the fair value of exchange rates in the hedged item. The financial connection is preferably determined by a qualitative analysis of the critical terms of the hedge relationship. Sources of hedging ineffectiveness include the risk that the hedged volume in hedging instruments exceeds the net investment. The Group monitors the currency exposure of net investments on a regular basis, and hedge accounting is only applied to a proportion of the total exposure, which is why the risk of ineffectiveness is considered low.

Note 23 Financial assets and liabilities

Group

Hemsö assesses that there is no significant difference between the fair value and carrying amount of financial assets and liabilities. Loans and accounts receivable are financial assets that are not derivatives, that have fixed or determinable payments and are not quoted in an active market. These assets are measured at amortised cost. These assets are due within one year and no negative values are untaxed.

Other financial liabilities are measured at amortised cost, since the liabilities accrue variable interest rates.

Derivatives are recognised at fair value and measured within Level 2 under IFRS 13. The loans and receivables category consists of other long-term assets, accounts receivable and other receivables and amounted to SEK 702 million (606). Other financial liabilities consist of bonds, Schuldschein, commercial papers, liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 36,813 million (30,826). The fair value of Hemsö's bonds was SEK 27,288 million, compared with their carrying amount of SEK 27,042 million. Financial assets and liabilities measured at fair value through other comprehensive income consisted of derivatives and amounted to SEK 211 million (281).

Parent Company

The loans and accounts receivable category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 31,894 million (27,042). Other financial liabilities consist of liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 35,924 million (30,184).

Note 24 Pledged assets

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Property mortgages	4,261	4,487	–	–
Participations in Group companies	–	–	–	–
Receivables from subsidiaries	–	–	4,261	4,312
Total	4,261	4,487	4,261	4,312

The assets are mainly pledged for credit. Loan agreements usually include obligations related to the interest-coverage ratio and loan volume in relation to the fair value of the properties.

Note 25 Contingent liabilities

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Liability as partner in unlimited/limited partnerships	–	–	8	10
Guarantees on behalf of Group companies	–	–	–	166
Total	–	–	8	176

Commitments leading to expenses for restoring contaminated soil or other environmental obligations for owned properties may arise in the future. Expenses may arise, for example, in the form of additional costs in connection with new construction or extensions, or price discounting on the sale of a property. The assessment of any future amounts is not possible at this stage.

Hemsö is involved in a number of minor disputes with tenants, mainly regarding ongoing management issues, which may result in future obligations. Costs may, for example, take the form of fees for advisory services in connection with negotiations. Hemsö estimates that the total cost of these disputes will not amount to significant sums.

Note 26 Supplemental disclosures of cash flow information

Group	2019	2018
No funds other than cash and bank balances are included in the cash and cash equivalents item		
Cash flows		
Interest received	5	2
Interest paid	394	372
Acquisition of subsidiaries		
<i>Acquired assets and liabilities</i>		
Investment properties	4,182	823
Financial receivables	1	–
Operating receivables	6	1
Total assets	4,189	824
Operating liabilities	4	0
Total liabilities	4	0
Proceeds paid, shares	-2,167	-511
Proceeds paid, repayment of loans	-2,028	-317
Additional: Cash and cash equivalents in the acquired operations	10	4
Effect on cash and cash equivalents – acquisition of properties via companies	-4,185	-824
Effect on cash and cash equivalents – direct acquisition of properties	-1,057	-2,311
Acquisition of properties	-5,242	-3,135

Divestment of subsidiaries

<i>Divested assets and liabilities</i>		
Investment properties	1,239	816
Financial receivables	–	0
Operating receivables	4	57
Total assets	1,243	873
Deferred tax liabilities	16	4
Operating liabilities	36	21
Total liabilities	52	25
Purchase price received, shares	839	481
Proceeds received, repayment of loan	449	407
Less: Cash and cash equivalents in the divested operation	0	-68
Effect on cash and cash equivalents – divestment of properties via companies	1,288	820
Effect on cash and cash equivalents – direct divestment of properties	0	51
Divestment of properties	1,288	871

Group	2019	2018
Adjustment for non-cash items		
Depreciation/amortisation and impairment	12	2
Exchange differences, unrealised	40	27
Capital gains/losses on divestment of properties	2	-11
Other	-54	20
Total	0	38

Note 26, cont.

Group

Specification of changes in liabilities attributable to financing activities	31 Dec 2018	Items affecting cash flow		Items not affecting cash flow		31 Dec 2019
		New loans	Loan repayment	Exchange-rate fluctuations	Leases	
Non-current interest-bearing liabilities	21,736	5,819	–	89	–	27,644
Current interest-bearing liabilities	7,992	4,073	-4,174	7	–	7,898
Interest-bearing debt, right-of-use assets	–	–	–	–	582	582
Total interest-bearing liabilities	29,728	9,892	-4,174	96	582	36,124

Parent Company

	2019	2018
No funds other than cash and bank balances are included in the cash and cash equivalents item	0	0

Cash flows

	2019	2018
Interest received	559	82
Interest paid	337	393

Parent Company

	2019	2018
Adjustment for non-cash items		
Depreciation/amortisation and impairment	333	61
Loss from divestment of participations	-253	-223
Loss from participations in unlimited/limited partnerships	-30	-28
Other items	-55	74
Total	-5	-116

Parent Company

Specification of changes in liabilities attributable to financing activities	31 Dec 2018	Items affecting cash flow		Items not affecting cash flow		31 Dec 2019
		New loans	Loan repayment	Exchange-rate fluctuations		
Non-current interest-bearing liabilities	21,908	5,819	–	89	–	27,816
Current interest-bearing liabilities	7,820	4,073	-4,174	7	–	7,726
Total interest-bearing liabilities	29,728	9,892	-4,174	96	–	35,542

Note 27 Related-party transactions

Parent Company

During the year, dividends totalling SEK 250 million (539) were paid to the Parent Company. See Note 9 regarding Profit/loss from participations in Group companies. The Parent Company leases office space from subsidiaries on market terms. Of the company's total purchasing and sales measured in SEK, 0 per cent (0) pertains to purchases and 100 per cent (100) to the net sales of other Group companies.

Parent Company owners

In 2019, dividends totalling SEK 721 million were paid to the Parent Company's owners – the Third Swedish National Pension Fund and AB Sagax. Hemsö has an underwriting commitment of SEK 5,000 million from the Third Swedish National Pension Fund.

Board of Directors

For information about remuneration, see Note 7. No Board member was directly or indirectly involved in any business transaction with Hemsö as counterparty. For a presentation of the Board of Directors, refer to page 81.

Group Management

For information about remuneration, see Note 7. No senior executive was directly or indirectly involved in any business transaction with Hemsö as counterparty. For a presentation of Group Management, refer to pages 82-83.

Subsidiaries

Holdings are presented in Note 16.

Associated companies

Holdings are presented in Note 17. The two loans totalling SEK 71 million that Hemsö Holding AB previously issued to the associated company Lanthem Samhällsfastigheter AB were repaid during the year. The Group's loss from participations in associated companies amounted to SEK -2 million (profit: 11).

Note 28 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Prepaid rental income	472	411	–	–
Accrued interest expense	146	172	146	119
Accrued personnel costs	14	17	12	15
Accrued project costs	–	–	–	–
Other items	339	139	1	3
Total	971	739	159	137

Note 29 Supplementary information on financial assets and liabilities

Derivative instruments in the consolidated and Parent Company balance sheet

Recognised as financial assets	2019	2018
Interest-rate derivatives	32	8
Foreign exchange derivatives	0	0
Total	32	8
Recognised as financial liabilities	2019	2018
Interest-rate derivatives	243	289
Foreign exchange derivatives	0	0
Total	243	289
Net (debt) derivative instruments	211	281

Derivative instruments

Derivative instruments are mainly drawn to achieve the desired fixed-rate period in the loan portfolio. In addition, foreign exchange derivatives are drawn to eliminate currency exposure on foreign currency loans. The value of the derivatives can be derived from the quotation from the counterparty if they are categorised within Level 2 of the fair value hierarchy under IFRS 13. Fair value is based on the discounting of future cash flows for each maturity term at a market rate.

The following table presents the Group's financial assets and liabilities, at carrying amount and fair value, respectively, classified into categories in accordance with IFRS 9.

Measurement of financial assets and liabilities at 31 Dec 2019

	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/liabilities measured at fair value through other comprehensive income	Financial assets/ liabilities measured at amortised cost	Total carrying amount	Total fair value
Financial assets					
Non-current receivables from associated companies	–	–	–	–	–
Other long-term assets	–	–	90	90	90
Rent and accounts receivable	–	–	23	23	23
Derivative instruments	32	–	–	32	32
Other current receivables	–	–	298	298	298
Prepaid expenses and accrued income	–	–	291	291	291
Cash and cash equivalents	–	–	988	988	988
Total	32	–	1,690	1,722	1,722
Financial liabilities					
Bond loans	–	–	27,042	27,042	27,288
Schuldschein (NSV)	–	–	783	783	783
Bank loans	–	–	2,643	2,643	2,643
Commercial papers	–	–	5,074	5,074	5,074
Derivative instruments	243	–	–	243	243
Loans from minority interests	–	–	–	–	–
Accounts payable	–	–	243	243	243
Other liabilities	–	–	57	57	57
Accrued expenses	–	–	971	971	971
Total	243	–	36,813	37,056	37,302

The Group's maximum credit risk consists of the net amounts in the table above. The Group did not receive any pledged assets for the net financial assets.

Measurement of financial assets and liabilities at 31 Dec 2018

	Financial assets/ liabilities measured at fair value through profit or loss	Financial assets/ liabilities measured at fair value through other comprehensive income	Financial assets/ liabilities measured at amortised cost	Total carrying amount	Total fair value
Financial assets					
Non-current receivables from associated companies	–	–	71	71	71
Other non-current receivables	–	–	89	89	89
Rent and accounts receivable	–	–	24	24	24
Derivative instruments	8	–	–	8	8
Other current receivables	–	–	261	261	261
Prepaid expenses and accrued income	–	–	161	161	161
Cash and cash equivalents	–	–	450	450	450
Total	–	–	1,056	1,064	1,064
Financial liabilities					
Bond loans	–	–	23,679	23,679	23,101
Bank loans	–	–	1,600	1,600	1,600
Commercial papers	–	–	4,449	4,449	4,449
Derivative instruments	289	–	–	289	289
Loans from minority interests	–	–	–	–	–
Accounts payable	–	–	278	278	278
Other liabilities	–	–	80	80	80
Accrued expenses	–	–	739	739	739
Total	281	–	30,826	31,115	30,536

Provision for expected credit losses

Group

The financial assets covered by provisions for expected credit losses according to the general method consist of cash and cash equivalents and long-term receivables from associated companies. Hemsö applies a ratings-based approach per counterparty combined with other known information and forward-looking factors for the assessment of expected credit losses. The Group defines 'default' as when payment of a receivable is 90 days or more overdue, or when other factors indicate that a suspension of the payment exists. No significant increase in credit risk for any receivable or asset was considered to exist at the closing date. Such an assessment is based on whether payment is 30 days or more overdue, or whether a significant deterioration of the rating has occurred, resulting in a credit rating below investment grade. In cases where the amounts are not deemed insignificant, a provision for expected credit losses is also made for these financial instruments.

Parent Company

The Parent Company applies a ratings-based approach for calculating expected credit losses based on the probability of default events, expected loss and exposure in the event of default. The Parent Company defines 'default' as when payment of a receivable is 90 days or more overdue, or when other factors indicate that a suspension of the payment exists. The Parent Company assesses that the subsidiaries currently have similar risk profiles and assessment is performed collectively. No significant increase in credit risk for any intra-Group receivable or asset was considered to exist at the closing date. Such an assessment is based on whether payment is 30 days or more overdue, or whether a significant deterioration of the rating has occurred, resulting in a credit rating below investment grade. The Parent Company applies the general approach to intra-Group receivables. The Parent Company's expected loss in the event of default includes the expected market value of the subsidiaries in the event of a forced sale. Based on the Parent Company's assessments according to the method described above, with consideration for other known information and forward-looking factors, expected credit losses are not deemed significant and no provision has therefore been recognised.

Note 30 Events after the closing date

Hemsö invested SEK 1.8 billion in schools and nursing homes in Sweden. The investment includes new construction and acquisitions of four nursing homes, three schools and two sports centres.

COVID-19 – Hemsö has reviewed all of the company's material risks in view of the ongoing pandemic. Hemsö has long-term rental agreements, mainly with public-sector tenants or private operators that are taxpayer-funded. 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. Hemsö's operating, maintenance and administrative expenses are not expected 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 have any significant effect on the company's net financial items. Hemsö does not therefore expect any material impact on the company's operating cash flow.

Hemsö mainly raises funds in Swedish and foreign bond markets, and in the Swedish commercial paper market. These markets have been hard hit by the pandemic. A break down in the commercial paper market would have the greatest short-term effect on Hemsö's liquidity. Our assessment is that borrowers with any form of state connection, such as Hemsö with the Third Swedish National Pension Fund as its controlling owner, will have best access to capital. At the current date, Hemsö has not lost any volume in this market. At 25 March, Hemsö had one outstanding commercial paper of approximately SEK 4.6 billion. In addition to the commercial paper, Hemsö has bonds of approximately SEK 1.8 billion maturing in 2020, bringing total refinancing requirements in 2020 to about SEK 6.4 billion. At the current date, Hemsö has undrawn credit facilities of SEK 11.5 billion, comprising SEK 6.5 billion from three Nordic banks and SEK 5 billion from the Third Swedish National Pension Fund (Hemsö's principal owner). With the new loan from the European Investment Bank, Hemsö's available liquidity is expected to exceed SEK 12 billion at the end of the quarter. In addition, Hemsö announced in December 2019 that the company's shareholders plan to inject an additional SEK 1 billion in equity in the third quarter of 2020. Overall, the company does not deem refinancing risk a material consideration in either the long or the short term. Hemsö will continue to monitor the situation closely.

Note 31 Proposed appropriation of profits

Due to the Board's proposed dividend, the Board and the CEO hereby issue the following statement, based on the Swedish Companies Act, Chapter 18, Section 4.

The proposed dividend of SEK 8.60 per share is based on the annual accounts for 2019, which were presented to the Annual General Meeting on 27 April 2020 for adoption, for distribution on 29 April 2020. The proposal has taken the company's investment and liquidity requirements into account. After the dividend, the equity/assets ratio would be considered satisfactory in light of the continued profitability of the operations conducted by the Parent Company and the Group. Access to liquidity for both the Parent Company and the Group is expected to remain favourable.

The Board's view is that the proposed dividend will not prevent the company, or any other Group companies, from meeting their short-term or long-term obligations, or from completing any necessary investments.

The proposed dividend can thereby be justified by reference to the provisions of the Swedish Companies Act, Chapter 17, Paragraph 3, items 2-3 (the prudence concept).

Unappropriated earnings available for distribution by the Annual General Meeting, SEK:

Share premium reserve	2,000,000,000
Retained earnings	1,350,682,390
Profit for the year	301,454,727
Total	3,652,137,117

The Board proposes that the profits be appropriated as follows, SEK:

To shareholders	860,000,000
To be carried forward	2,792,137,117
Total	3,652,137,117



Sandbyhov 30, nursing home in Norrköping

Signing of the annual accounts

The undersigned assure that the annual accounts and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with generally accepted accounting principles, and give a true and fair view of the Group's and the company's financial position and results, and that the Directors' Report gives a fair review of the development of the Group and the company's operations, position and results and describes the significant risks and uncertainties faced by the companies included in the Group.

Stockholm, 25 March 2020

Pär Nuder
Chairman of the Board

Åsa Bergström
Board member

Bengt Hellström
Board member

Kerstin Hessius
Board member

David Mindus
Board member

Johan Thorell
Board member

Nils Styf
Chief Executive Officer

Our audit report was submitted on 25 March 2020.
Ernst & Young AB

Magnus Fredmer
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Hemsö Fastighets AB, corporate identity number 556779-8169

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Hemsö Fastighets AB (publ) for the financial year 2019 except for the corporate governance statement on pages 77–80 and other information on pages 1–59 and 118–135. The annual accounts and consolidated accounts of the company are included on pages 60–114 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 77–80. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period.

These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of investment properties

Description of the area

The fair value of the investment properties of the Group amounted to SEK 55,027 million on December 31, 2019.

The property value is determined by internal valuation. External valuation is also performed by year-end for quality assurance. The valuations are prepared in accordance with the discounted cash flow model, whereby the future cash flows are forecast. The required yields for the properties are assessed on each property's unique risk profile and observable transactions made in the market. Changes to the unobservable inputs used in the valuations are analyzed by the management against internally available information, completed and planned transactions and information from the external valuers. Due to the numerous assumptions and judgements made in connection with the valuation, we consider this a key audit matter.

A description of the valuation of the investment properties and peculiar considerations and assumptions is stated in Note 14 and Note 2.

How our audit addressed this key audit matter

In our audit we have evaluated and [tested] the management's process for property valuation by evaluating the externally hired experts, the valuation model and input data in the valuations. We have also made comparisons to known market information. We have with the support of our valuation experts reviewed the company's model for property valuation. With the support of our valuation experts we have also reviewed the reasonability of the adopted assumptions such as yield requirements, vacancy rates, rental income and operating costs. We have reviewed the disclosures provided in the annual accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–59, 77–80 and 118–135. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

- Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.
- As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Hemsö Fastighets AB (publ) for the financial year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 77-80 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standard on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Hemsö Fastighets AB (publ) by the general meeting of the shareholders on the 26 April 2019 and has been the company's auditor since the 24 April 2019.

Stockholm, 25 March 2020

Ernst & Young AB

Magnus Fredmer

Authorised Public Accountant

List of properties

East

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Jakobsberg 2:2719	Vibblabyvägen 97-99	Järfälla	4,341	0	0	0	0	0	0	4,341
Jakobsberg 34:6	Snapphanevägen 22	Järfälla	7,055	0	0	0	0	0	0	7,055
Mensättra 26:1	Ornövägen 5	Nacka	2,047	0	0	0	0	0	0	2,047
Rösunda 36:41	Rösundavägen 2	Nacka	11,145	0	0	0	0	0	0	11,145
Sicklaön 12:9	Skurusundsvägen 163	Nacka	4,115	0	0	0	300	0	0	4,415
Hallen 4	Lövgatan 39-43	Solna	4,244	355	1,095	0	144	0	0	5,838
Flyghöjden 2	Skarpnåcks Torg 1	Stockholm	2,880	0	0	0	0	0	0	2,880
Sjöstöveln 3	Folkparksvägen 156	Stockholm	8,506	0	325	0	0	0	0	8,831
Tempelriddarorden 5	Vita Liljans väg 53	Stockholm	5,000	0	0	0	0	0	0	5,000
Blåvalen 1	Tällhöjdsvägen 1-3	Södertälje	4,734	0	2,240	0	204	0	0	7,178
Södertälje Hantverkaren 2	Hantverkäsvägen 1	Södertälje	3,800	0	0	0	0	0	0	3,800
Krusmyntan 2	Basilikagränd 1	Tyresö	2,900	0	0	0	0	0	0	2,900
Tyresö Krusmyntan 1	Basilikagränd 1	Tyresö	4,675	0	0	0	0	0	0	4,675
Marknaden 1	Esplanaden 9	Täby	11,963	0	6,234	0	627	0	787	19,611
Åkerby 13	Kemistvägen 8	Täby	564	0	1,260	0	0	0	83	1,907
Hammarby 8:60	Hasselgatan 80 A-E	Upplands Väsby	2,850	0	0	0	0	0	0	2,850
Vallentuna-Ekeby 2:275	Ekebyvägen 40	Vallentuna	2,936	0	0	0	0	0	0	2,936
Vallentuna-Rickeby 1:97	Stendösvägen 1-3	Vallentuna	2,948	0	0	0	0	0	0	2,948
Total East Nursing homes			86,703	355	11,154	0	1,275	0	870	100,357

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Markan 1	Kanslivägen 22-24	Botkyrka	0	2,932	0	0	0	0	0	2,932
Träkvista 3:282	Sanduddsvägen 12	Ekerö	0	938	0	0	0	0	0	938
Täckeråker 1:228	Timvinkelvägen 44	Haninge	0	916	0	0	0	0	0	916
Medicinaren 14	Diagnosvägen 8	Huddinge	0	1,003	965	0	168	0	0	2,136
Medicinaren 23	Hålsövägen 11	Huddinge	0	15,921	300	0	0	0	422	16,643
Erstavik 26:607	Krabbovägen 1	Nacka	0	764	0	0	0	0	0	764
Erstavik 27:1	Fisksätravägen 31	Nacka	0	775	0	0	0	0	0	775
Lännersta 1:1231	Sunnebovägen 2	Nacka	0	563	0	0	0	0	0	563
Mensättra 1:168	Boo Kyrkväg 7	Nacka	0	0	0	0	0	135	0	135
Mensättra 1:19	Boo Kyrkväg 3	Nacka	0	4,036	0	0	0	0	0	4,036
Mensättra 1:84	Gustavsviksvägen 10	Nacka	0	613	0	0	0	0	0	613
Mensättra 2:91	Björkholmsvägen 235	Nacka	0	771	0	0	0	0	0	771
Mensättra 2:92	Sandholmsvägen 2	Nacka	0	775	0	0	0	0	0	775
Sicklaön 207:7	Bävervägen 4	Nacka	0	919	0	0	0	0	0	919
Sicklaön 351:1	Skogsstigen 40	Nacka	0	3,509	0	0	0	0	0	3,509
Sicklaön 39:4	Helgesons väg 10	Nacka	0	2,575	0	0	0	0	0	2,575
Tattby 2:24	Samskolevägen 2-6	Nacka	0	758	0	0	0	0	0	758
Älta 14:101	Almvägen 4	Nacka	0	0	0	0	0	0	3,395	3,395
Älta 14:97	Almvägen 2	Nacka	0	6,630	0	0	0	0	0	6,630
Älta 35:149	Anemonvägen 13	Nacka	0	736	0	0	0	0	0	736
Älta 75:16	Ulvsvägen 17	Nacka	0	418	0	0	0	0	0	418
Sollentuna Sjöberg 7:4	Lomvägen 100-102	Sollentuna	0	600	0	0	0	0	0	600
Sollentuna Träbjälken 16	Sofielundsvägen 12	Sollentuna	0	2,590	0	0	0	0	0	2,590
Befästningskullen 8	Anders Lundströms gata 3-5	Solna	0	3,388	0	0	0	0	0	3,388
Solna Älgörten 1	Fridenborgsvägen 100	Solna	0	8,659	0	0	0	0	0	8,659
Kadetten 29	Karlbergsvägen 77	Stockholm	0	4,230	0	0	4,162	0	1,500	9,892
Lau 1	Beckomborgsvägen 301	Stockholm	0	2,410	0	0	0	0	0	2,410
Lojsta 1	Beckomborgsvägen 316	Stockholm	0	2,300	0	0	0	0	0	2,300
Lummelunda 1	Beckomborgsvägen 299	Stockholm	0	1,484	0	0	0	0	0	1,484
Piloten 2	Gondolgatan 16	Stockholm	0	3,471	0	0	0	0	0	3,471
Sandbacken Mindre 42	Sandbacksgatan 10	Stockholm	0	8,000	0	0	0	0	16	8,016
Sproge 1	Beckomborgsvägen 314	Stockholm	0	1,470	0	0	0	0	0	1,470
Ponny 1	Boplatsvägen 1	Sundbyberg	0	2,687	0	0	0	0	0	2,687
Karleby 2:2	Gärtunavägen 4	Södertälje	0	2,950	0	0	0	0	0	2,950
Fräsen 2	Maskinvägen 4	Täby	0	2,028	0	0	0	0	0	2,028
Odenslunda 1:592	Söderviksvägen 1	Upplands Väsby	0	5,915	0	0	0	0	0	5,915
Vilunda 19:2	Industrivägen 20 B	Upplands Väsby	0	14,904	0	0	0	0	0	14,904
Vilunda 6:55	Drabantvägen 3-5	Upplands Väsby	0	3,000	0	0	0	0	0	3,000
Bällsta 2:1087	Zetterlundsväg 140	Vallentuna	0	3,000	0	0	0	0	0	3,000
Total East Education			0	118,638	1,265	0	4,330	135	5,333	129,701

List of properties

			Area, sqm							
Health care	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Banslätt 1	Römossevägen 25	Botkyrka	0	1,727	4,390	0	1,446	0	1,109	8,672
Sjukhuset 7	Kevinge Strand 1B	Danderyd	0	0	3,183	0	0	0	0	3,183
Tappström 1:50	Bryggavägen 8	Ekerö	0	310	2,209	0	84	0	9	2,612
Ribby 1:451	Klockargatan 13-27	Haninge	319	1,856	2,761	0	76	0	1,939	6,951
Vendelsö 3:1716	Skomakarvägen 20	Haninge	0	0	1,525	0	0	0	0	1,525
Illern 9	Stuvsta Torg 4-6, 10-14	Huddinge	0	0	2,985	0	140	0	141	3,266
Medicinaren 19	Hälsövägen 7-9	Huddinge	0	1,415	21,082	0	12,014	0	4,123	38,634
Medicinaren 25	Hälsövägen 11	Huddinge	0	3,258	15,233	0	0	0	554	19,045
Kallhäll 1:32	Kopparvägen 2B	Järfälla	0	118	1,171	0	285	0	568	2,142
Sicklaön 162:5	Storängsvägen 6-8	Nacka	324	0	0	0	0	0	0	324
Vaktmästaren 4	Hemvägen 8	Norrälje	0	0	0	0	0	0	1,200	1,200
Patienten 1	Anna Steckséns gata 19A	Solna	0	0	0	0	0	0	0	0
Akka 8	Tranebergsplan 1-3	Stockholm	0	0	3,965	0	0	0	0	3,965
Jullovet 1	Annebodavägen 4-6	Stockholm	0	0	1,333	0	0	0	0	1,333
Princeton 1	Testvägen 1	Stockholm	0	0	0	0	0	0	0	0
Träbron 1	Bergtällsvägen 10-12	Stockholm	3,093	2,249	11,882	0	36	0	45	17,305
Forellen 2	Bollmoravägen 14-20	Tyresö	0	585	4,989	0	277	0	602	6,453
Bylegård 37	Jarlabankes väg 46	Täby	0	0	1,549	0	0	0	0	1,549
Ösby 1:76	Skärgårdsvägen 7	Värmdö	0	60	1,761	0	2,383	0	671	4,875
Total East Health care			3,736	11,578	80,018	0	16,741	0	10,961	123,034

			Area, sqm							
Justice system	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Tegen 6	Sundbybergsvägen 7-15	Solna	0	278	0	26,617	5,840	0	2,718	35,453
Kvarnberget 9	Rinkebyplan 2-4	Stockholm	0	0	0	0	0	0	0	0
Total East Justice system			0	278	0	26,617	5,840	0	2,718	35,453
Total East			90,439	130,849	92,437	26,617	28,186	135	19,882	388,545

West

			Area, sqm							
Nursing home	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Backa 243:52	S:t Jörgens väg 22	Gothenburg	4,441	0	0	0	0	605	0	5,046
Fiskebäck 8:7	Hällefjordregatan 20	Gothenburg	6,444	0	0	0	0	1,341	0	7,785
Krokslätt 147:2	Fridkullagatan 18 G	Gothenburg	3,088	0	0	0	150	0	0	3,238
Näset 130:1	Bjölavägen 1	Gothenburg	3,701	0	0	0	0	0	0	3,701
Rud 5:2	Positivgatan 15	Gothenburg	6,027	0	0	0	0	0	0	6,027
Fridhem 1	Fridhemsgatan 29	Kungälv	4,739	0	0	0	0	0	0	4,739
Höbälen 1	Vetekornsgatan 22	Mölnådal	2,682	0	0	0	0	0	0	2,682
Sörbyn 17:1	Törnrosogatan 8-22	Vänersborg	3,363	0	1,009	0	155	0	0	4,527
Total West Nursing homes			34,485	0	1,009	0	305	1,946	0	37,745

			Area, sqm							
Education	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Samariten 11	Klinikvägen 48	Borås	0	11,660	0	0	0	0	0	11,660
Backa 245:1	Sankt Jörgens Väg 14-20	Gothenburg	0	6,548	0	0	228	0	228	7,004
Göteborg Lindholmen 1:12	Karlavagnsgatan 9	Gothenburg	0	0	0	0	0	0	0	0
Göteborg Sandarna 26:2	Karl Johansgatan 158	Gothenburg	0	0	0	0	0	0	0	0
Krokslätt 35:14	Ebbe Lieberathsgatan 19	Gothenburg	0	3,921	0	0	2,447	0	475	6,843
Bångsbo 1:29	Bångsbovägen 13	Kungsbacka	0	3,910	0	0	0	0	0	3,910
Komariken 1:1 del av	Skurhagagatan	Kungälv	0	0	0	0	0	0	0	0
Ärlan 1	Vikingagatan 6	Kungälv	0	3,107	0	0	0	0	0	3,107
Dona 1:38	Rinkenäsgatan 2-4	Lysekil	0	9,000	0	0	0	0	0	9,000
Mode 4	Stationsgatan 3	Skövde	0	0	0	0	7,927	0	220	8,147
Källstorpsbacken 1	Strömsviksvägen 50-54	Trollhättan	0	445	0	0	0	0	0	445
Halla-Stenbacken 1:88	Västgötavägen 30	Uddevalla	0	16,508	945	0	7,227	1,902	9,491	36,073
Total West Education			0	55,099	945	0	17,829	1,902	10,414	86,189

List of properties

			Area, sqm							
Health care	Address	Municipality	Nursing home	Educator	Health care	Justice system	Office	Residential	Other	Total
Apelsinen 1	Säterigatan 122	Alingsås	227	850	1,797	0	0	0	284	3,158
Ångaboskolan 2	Sundsbergsvägen 7	Alingsås	0	0	1,488	0	0	0	0	1,488
Fonden 49	Sörmarksgatan 199-205	Borås	1,134	0	1,778	0	93	0	1,289	4,294
Milstolpen 8	Smörhulegatan 2	Borås	0	0	2,335	0	225	0	0	2,560
Rydboholm 1:477	Hagkällvägen 2	Borås	0	0	2,125	0	0	0	0	2,125
Sandhults-Rydet 1:256	Strandvägen 11	Borås	0	0	1,623	0	0	0	0	1,623
Sik 1:183	Tärnavägen 6	Borås	0	319	2,216	0	0	0	20	2,555
Stenhuggaren 1	Kindsgatan 1	Borås	0	0	1,393	0	0	0	0	1,393
Brämaregården 80:1	Borstbindaregatan 6	Gothenburg	0	0	3,160	0	0	0	195	3,355
Lindholmen 36:1	Vintergatan 1A	Gothenburg	803	0	2,445	0	1,052	0	0	4,300
Kindbogården 1:124	Ekdalavägen 2	Härryda	0	0	5,802	0	0	0	194	5,996
Hälsan 3	Fabriksgatan 17-19	Jönköping	0	0	4,613	0	0	0	0	4,613
Norrahammar 28:108	Postgatan 1-9	Jönköping	0	0	2,617	0	0	0	0	2,617
Vårdträdet 7	Hävdevägen 31	Jönköping	0	0	1,646	0	0	0	0	1,646
Hjällsnäs 3:63	Lundbyvägen 35	Lerum	0	0	2,042	0	0	0	0	2,042
Torp 2:19	Göteborgsvägen 9	Lerum	0	0	3,928	0	0	0	40	3,968
Slätten 15:7	Lasarettsgatan 1	Lysekil	5,325	102	8,803	0	284	0	1,285	15,799
Murmeldjuret 4	Fredåsgatan 13	Mölndal	0	0	6,432	0	387	0	295	7,114
Sotenäs Gravarne 3:139	Hvitfeldtsgratan 23	Sotenäs	0	0	2,511	0	0	0	0	2,511
Skår 1:69	Syster Ebbas väg 1	Tjörn	0	0	1,881	0	12	0	0	1,893
Gladan 1	Slättbergsvägen 56	Trollhättan	0	0	1,402	0	0	0	0	1,402
Kuratorn 3	Lasarettsvägen 2	Trollhättan	0	0	808	0	0	0	0	808
Källstorpslyckan 1	Strömsviksvägen 16	Trollhättan	0	0	1,536	0	0	0	0	1,536
Linkärven 5	Lingatan 12	Uddevalla	0	0	968	0	0	0	0	968
Grävlingen 28	Belfragegatan 2	Vänersborg	0	1,076	706	0	872	0	285	2,939
Månen 110	Restadvägen 24-28	Vänersborg	387	2,780	0	0	0	129	733	4,029
Tärnan 4	Torpavägen 23	Vänersborg	0	0	1,677	0	0	0	0	1,677
Total West Health care			7,876	5,127	67,732	0	2,925	129	4,620	88,409

			Area, sqm							
Justice system	Address	Municipality	Nursing home	Educator	Health care	Justice system	Office	Residential	Other	Total
Brämaregården 37:1	Vägmästaregatan 5	Gothenburg	0	0	0	3,079	0	0	0	3,079
Notarieängen 8	Ytterbyvägen 19	Kungälv	949	0	395	2,157	0	0	0	3,501
Juristen 4	Järnvägsgatan 4	Mölndal	0	0	0	5,115	3,065	0	90	8,270
Total West Justice system			949	0	395	10,351	3,065	0	90	14,850
Total West			43,310	60,226	70,081	10,351	24,124	3,977	15,124	227,193

List of properties

Central/North

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Boden 56:51	Idrottsgatan 6	Boden	10,700	0	0	0	0	0	0	10,700
Enköping Romberga 23:54	Frejas allé 2	Enköping	4,100	0	0	0	0	0	0	4,100
Bunge Stucks 1:297	Strandvägen 51	Gotland	3,031	0	0	0	0	0	0	3,031
Hemse Blåkråkan 15	Parkgatan 16-18	Gotland	2,310	0	0	0	0	0	0	2,310
Hemse Fasanen 10	Hagagatan 30	Gotland	11,678	0	322	0	0	0	0	12,000
Klinte Ävalle 2:27	Skolgatan 7-9	Gotland	2,802	0	0	0	0	1,056	43	3,901
Othem Kilåkern 2	Apoteksgatan 3	Gotland	5,552	0	0	0	0	0	0	5,552
Roma Kloster 1:37	Björkstigen 10	Gotland	3,519	0	0	0	0	0	0	3,519
Visby Pjäsen 11	Lännavägen 21-43	Gotland	1,113	0	0	0	0	308	0	1,421
Visby Pjäsen 12	Pjäsgatan 12	Gotland	6,600	0	0	0	0	0	6	6,606
Brynäs 55:4	Tredje Tvärgatan 31	Gävle	6,490	0	0	0	0	0	0	6,490
Kristinelund 49:2	Norra Järvstavägen 20a-b	Gävle	11,707	0	2,540	0	0	0	0	14,247
Strömsbro 4:2	Sanatorievägen 17	Gävle	6,451	0	0	0	0	0	0	6,451
Södertull 13:14	Flemminggatan 11-17	Gävle	14,767	0	0	0	0	0	0	14,767
Vallbacken 24:3	Vallbacksgatan 8	Gävle	4,937	0	0	0	0	0	0	4,937
Varva 2:20	Norra Prästvägen 12-14	Gävle	5,563	0	0	0	0	0	0	5,563
Landeryd 6:5	Slatteforsvägen 2A-H	Linköping	4,120	0	607	0	0	0	235	4,962
Landeryd 6:61	Slatteforsvägen 38	Linköping	1,266	0	0	0	0	0	0	1,266
Lillgårdsskolan 11	Ridhusgatan 2A	Linköping	1,510	0	0	0	0	157	11	1,678
Ostbiten 1	Rydsvägen 9C	Linköping	1,254	0	0	0	0	0	0	1,254
Riket 22	Järdalavägen 52C	Linköping	1,605	0	0	0	0	0	0	1,605
Trähästen 2	Skogslyckegatan 11F	Linköping	1,045	0	0	0	0	0	0	1,045
Valbyrån 5	Kärnavägen 3-11	Linköping	2,656	0	0	0	0	94	0	2,750
Vetebullen 2	Kärna Centrum 1	Linköping	2,145	0	0	0	0	0	0	2,145
Alvik 2:54	Danelvägen 11	Luleå	1,578	0	0	0	0	0	0	1,578
Anoraken 1	Krondalsvägen 47	Luleå	0	0	0	0	0	0	0	0
Bergnäset 2:665	Stengatan 123	Luleå	2,129	0	0	0	0	0	0	2,129
Kalkällan 13	Lingonstigen 253	Luleå	3,906	0	0	0	0	0	0	3,906
Stadsön 1:124	Älvsborgsvägen 20	Luleå	4,572	0	0	0	0	0	0	4,572
Diadem 3	Gamla Övägen 27	Norrköping	4,025	0	0	0	0	0	0	4,025
Gångjärnet 1	Plåtslagaregatan 8	Norrköping	5,386	0	0	0	0	0	0	5,386
Järven 6	Bergslagsgatan	Norrköping	4,054	0	0	0	766	0	439	5,259
Konstantinopel 6	Skomakaregatan 11	Norrköping	3,183	0	0	0	0	0	0	3,183
Sandbyhov 30	Sandbyhovsgatan 21	Norrköping	15,351	12,050	4,973	0	1,199	0	268	33,841
Dragarbrunn 9:4	S:t Olofsgatan 44 B	Uppsala	4,020	0	0	0	0	0	0	4,020
Kvarngärdet 14:5	Torkelsgatan 42	Uppsala	3,585	0	0	0	0	0	0	3,585
Luthagen 81:1	Norrlandsgatan 2	Uppsala	2,740	0	0	0	0	0	0	2,740
Rickoberga 9:14	Geijersgatan 61	Uppsala	3,200	0	0	0	0	0	0	3,200
Valsätra 3:10	Bernadottevägen 1P	Uppsala	6,065	0	0	0	0	0	0	6,065
Birka 1	Fornidsgatan 4	Västerås	3,335	0	0	0	0	0	0	3,335
Hanan 4	Hagalidsvägen 2	Västerås	2,740	0	0	0	0	0	0	2,740
Klockarkärleken 3	Rönnergastigen 7	Västerås	3,937	0	0	0	0	0	0	3,937
Kolaren 5	Tråddragargatan 31	Västerås	1,052	0	0	0	0	0	0	1,052
Lövhagen 32	Pilfinksgatan 2	Västerås	4,589	0	0	0	0	0	0	4,589
Skjutfältet 9	Hästhovsgatan 27	Västerås	5,914	0	0	0	0	0	0	5,914
Skogsduvan 1	Skogsduvevägen 11	Västerås	1,107	0	0	0	0	0	0	1,107
Södra Källtorp 1	Vallbyleden 13	Västerås	0	0	0	0	0	0	1,477	1,477
Vedbo 61	Hörntorpsvägen 20	Västerås	7,479	4,000	0	0	0	0	0	11,479
Ångsklockan 1	Vårlöksgatan 6	Västerås	3,813	0	0	0	0	0	0	3,813
Östra Daggrosen 1	Daggrosngatan 1	Västerås	3,507	0	0	0	0	0	0	3,507
Total Central/North Nursing homes			218,188	16,050	8,442	0	1,965	1,615	2,479	248,739

List of properties

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Education	Health care	Justice system	Office	Residential	Other	
Tjärna Hage 2	Mats Knuts väg 19	Borlänge	0	0	0	0	0	0	0	0
Verkmästaren 7	Hamngatan 17	Eskilstuna	0	20,335	0	0	0	0	0	20,335
Nyfors 1:24	Tunavallsgränden 5	Eskilstuna	0	1,427	0	0	0	0	0	1,427
Askeby 4:54	Andreas Linbloms väg 7	Linköping	0	425	0	0	0	0	0	425
Askeby 4:55	Andreas Linbloms väg 5	Linköping	0	0	0	0	0	0	0	0
Gällstad 1:291	Sävsångarevägen 61	Linköping	0	661	0	0	0	0	0	661
Isskäpet 1	Tröskaregatan 73-75	Linköping	0	2,735	0	0	0	0	0	2,735
Laddstaken 2	Knektgatan 1A-B	Linköping	0	750	0	0	0	0	0	750
Nyponkärnan 1	Kvinnebyvägen 91	Linköping	0	970	0	0	0	0	0	970
Nässelodlingen 1	Nybrovägen 1	Linköping	0	4,252	0	0	0	0	0	4,252
Ordensringen 2	Ellen Keys gata 4	Linköping	0	917	0	0	0	0	0	917
Ostduken 2	Björnkärrsgatan 14-16	Linköping	0	1,492	0	0	0	0	0	1,492
Rystads-Gärstad 8:41	Gurkvägen 2-4	Linköping	0	661	0	0	0	0	0	661
Drag 4	Dragsgatan 7	Norrköping	0	9,878	0	0	0	0	0	9,878
Drag 5	Dragsgatan 7	Norrköping	0	0	0	0	0	0	0	0
Järven 5	Bergslagsgatan 11	Norrköping	0	3,011	0	0	0	0	1,500	4,511
Borgaren 18	Stora torget 3	Nyköping	0	10,657	0	0	568	0	1,086	12,311
Umeå Hugin 3	Nygatan 47	Umeå	0	7,730	0	0	0	0	0	7,730
Barkaröby 15:308	Lövängsgatan 2	Västerås	0	1,570	0	0	0	0	0	1,570
Gustavsborg 2	Vasagatan 44	Västerås	0	18,062	0	0	0	0	0	18,062
Kristiansborgsskolan 2	Vasagatan 56	Västerås	0	5,334	0	0	0	0	0	5,334
Rosenhill 1	Vasaltargatan 9	Västerås	0	22,362	0	0	0	0	0	22,362
Rosenhill 12	Eriksborgsgatan 11	Västerås	0	6,758	0	0	0	340	0	7,098
Västerås 1:250	Ångkraftsvägen 1 A-C	Västerås	0	3,412	0	0	0	0	0	3,412
Medora 168:115	Klamparvägen 1A	Älvkarleby	0	2,500	0	0	0	0	0	2,500
Total Central/North Education			0	125,899	0	0	568	340	2,586	129,393

Health care	Address	Municipality	Area, sqm							Total
			Nursing home	Education	Health care	Justice system	Office	Residential	Other	
Gävle Norrtull 31:2	Stallgatan 4	Gävle	2,295	0	0	0	0	0	0	2,295
Mjölkudden 3:11	Mjölkuddsvägen 79C	Luleå	0	0	1,175	0	2,011	0	241	3,427
Gränby 12:6	Gränby Bilgata 2	Uppsala	0	265	2,227	0	252	0	15	2,759
Sävja 56:1	Västgötareisan 60	Uppsala	0	956	1,198	0	842	0	187	3,183
Total Central/North Health care			2,295	1,221	4,600	0	3,105	0	443	11,664

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Education	Health care	Justice system	Office	Residential	Other	
Reparatören 5	Ringvägen 88	Köping	0	0	0	2,650	0	0	0	2,650
Stinsen 1	Stockholmsvägen 4-6	Norrköping	0	0	0	18,291	0	0	5	18,296
Brädgården 2	Folkungavägen 2	Nyköping	0	0	0	11,476	870	0	203	12,549
Stigbygeln 5	Ridvägen 10	Umeå	0	0	0	21,274	855	0	0	22,129
Total Central/North Justice system			0	0	0	53,691	1,725	0	208	55,624
Total Central/North			220,483	143,170	13,042	53,691	7,363	1,955	5,716	445,420

South

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Education	Health care	Justice system	Office	Residential	Other	
Brandvakten 3	Södra Vägen 4	Halmstad	3,815	0	0	0	0	0	0	3,815
Halmstad 10:35	Frennarpsvägen 131	Halmstad	3,312	0	0	0	0	0	0	3,312
Nåden 1	Fyllinge	Halmstad	0	0	0	0	0	0	0	0
Norra Sjukhuset 1	Skansvägen 5	Lund	8,991	1,431	0	0	1,029	0	2,715	14,166
Anten 3	Eddagatan 1	Malmö	3,040	0	0	0	0	0	0	3,040
Byrådirektören 4	von Troils väg 2-8	Malmö	5,820	2,666	1,400	0	902	4,720	411	15,919
Cykeln 12	Palmgatan 17	Malmö	2,980	0	0	0	0	0	0	2,980
Koljan 10	Tegnérsgatan 68	Malmö	355	0	0	0	0	0	0	355
Limhamn 152:371	-	Malmö	0	0	0	0	0	0	0	0
Nattskärnan 7	Järnvägsgatan 29	Malmö	1,918	0	0	0	0	0	0	1,918
Nicktistel 2	Ernst Jakobssons gata 7	Malmö	2,250	0	0	0	0	0	0	2,250
Slätvaren 40 och 51	Sarvgränd 2C	Malmö	450	0	0	0	0	0	0	450
Solskiftet 1	Oshögavägen 2	Malmö	6,825	0	0	0	0	0	0	6,825
Stengodset 1	Stengodsvägen 4	Malmö	1,850	0	0	0	0	0	0	1,850
Storskarven 12	Norra vägen 7	Malmö	1,900	0	0	0	0	0	0	1,900

List of properties

			Area, sqm							
Nursing home	Address	Municipality	Nursing-home	Education	Health care	Justice system	Office	Residential	Other	Total
Storskarven 13	Norra vägen 1	Malmö	2,313	0	0	0	0	0	0	2,313
Storskarven 9	Brunandsvägen 32	Malmö	442	0	0	0	0	0	0	442
Styckmästaren 8	Jöns Risbergsgatan 4	Malmö	1,211	0	0	0	0	177	0	1,388
Styrkan 23	Spånehusvägen 91	Malmö	978	0	0	0	0	0	0	978
Sädesärlan 6	Linnégatan 18	Malmö	0	0	472	0	0	0	305	777
Torsten 12	Major Nilssonsgatan 13	Malmö	2,400	0	0	0	0	0	0	2,400
Virket 8	Sigtunagatan 13	Malmö	2,455	0	0	0	0	1,779	319	4,553
Stanstorp 5:368	Vikhems bygata	Staffanstorp	4,126	0	0	0	0	0	0	4,126
Herkules 29	Corfitz-beck-friisgatan 2	Trelleborg	0	0	0	0	0	0	0	0
Herkules 33	Hamngatan 16	Trelleborg	800	0	0	0	0	0	0	800
Herkules 34	Corfitz-beck-friisgatan 4A	Trelleborg	0	0	300	0	1,100	341	3,602	5,343
Lekamensgårdet 2	Pär Lagerkvists väg 15	Växjö	5,188	0	0	0	0	0	0	5,188
Solvändan 3	Åbovägen 22	Växjö	3,329	0	0	0	0	0	0	3,329
Tonsättaren 2	Schottisgatan 2-6	Ystad	2,892	0	65	0	0	0	0	2,957
Total South Nursing homes			69,640	4,097	2,237	0	3,031	7,017	7,352	93,374

			Area, sqm							
Education	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Darehallen 1	Löjtnant Granlunds Väg 4	Hässleholm	0	0	0	0	0	0	700	700
Intendenten 1	Wendesvägen 5-7	Hässleholm	0	1,580	0	0	0	0	0	1,580
Intendenten 2	Finjagatan 18	Hässleholm	0	2,290	0	0	0	0	0	2,290
Stafvre 11	Lasarettboulevarden 22	Kristianstad	0	2,530	0	0	0	0	0	2,530
Landskrona Borstahuset 1:8	Havsgatan 5	Landskrona	0	0	0	0	0	0	2,245	2,245
Landskrona Borstahuset 1:9	Havsgatan 1	Landskrona	0	5,700	0	0	0	0	0	5,700
Benzelius 1	Dag Hammarskjölds Väg 2	Lund	0	5,159	0	0	578	0	703	6,440
Klostergården 2:9	S:t Lars väg 1-38, S:t Lars väg 70-90	Lund	5,228	26,570	7,231	0	4,842	349	1,382	45,602
Predikanten 2	Landgillevägen 55	Lund	0	750	0	0	0	0	0	750
Gullriset 4	Monicavägen 18-22	Malmö	0	648	0	0	0	0	0	648
Spillepengsmarken 7	Strömgatan 13	Malmö	0	4,670	0	0	0	0	0	4,670
Hjärup 4:290	Heimdallsvägen 2	Staffanstorp	0	652	0	0	0	0	0	652
Stora Uppåkra 12:302	Parkallén 10	Staffanstorp	0	1,195	0	0	0	0	0	1,195
Stora Uppåkra 12:303	Parkallén 4	Staffanstorp	0	7,694	0	0	0	0	0	7,694
Jägaren 11	Vallgatan 12E	Växjö	0	7,015	0	0	1,552	4,147	962	13,676
Liv 1	Björnstjernegatan 1 A-C	Ystad	0	4,084	0	0	2,566	0	36	6,686
Vallgraven 20	Industrigatan 12	Ystad	0	0	0	0	66	0	3,368	3,434
Verkmästaren 24	Industrigatan 15A	Ystad	0	0	0	0	0	0	0	0
Verkmästaren 25	Industrigatan 15B	Ystad	0	0	0	0	0	0	0	0
Ystad Malmö 5	Nils Åhlins väg 17	Ystad	0	904	0	0	16	0	0	920
Total South Education			5,228	71,441	7,231	0	9,620	4,496	9,396	107,412

			Area, sqm							
Health care	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Kopparormen 4	Vikhemsvägen 9	Eslöv	0	0	2,570	0	0	0	0	2,570
Grönsakshandlaren 5	Jägersrovägen 80	Malmö	0	0	3,003	0	0	0	0	3,003
Rosenbuketten 8	Höjagatan 21	Malmö	0	0	1,493	0	0	0	0	1,493
Total South Health care			0	0	7,066	0	0	0	0	7,066

			Area, sqm							
Justice system	Address	Municipality	Nursing home	Education	Health care	Justice system	Office	Residential	Other	Total
Polisen 1	von Lingens väg 130 B	Malmö	0	0	0	3,555	0	0	0	3,555
Hjorten 15	Henry Dunkers gata 6	Trelleborg	0	0	0	3,372	0	0	0	3,372
Total South Justice system			0	0	0	6,927	0	0	0	6,927
Total South			74,868	75,538	16,534	6,927	12,651	11,513	16,748	214,779

List of properties

Germany

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educ ation	Health care	Justice system	Office	Resi- dential	Other	
Aachen, A.d. Schurzel. Brücke	An der Schurzelter Brücke 1	Aachen	4,950	0	0	0	0	0	0	4,950
Ahrensburg, Reeshoop	Reeshoop 38	Ahrensburg	5,810	0	0	0	0	0	0	5,810
Barssel, Mühlenweg	Mühlenweg 11	Barssel	4,550	0	0	0	0	0	0	4,550
Bensheim, Eifelstraße	Eifelstrasse 21 bis 25	Bensheim	7,036	0	0	0	0	0	0	7,036
Berlin, Klingsorstraße	Hindenburgerdamm 36	Berlin	6,820	0	0	0	0	0	0	6,820
Berlin, Ullsteinstraße	Ullsteinstrasse 159	Berlin	8,656	0	0	0	0	0	0	8,656
Bocholt, Böwings Stegge 1	Böwings Stegge 8	Bocholt	4,966	0	0	0	0	0	0	4,966
Bocholt, Böwings Stegge 2	Böwings Stegge 6	Bocholt	2,499	0	0	0	0	0	0	2,499
Bochum, Vincenzstraße	Vincenzstrasse 1	Bochum	4,719	0	0	0	0	0	87	4,806
Bonn, Rheinallee	Rheinalle 78	Bonn	4,363	0	0	0	0	0	0	4,363
Bremen, Gnesener Straße	Gnesener Strasse 6-Gröelingen	Bremen	2,621	0	0	0	0	0	0	2,621
Bremen, Hemmstraße	Hemmstrasse 345- Findorff	Bremen	1,809	0	762	0	0	0	0	2,571
Bremen, Ricarda-Huch-Straße	Ricarda-Huch Strasse 1	Bremen	8,915	0	0	0	0	0	0	8,915
Butzbach, Johann S.-Bach-Str	Johann-Seb.-Bach-Strasse 26	Butzbach	3,951	0	0	0	0	0	0	3,951
Darmstadt, Im Fiedlersee	Im Fiedlersee 43	Darmstadt	7,516	0	0	0	0	0	0	7,516
Darmstadt, Kasinostraße	Kassinostasse 37	Darmstadt	6,074	0	0	0	0	0	0	6,074
Dinslaken, Kurt-Schumacher-St	Kurt-Schumacher-Strasse 154	Dinslaken	4,059	0	0	0	0	0	0	4,059
Dresden, Preller Str.	Prellerstrasse 16	Dresden	3,704	0	0	0	0	0	0	3,704
Duisburg, Brauerstrasse	Brauerstrasse 43	Duisburg	4,331	0	0	0	0	0	0	4,331
Duisburg, Fuchstrasse	Fuchstrasse 31	Duisburg	4,099	0	0	0	0	0	0	4,099
Duisburg, Hufstrasse	Hufstrasse 2	Duisburg	3,846	0	0	0	0	0	0	3,846
Duisburg, Karl-Lehr-Straße	Karl-Lehr-Strasse 159	Duisburg	4,148	0	0	0	0	0	0	4,148
Elsdorf, Zum Ostbahnhof	Zum Ostbahnhof	Elsdorf	4,217	0	0	0	0	0	0	4,217
Elsenfeld, Bahnhofstraße	Bahnhofstrasse 12	Elsenfeld	4,450	0	0	0	0	0	0	4,450
Emden, Am Wykhoffweg	Rotdornring 1	Emden	3,351	0	0	0	0	0	0	3,351
Hadamar, Hammelburg	Hammelburg 18	Hadamar	6,432	0	0	0	0	0	0	6,432
Heusenstamm, Herderstraße I	Herderstrasse 85-89	Heusenstamm	6,280	0	0	0	0	0	0	6,280
Heusenstamm, Herderstraße II	Herderstrasse 64	Heusenstamm	2,981	0	0	0	0	0	0	2,981
Hünxe, Bensumskamp	Bensumskamp 27	Hünxe	3,800	0	0	0	0	0	0	3,800
Kiel Vaasastrasse 2a	Vaasastrasse 2A	Kiel	5,746	0	0	0	0	0	0	5,746
Kiel, Pickerstrasse	Pickerstrasse 36	Kiel	3,261	0	0	0	0	0	0	3,261
Köln, Neusser Str.	Neusser Strasse 402-406	Cologne	7,681	0	0	0	0	0	0	7,681
Langenfeld, Langforther Str.	Langforter Strasse 1-3	Langenfeld	4,073	0	0	0	0	0	0	4,073
Lauterbach, Bilsteinweg	Bilsteinweg 1	Lauterbach	5,684	0	0	0	0	0	0	5,684
Leipzig, Saxoniastrasse	Saxoniastrasse 32	Leipzig	4,558	0	0	0	0	0	0	4,558
Lichtenstein, Martin-Götze-St	Martin-Götze-Strasse 14	Lichtenstein	5,993	0	0	0	0	0	0	5,993
Liederbach, Am Wehr	Im Grossen Garten	Liederbach	4,800	0	0	0	0	0	0	4,800
Mülheim a.d. Ruhr, Am Halbach	Saarnerstrasse 415	Mülheim an der Ruhr	5,098	0	0	0	0	0	0	5,098
Nittenau, Brucker Strasse	Brucker Strasse 7	Nittenau	4,131	0	0	0	0	0	0	4,131
Offenbach, Spessartring	Spessartring 22	Offenbach am Main	9,569	0	0	0	0	0	0	9,569
Piding, Lindenstrasse	Lindenstrasse	Piding	3,699	0	0	0	0	0	0	3,699
Rehren, Auestraße	Auestrasse 4	Rehren	5,197	0	0	0	0	0	0	5,197
Taunusstein, Am alten Sportpl	Am alten Sportplatz 43	Taunusstein	8,513	0	0	0	0	0	0	8,513
Wetter, Friedrichstraße	Steinstrasse 3	Wetter	4,004	0	0	0	0	0	0	4,004
Wiesbaden, Parkstraße	Parkstrasse 21	Wiesbaden	5,371	0	0	0	0	0	1,190	6,561
Wächtersbach, Chatilloner Str	Chattiloner Strasse 81	Wächtersbach	2,196	0	0	0	0	0	0	2,196
Zeuthen, Fontaneallee	Fontaneallee 29	Zeuthen	8,868	0	0	0	0	0	0	8,868
Zossen, An der Brotfabrik	An der Brotfabrik 1	Zossen	3,554	0	0	0	0	0	0	3,554
Total Germany Nursing homes			242,949	0	762	0	0	0	1,277	244,988

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Educ ation	Health care	Justice system	Office	Resi- dential	Other	
Dortmund, Rheinsche Straße	Rheinische Strasse 69	Dortmund	0	5,500	0	0	0	0	0	5,500
Duisburg, Wuhanstraße 6,11	Wuhanstraße 6,11	Duisburg	0	16,563	0	0	0	0	0	16,563
Duisburg, Wuhanstraße 9	Wuhanstraße 9	Duisburg	0	0	0	0	0	0	0	0
Zossen, Jägerstrasse	Jägerstrasse	Zossen	0	0	0	0	0	0	0	0
Total Germany Education			0	22,063	0	0	0	0	0	22,063

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Educ ation	Health care	Justice system	Office	Resi- dential	Other	
Hofgeismar, Manteuffel Anlage	Manteuffel Anlage 2-5	Hofgeismar	0	0	0	4,286	0	0	0	4,286
Homburg, August-Vilmar-Straße	August-Vilmar-Straße 20	Homburg	0	0	0	3,920	0	0	0	3,920
Kassel, Knorrstraße	Knorrstraße 32	Kassel	0	0	0	3,550	0	0	0	3,550
Wetzlar, Schanzenfeldstraße	Schanzenfeldstraße 8	Wetzlar	0	0	0	10,886	0	0	0	10,886
Total Germany Justice system			0	0	0	22,642	0	0	0	22,642
Total Germany			242,949	22,063	762	22,642	0	0	1,277	289,693

List of properties

Finland

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Kappalaisenkuja 3	Kappalaisenkuja 3	Espoo	1,487	0	0	0	0	0	0	1,487
Kattilantanhua 6	Kattilantanhua 6	Espoo	2,061	0	0	0	0	0	0	2,061
Kiltakallionrinne 1	Kiltakallionrinne 1	Espoo	1,729	0	0	0	0	0	0	1,729
Kivennavantie 15	Kivennavantie 15	Espoo	2,270	0	0	0	0	0	0	2,270
Puistokatu A	Puistokatu A	Espoo	4,601	0	0	0	0	2,554	339	7,493
Haahkapolku 3	Haahkapolku 3	Helsinki	1,058	313	0	0	0	1,841	793	4,005
Keskiyöntie 6-8	Keskiyöntie 6	Helsinki	1,675	0	0	0	0	0	0	1,675
Kuparitie 2	Kuparitie 2	Helsinki	1,882	0	1,247	0	0	0	0	3,129
Haavantie	Haavantie 4	Hyvinkää	1,013	0	0	0	0	0	0	1,013
Turuntie 13	Turuntie 13	Hämeenlinna	5,731	0	0	0	0	0	0	5,731
Hotellitie 1	Hotellitie 1	Jämsä	1,432	0	0	0	0	0	0	1,432
Viipurintie 48	Viipurintie 48	Kaarina	1,300	0	0	0	0	0	0	1,300
Harjunsalontie 2	Harjunsalontie 2	Kangasala	2,040	0	0	0	0	0	0	2,040
Metsolantie 1	Metsolantie 1	Kerava	1,963	0	962	0	0	0	396	3,321
Arppentie 6 B	Arppentie 6 B	Kitee	1,541	0	0	0	0	0	0	1,541
Koiravedenkatu 10	Koiravedenkatu 10	Kuopio	2,099	0	0	0	0	0	0	2,099
Helsingiuksentie 1	Helsingiuksentie 1	Lohja	2,574	0	0	0	0	0	0	2,574
Pitkäniementie	Pitkäniementie	Nokia	3,249	0	0	0	0	0	0	3,249
Viertolantie 3 och 5	Viertolantie 3 och 5	Nurmijärvi	2,345	0	0	0	0	0	0	2,345
Mielikintie 8	Mielikintie 8	Oulu	8,345	0	0	0	0	1,030	0	9,375
Lastenlinnantie	Lastenlinnantie	Pälkäne	1,573	0	0	0	0	0	0	1,573
Haapavedentie 20	Haapavedentie 20	Savonlinna	1,437	0	0	0	0	0	0	1,437
Meesakatu 4	Meesakatu 4	Tampere	3,436	0	0	0	0	0	0	3,436
Tilkonmäenkatu 2	Tilkonmäenkatu 2	Tampere	1,130	0	0	0	0	0	0	1,130
Asentajankatu 2	Asentajankatu 2	Turku	2,543	0	0	0	0	0	0	2,543
Hovioikeudenkatu 3	Hovioikeudenkatu 3	Turku	7,332	0	0	0	0	0	0	7,332
Liinahaankatu 17	Liinahaankatu 17	Turku	5,531	0	0	0	0	0	0	5,531
Pirttivuorenkuja 7	Pirttivuorenkuja 7	Turku	2,450	0	0	0	0	0	0	2,450
Puutarhakatu 39	Puutarhakatu 39	Turku	5,989	0	0	0	0	0	0	5,989
Viilarinkatu 9	Viilarinkatu 9	Turku	3,050	0	0	0	0	0	0	3,050
Virvoituksentie 5	Virvoituksentie 5	Turku	6,043	0	0	0	0	0	0	6,043
Perintökuja 14	Perintökuja 14	Vantaa	6,790	518	0	0	0	0	0	7,308
Huvilatie 2	Huvilatie 2	Vaasa	2,800	0	0	0	0	0	0	2,800
Total Finland Nursing homes			100,499	831	2,209	0	0	5,425	1,528	110,491

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Suotie 4	Suotie 4	Espoo	0	1,141	0	0	0	0	0	1,141
Arkadiankatu 24	Arkadiankatu 24	Helsinki	0	6,197	0	0	0	0	41	6,238
Haapaniemenkatu 6	Haapaniemenkatu 6	Helsinki	0	15,432	0	0	0	0	0	15,432
Nervanderinkatu 13	Nervanderinkatu 13	Helsinki	0	5,258	0	0	0	0	0	5,258
Pohjoinen Rautatiekatu 9	Pohjoinen Rautatiekatu 9	Helsinki	0	4,077	0	0	0	0	0	4,077
Satakunnankatu 23	Satakunnankatu 23	Pori	0	18,552	0	0	0	0	4,603	23,155
Turku University of Applied Sciences 853-21-2-26	Joukahaisenkatu 3 A	Turku	0	16,282	0	0	0	0	0	16,282
Rantakatu 2 905-2-3-30, 31	Rantakatu 2 905-2-3-30, 31	Vaasa	0	15,347	0	0	2,329	0	788	18,464
Total Finland Education			0	82,286	0	0	2,329	0	5,432	90,047

Health care	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Kornetintie 8	Kornetintie 8	Helsinki	0	0	2,626	0	0	0	0	2,626
Kajaanintie 48	Kajaanintie 48	Oulu	0	0	4,384	0	0	0	0	4,384
Kunnalissairaalanatie 20	Kunnalissairaalanatie 20	Turku	0	0	47,967	0	0	0	443	48,410
Kunnalissairaalanatie 36	Kunnalissairaalanatie 36	Turku	0	0	2,096	0	0	0	0	2,096
Signalistinkatu 2	Signalistinkatu 2	Turku	0	0	1,694	0	0	0	0	1,694
Louhelantie 10	Louhelantie 10	Vantaa	0	0	4,939	0	0	0	0	4,939
Total Finland Health care			0	0	63,706	0	0	0	443	64,149

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Educator	Health care	Justice system	Office	Residential	Other	
Salmisaarenranta 7	Salmisaarenranta 7	Helsinki	0	0	0	31,999	9,319	0	7,909	49,226
Arvi Kariston katu 5	Arvi Kariston katu 5	Hämeenlinna	0	0	0	4,715	0	0	0	4,715
Total Finland Justice system			0	0	0	36,714	9,319	0	7,909	53,941
Total Finland			100,499	83,117	65,915	36,714	11,648	5,425	15,311	318,628

Total Foreign			343,448	105,180	66,677	59,356	11,648	5,425	16,588	608,321
Total Sweden			429,099	409,783	192,094	97,586	72,324	17,581	57,470	1,275,937
Total portfolio			772,547	514,963	258,771	156,942	83,972	23,005	74,058	1,884,258

Hemsö's Sustainability Report

As of the 2016 financial year, Hemsö's sustainability reporting will be included in the Annual Report. Hemsö reports in accordance with the Core option of the Global Reporting Initiative (GRI) standards. The report describes Hemsö's sustainability performance and results for 2019. Boundaries and year-on-year changes are described in connection with the tables' performance indicators. The contact person for the report and its contents is Head of Sustainability, Emma Weman (emma.weman@hemso.se).

A summary of the GRI topics and indicators reported is presented on the following pages, with information about where they can be found.

GRI data

Information about the GRI Indicators not included elsewhere in the Annual Report is presented below.

102-41 Collective bargaining agreements

All employees in Hemsö Fastighets AB and Hemsö Development AB are covered by collective bargaining agreements. Collective agreements are not possible for Vitartes or for Hemsö in Finland and Germany due to the size of these companies, but similar conditions are applied. 90 per cent of employees are covered by collective agreements.

201-1 Direct economic value generated and distributed

SEK million	2017	2018	2019	Share, %
Direct economic value generated				
Income (rents and other income)	2,370	2,617	3,046	
Economic value distributed				
Employee salaries and benefits, social security contributions	-129	-140	-147	5
Payments to providers of capital	-345	-372	-419	14
Dividends to the owners	-556	-657	-721	24
Payments to suppliers	-549	-594	-692	22
Tax paid	-66	-71	-141	5
Economic value retained	725	783	925	30

401-1 New employee hires and employee turnover

Employee turnover, %	2019	2018	2017
Total	18.7	17.1	22.0
Men	3.4	16.8	18.2
Women	10.7	13.5	12.1

The number of new employees in 2019 was 30 (22 in 2018, 23 in 2017). Hemsö does not report age group or region due to the small number of employees. Calculation using the formula: lowest number of employments started or ended, respectively/average number of employees. Comprises Sweden, Finland and Germany.

302-1: Energy consumption within the organisation*

Adopted reporting period: 1 January 2019-31 December 2019. Total amount of energy consumed in 2019 was 234,608 MWh.

MWh	2019	2018	2017
Electricity, renewable	86,980	93,754	73,525
District heating, renewable	115,779	115,555	108,685
District cooling, renewable	4,272	3,467	2,019
Total renewable energy	207,032	212,776	184,229
Electricity, non-renewable			10,946
District heating, non-renewable	25,559	21,410	19,283
District cooling, non-renewable	273	221	129
Oil	1	1	1
Natural gas	1,558	2,969	2706
Diesel	68	102	268
Petrol	118	17	5
Total non-renewable energy	27,576	24,720	33,338
TOTAL	234,608	237,496	217,568

* Energy consumption includes data for Sweden and Finland. In Germany, the tenant is responsible for energy consumption under the rental agreement.

GHG emissions, 305-1, 305-2 and 305-3**

Direct and Indirect GHG emissions, Scopes 1, 2 and 3	2019	2018	2017
305-1: Direct (Scope 1) GHG emissions, tCO₂e	683	884	632
Non-renewable energy	683	884	632
305-2: Indirect GHG emissions	12,126	10,405	15,065
Electricity, non-renewable	-	-	3,837
District heating, non-renewable	12,106	10,389	11,228
District cooling	20	16	1
305-3: Other direct GHG emissions	2,687	2,134	1,754
Air travel	101	107	89
Train travel	0	0	0
Company cars, own car for business use	9	6	6
Hotel	1	1	1
Production of energy carriers	2,576	2,020	1,658
Total	15,496	13,423	17,452

The calculations include direct emissions from refrigerants, mobile and stationary fuels (Scope 1), indirect emissions from purchased electricity, heating and cooling (Scope 2) and other indirect emissions from business travel and the production of energy carriers (Scope 3).

Calculations and reporting are based on the GHG Protocol Corporate Accounting and Reporting Standard, revised edition.

Consumption data from stationary and mobile combustion, refilling of refrigerants and purchased electricity, heating and cooling. This year, we reported consumption of district heating in Sweden per supplier. The calculations of GHG emissions from travel by taxi are based on information from previous years. Conservative assumptions and emission factors were used in the calculation. Main sources for emission factors were the Swedish Environmental Protection Agency (EPA) 2017, the UK Department for Business, Energy and Industry Strategy (BEIS) 2019, the Swedish Energy Agency 2017, Swedenergy 2019, Finnish Energy 2018 and Vattenfall 2015.

** Calculations include properties in Sweden and Finland.

103-1-103-3 Disclosures on Management Approach – compliance with laws and regulations

Laws and regulations of particular significance for Hemsö are mainly in the areas of tax, financial reporting, the environment, employer's liability, premises liability and for the role of developer. To ensure compliance with laws and regulations, Hemsö applies internal procedures, quality control and external audits. Hemsö's Code of Conduct and whistleblower system also support these efforts. Every area is continuously monitored in regard to regulatory and legal changes to enable timely action and adaptation of the operations. For obligations that are governed by law, Hemsö has a clear delegation of responsibilities within the company and ongoing training for the people concerned. The principle of responsibility is based on fields of expertise and the employee's own ability to take responsibility for their particular area of expertise. Cases for which regulatory and legal changes have led to a need for action are monitored at least annually. Any needs for action are materialised through various activities and included in the annual Group-wide business planning process. Monitoring takes place at management level.

307-1, 419-1 Non-compliance with laws and regulations

During the year, Hemsö was not subject to any legal action due to non-compliance with laws or regulations.

405-1 Diversity of governance bodies and employees

	Percentage of women/men, %			
	< 29 years	30-49 years	> 50 years	
2019				
Board	33/67	0	33	67
Management	30/70	0	90	10
All employees	47/53	12	68	20
2018*				
Board	33/67	0	33	67
Management	25/75	0	100	0
All employees	49/51	10	70	20

* Including the joint venture Vitartes

GRI Content Index

General standard disclosures		Page	Comments
102-1	Name of the organisation		Hemsö Fastighets AB
102-2	Activities, brands, products, and services	1, 7-8, 24	
102-3	Location of headquarters		Stockholm
102-4	Location of operations	1, 7, 24-25	
102-5	Ownership and legal form	77	
102-6	Markets served	7	
102-7	Scale of the organisation	60-62	
102-8	Information on employees and other workers	62	
102-9	Supply chain	42	
102-10	Significant changes to the organisation and its supply chain		No major changes in 2019
102-11	Precautionary Principle or approach		Hemsö applies the precautionary principle through systematic property management, which prevents problems associated with the indoor environment. The precautionary principle is also applied when using new materials and products.
102-12	Externally developed regulations, standards, principles to which the organisation subscribes/endorsees	58-59	
102-13	Memberships of associations	58	
102-14	Statement from the CEO/Chairman	4-5	
102-16	Values, principles, standards, and norms of behaviour	13, 56	
102-18	Governance structure	77-80	
102-40	List of stakeholder groups	57	
102-41	Collective bargaining agreements	126	
102-42	Identifying and selecting stakeholders	56-57	
102-43	Approach to stakeholder engagement	13, 39, 42, 59, 126	
102-44	Key topics and concerns raised	57	
102-45	Entities included in the consolidated financial statement		The consolidated financial statements include the Parent Company and subsidiaries. Subsidiaries are entities over which the Parent Company has a controlling interest. Employee-related data covers Sweden, Germany and Finland. The GRI report is largely based on Hemsö's Swedish operations, which include most of Hemsö's properties. The aim is to gradually include more data for Germany and Finland.
102-46	Defining report content and topic Boundaries	56-57	
102-47	List of material topics	57, 127-129	
102-48	Restatements of information		No data was restated.
102-49	Changes in reporting		
102-50	Reporting period		2019-01-01–2019-12-31
102-51	Date of most recent report		27 Mar 2019
102-52	Reporting cycle		Calendar year
102-53	Contact point for questions regarding the report	126	
102-54	Claims of reporting in accordance with the GRI Standards		
102-54	Core/Comprehensive	126	
102-55	GRI Content Index	126-129	
102-56	External assurance	129	
Material topics, management approach and performance indicators			
Economic performance			
103-1, 103-2, 103-3	Management Approach	8-9, 10, 24	
201-1	Direct economic value generated and distributed	126	
Compliance			
103-1, 103-2, 103-3	Management Approach	74,126	
307-1, 419-1	Non-compliance with laws and regulations	126	
Anti-corruption			
103-1, 103-2, 103-3	Management Approach	63	
205-2	Communication and training about anti-corruption policies and procedures	56	
205-3	Confirmed incidents of corruption and actions taken	64	

Materials and chemicals			
103-1, 103-2, 103-3	Management Approach	54	
Hemsö-1	Materials in new construction that meet Hemsö's environmental and health requirements	54	Proportion of products in development projects that meet the criteria for levels A and B in the SundaHus Material Data system.
Energy			
103-1, 103-2, 103-3	Management Approach	11, 40, 59	
302-1	Energy consumption within the organisation	126	
302-4	Reduction of energy consumption	40	
CRE1	Building energy use intensity	40	
GHG emissions			
103-1, 103-2, 103-3	Management Approach	40, 56	
305-1	Direct (Scope 1) GHG emissions	126	
305-2	Purchased energy – indirect (Scope 2) GHG emissions	126	
305-3	Other indirect (Scope 3) GHG emissions	126	
305-4	GHG emissions intensity	40	Hemsö reports greenhouse gas (GHG) emissions per lettable area (sqm).
Employment			
103-1, 103-2, 103-3	Management Approach	12-14	
401-1	New employee hires and employee turnover	126	
Occupational health and safety			
103-1, 103-2, 103-3	Management Approach	12-14	
403	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism	14	Hemsö recognises employee attendance and occupational injuries and accidents for employees.
Training and education			
103-1, 103-2, 103-3	Management Approach	12-14	
Hemsö-2	The proportion of employees who are satisfied with their opportunities for professional development	12	
404-3	Percentage of employees receiving regular performance and career development reviews	13	
Diversity and equal opportunity			
103-1, 103-2, 103-3	Management Approach	14, 56	
405-1	Diversity of governance bodies and employees	81, 126	
405-2	Ratio of basic salary and remuneration of women to men	14	
Supplier social assessment			
103-1, 103-2, 103-3	Management Approach	43	
308-1 414-1	New suppliers that were screened using social criteria	43	
Tenant health and safety			
103-1, 103-2, 103-3	Management Approach	38-39, 42-43	
416-1	Assessment of the health and safety impacts of product and service categories	43	
Hemsö-3	Reported accidents and incidents in Hemsö's properties during the reporting period	43	Comprises accidents and incidents that resulted in premises liability claims on Hemsö's properties.
Product and service labelling			
103-1, 103-2, 103-3	Management Approach	27, 58	
CRE8	Sustainability certifications and ranking of the property portfolio	58	
Customer satisfaction			
103-1, 103-2, 103-3	Management Approach	38-39	
Hemsö-4	Results of customer satisfaction surveys	39	Hemsö's CSI survey in Sweden.

Summary of Hemsö's compliance with applicable accounting standards in accordance with the Swedish Annual Accounts Act

Area	Disclosure	Reference
Overall	Business model	7-10
Environment	Policy and environmental issues	38-43, 54, 56-59, 73, 126
	Risks and risk management related to environmental issues	
	Targets and results related to environmental issues	
Employees and social conditions	Policy and social issues	12-14, 73, 126
	Risks and risk management related to social issues	
	Targets and results related to social issues	
Human rights	Policy and social issues	14, 42-43, 71
	Risks and risk management related to social issues	
	Targets and results related to social issues	
Anti-corruption	Policy and anti-corruption initiatives	42-43, 56, 71, 74
	Risks and risk management related to anti-corruption	
	Targets and results related to anti-corruption	

Auditor's Limited Assurance Report on Hemsö Fastighets AB's Sustainability Report and the Auditor's Report on the Statutory Sustainability Report

To Hemsö Fastighets AB, corporate identity number 556779-8169

Introduction

We have been engaged by the Board of Directors of Hemsö Fastighets AB (Hemsö Fastighets) to undertake a limited assurance engagement of Hemsö Fastighet's Sustainability Report for the year 2019. The company has defined the Sustainability Report for 2019 on page 127-128 in this document, that also includes the statutory sustainability report on page 129.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report and the Statutory Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the statutory sustainability report in accordance with the applicable criteria and the Swedish Annual Accounts Act respectively. The applicable Criteria are explained on the page 126, and are the parts of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and provide an opinion on the statutory sustainability report. Our engagement is limited to the information in this document and the historical information presented and thus does not include future oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, with the application of RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report.

The procedures performed in a limited assurance engagement and in accordance with FAR's auditing standard RevR 12 vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Hemsö Fastighets in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. Consequently, the procedures performed and our examination in accordance with RevR12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures performed in the limited assurance engagement are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A statutory sustainability report has been prepared.

Stockholm, 25 March 2020
Ernst & Young AB

Magnus Fredmer
Authorised Public Accountant

Marianne Förander
Expert Member of FAR

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.

Return on equity	Jan-Dec 2019	Jan-Dec 2018
Profit for the period	3,111	3,092
Average equity	14,957	11,997
Return on equity, %	20.8	25.8

Property yield	31 Dec 2019	31 Dec 2018
Net operating income according to income statement	2,276	1,950
Adjusted for 12-month holding period	-11	82
Adjusted for development properties	-87	-137
Adjusted net operating income	2,178	1,895
Market value of properties	55,027	46,236
Adjusted for development properties	-8,888	-7,700
Adjusted market value	46,139	38,536
Property yield, %	4.7	4.9

Total yield	Jan-Dec 2019	Jan-Dec 2018
Net operating income	2,276	1,950
Change in value, properties	2,037	2,060
Total	4,313	4,010
Opening property value	46,236	38,883
Closing property value	55,027	46,236
Adjustment of value change for the year	-2,037	-2,060
Adjusted average property value	49,613	41,530
Total yield, %	8.7	9.7

Profit from property management	Jan-Dec 2019	Jan-Dec 2018
Profit before tax	3,732	3,594
Reversal		
<i>Change in value, properties</i>	-2,037	-2,060
<i>Value changes, derivatives</i>	25	-91
Profit from property management	1,720	1,443

Return on profit from property management	Jan-Dec 2019	Jan-Dec 2018
Profit from property management x 90%	1,548	1,299
Average equity	14,957	11,997
Return on profit from property management, %	10.3	10.8

Interest-coverage ratio	Jan-Dec 2019	Jan-Dec 2018
Operating profit	2,139	1,815
Net financial items	-419	-372
Interest-coverage ratio, times	5.1	4.9

Operating cash flow	Jan-Dec 2019	Jan-Dec 2018
Profit from property management	1,720	1,443
Profit/loss from participations in associated companies	2	-11
Depreciation	12	2
Tax paid	-106	-51
Operating cash flow	1,628	1,383

Loan-to-value ratio	31 Dec 2019	31 Dec 2018
Interest-bearing debt	35,542	29,278
Less cash and cash equivalents	-988	-450
Net debt	34,554	29,278
Market value of investment properties	55,662	46,236
Investments in associated companies	635	183
Loan-to-value ratio, %	62.1	63.1

Debt-coverage ratio	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	988	450
Undrawn committed credit facilities*	12,661	12,700
Available liquidity	13,649	13,150
Short-term loans	7,898	7,994
Debt-coverage ratio, %	173	165

*Excluding undrawn construction credit

Share of secured debt	31 Dec 2019	31 Dec 2018
Secured debt outstanding	0	0
Market value of investment properties	55,027	46,236
Share of secured debt, %	0.0	0.0

Operating margin	Jan-Dec 2019	Jan-Dec 2018
Operating profit	2,139	1,815
Property income	3,046	2,618
Operating margin, %	70.2	69.3

Equity/assets ratio	31 Dec 2019	31 Dec 2018
Equity	16,714	13,199
Assets	57,945	47,406
Equity/assets ratio, %	28.8	27.8

Net asset value	31 Dec 2019	31 Dec 2018
Equity	16,714	13,199
Derivatives	211	281
Deferred tax	3,600	3,067
Net asset value	20,525	16,547

Adjusted equity/assets ratio	31 Dec 2019	31 Dec 2018
Equity	16,714	13,199
Shareholder loans	0	0
Derivatives	211	281
Deferred tax	3,600	3,067
Net asset value	20,525	16,547
Assets	57,945	47,406
Adjusted equity/assets ratio, %	35.4	34.9

Definitions

Financial definitions

Adjusted equity/assets ratio

Net asset value in relation to total assets.

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.

Available liquidity

Cash and cash equivalents and short-term investments plus undrawn committed credit facilities.

Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

Equity/assets ratio

Equity in relation to total assets.

Interest-bearing liabilities

Interest-bearing liabilities, excluding interest-bearing debt and right-of-use assets.

Interest-coverage ratio

Operating profit in relation to net financial items.

Loan maturity

The average of the remaining maturities of interest-bearing liabilities, taking committed credit facilities into account.

Loan-to-value ratio

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

MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

Net asset value

Equity plus deferred tax and derivatives.

Operating cash flow

Profit from property management after reversal of depreciation and profit from participations in associated companies less tax paid.

Operating margin

Operating profit in relation to property income.

Operating profit

Net operating income plus profit from associated companies less central administrative expenses.

Profit from property management

Profit before value changes and tax.

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.

Return on equity

Profit after tax for the period in relation to average equity (rolling 12-month period). Average equity calculated as the total of the opening and closing balance, divided by two.

Return on profit from property management

Profit from property management after 10 per cent standard tax in relation to average equity (rolling 12-month period). Average equity calculated as the total of the opening and closing balance, divided by two.

Share of secured debt

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

Short-term borrowings

Loan maturities within 12 months.

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.

Property-related definitions

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.

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.

Economic occupancy rate

Contracted annual rental income in relation to rental value.

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

The areas of the properties for which tenants can be debited rent at period-end.

Net investments

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

Net operating income

Rental income less operating and maintenance costs, property tax and ground rent. As of 1 January 2019, ground rent is no longer included in net operating income.

NOI-margin

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

Public property

A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Secure housing facilities are also included in the public properties concept.

Rent based on vacancy rate

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

Rental duration

The weighted average remaining rental duration, excluding garage/parking storage and housing rented to private individuals.

Rental income

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

Rental value

Contracted annual rental income plus vacancy rent.

Vacancy rent

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



Reporting – Sustainability bonds

Hemsö is the first issuer of sustainability bonds in the Nordic region. The issue amount is SEK 1,000 million.

First in the Nordic region

On 30 May 2016, Hemsö became the first Nordic company to issue a sustainability bond. The issue amount was SEK 1,000 million. The proceeds were used exclusively for sustainable investing and properties. Hemsö's sustainability bond framework provides a clear definition of the project types and properties that can be financed. Hemsö was the first company in the Nordic region to incorporate social investment into its framework. The complete framework is available at hemso.se

The proceeds from Hemsö's first sustainability bond issued in 2017 were used to finance three categories of sustainable projects: environmental certification of newly developed properties, investment in the outdoor environment for a school, and a conversion project to create hous-

ing for unaccompanied refugee children.

The bond is traded on the Nasdaq Stockholm Sustainable Bond list. – a market segment for sustainability bonds with specific eligibility criteria for issuers.

Qualified projects

Under Hemsö's sustainability bond framework, the proceeds from the issues are to be used to finance environmentally certified properties, energy-efficiency investments or social investments in the following categories:

1. Development or acquisitions of new properties
2. Existing environmentally certified properties
3. Reduced energy consumption in existing properties

4. Social investments in the following categories:

- a. Schools
- b. Nursing homes
- c. Conversion projects to develop refugee housing

No more than 10 per cent of the total proceeds may be used for social investments. Only new projects received allocations, but the aim is to finance both new and existing projects in the future.

Second opinion from Sustainalytics

Ratings firm Sustainalytics reviewed Hemsö's sustainability performance and bond framework terms. Sustainalytics is of the view that Hemsö's sustainability performance ranks highly in the property sector and that the company is well-posi-



Education, Widénska upper secondary school, Västerås

tioned to issue sustainability bonds that support both environmental and social initiatives. Sustainalytics verifies that the investment categories included in the framework will contribute to greater sustainability.

Read Sustainalytics' second opinion on [hemso.se](https://www.hemso.se)

Some examples of financed projects

Grenverket – Social investment in the outdoor environment

Grenverket in Lund comprises facilities for education, health and social care, as well as office space, a boutique hotel and a community-based school restaurant. The outdoor environments in the Grenverket development project have been designed to promote learning and reduce stress. The project is based on environmental psychology research conducted by the Swedish University of Agricultural Sciences (the Alnarp Model). The amount invested was SEK 15.2 million and used for:

- Lighting to improve safety, security and well-being, with particular consideration for wildlife in the area.
- Replanting and replenishment of plant species.
- Planning of horizontal and vertical greenery. For example, trees provide protection from the sun while shrubs reduce noise levels around building façades.
- Container gardening helps school students deepen their understanding of biology and ecology.

- Areas for both activity and relaxation: seating, hammocks, a greenhouse, natural enclosures, table-tennis tables, basketball and football.
- Ground materials and playground equipment were chosen to ensure accessibility, long-term sustainable operation, permeability, robustness and to promote natural greenery.
- A special drop-off/pick-up point for parents who drive their children to school has created safer traffic flows around the school.
- A walk with QR codes was designed to encourage physical activity and to provide information about plants, wildlife and cultural history.

Grenverket – SGBC -certified, Silver rating

The building has a SILVER rating under the Sweden Green Building Council's (SGBC) certification system and the investment amount is SEK 675 million. To safeguard the overall Silver rating, a wide range of measures have been taken in the following areas:

- Energy efficiency by adding insulation, replacing windows, replacing façade sealant, re-roofing and introducing modern technical systems.
- Indoor climate and air quality by focusing on natural light, demand control ventilation and air quality control. New structural elements have, for example, enabled more natural light to flow into the building and improved accessibility.
- Extensive remediation of hazardous materials, such as PCBs, asbestos and lead.

- Choice of materials based on Sunda-Hus A, B and C+ classifications, which means that materials are chosen on the basis of their environmental and health impacts.
- Environmental noise with a focus on airborne sound insulation and noise from installations and the choice of sound-absorbing materials in floors and ceilings.

Medicinaren 23 – SGBC-certified, Silver rating

The first of two buildings in a training and research centre next to Karolinska University Hospital in Huddinge. The building houses the Royal Institute of Technology's School of Technology and Health and the Red Cross University College, as well as facilities for the Karolinska Institute and Karolinska University Hospital. The building has a SILVER rating under the SGBC certification system and the investment amount is SEK 300 million. To safeguard the overall Silver rating, a wide range of measures have been taken in the following areas:

- Environmental noise with a focus on airborne sound insulation and noise from installations
- Choice of materials based on Sunda-Hus A, B and C+ classifications, which means that materials are chosen on the basis of their environmental and health impacts.
- Indoor climate and air quality by focusing on natural light, demand control ventilation and air quality control.



Education, Grenverket, Lund

Environmental certification (category 1 and 2)

Category	Property/project	Amount, SEK million	Project, description	mWh/year	kWh/m ²	tCO ₂ /year	kgCO ₂ /m ²
Category 1	Technology and Health (Medicinaren 23)**	675	SGBC-certified, Silver rating	1,401	67	36	2.1
Category 1	Grenverket (Klostergården 2:9, building 90)	300	SGBC-certified, Silver rating	1,768	90	11	0.8
Total		975*					

Social investments (category 4)

Category	Property/project	Amount, SEK million	Project, description	No. of places	Area/person/ m ²	Distance from public transport, km
Category 4c	Norr 5:10	2.9	Conversion to housing for unaccompanied refugee children	24	21	0.6
Category 4c	Kråkhult 1:61	3.2	Conversion to housing for unaccompanied refugee children	24	30	0.2
Category 4c	Fritsla 14:8	2.9	Conversion to housing for unaccompanied refugee children	12	53	0.2
Category 4c	Byrådirektören 4	1.4	Conversion to housing for unaccompanied refugee children	35	46	0.1
Category 4c	Grenverket	15.0	Design of outdoor environment based on environmental psychology research	n/a	n/a	n/a
Total		25.4*				

* Information within the scope of the auditors' assurance report.

** The outcome is excluding business electricity and cooling. Total energy consumption including business electricity and cooling: 1,927,313 kWh and 93.2 kWh/m².

A selection of the research studies used for Grenverket's outdoor environment design:

Grahn, P. Stigsdotter, U. & Berggren-Bärring, A-M. 2005. A planning tool for designing sustainable and healthy cities. The importance of experienced characteristics in urban green open spaces for people's health and well-being. In Conference proceedings "Quality and Significance of Green Urban Areas", April 14-15, 2005, Van Hall Larenstein University of Geocentrum Sölvegatan 10, Lund Professional Education, Velp, The Netherlands.

Grahn, P. & Stigsdotter, U.K. (2010). "The relation between perceived sensory dimensions of urban green space and stress

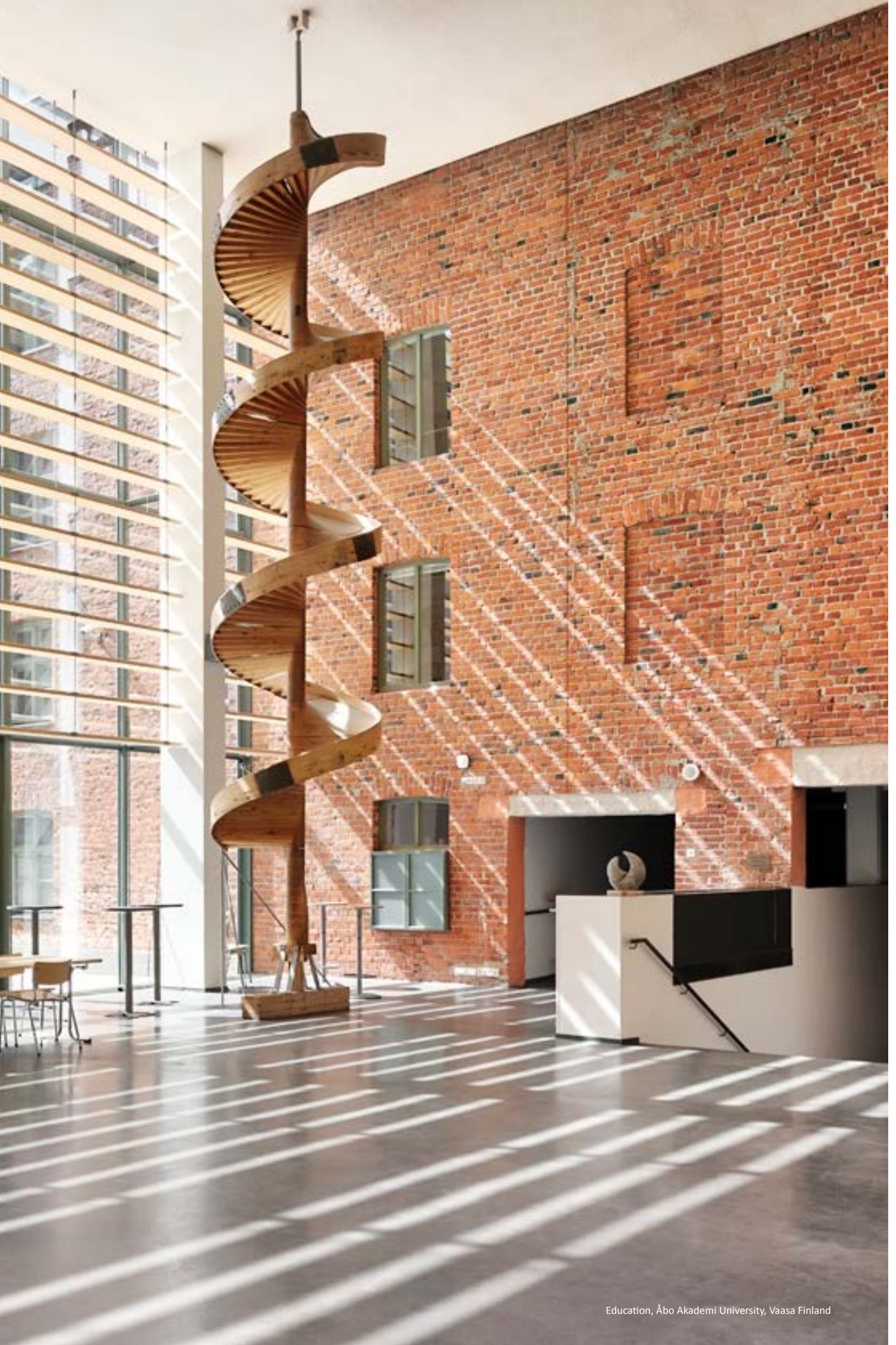
restoration." Landscape & Urban Planning 94: 264-275.

Hollingsworth R & E. J. Hollingsworth. (2003). "Stora upptäckter och biomedicinska forskningsorganisationer" (Eng: Major discoveries and biomedical research organisations), Kim, Lillemor & Mårtens, Pehr (eds), "Den vildväxande högskolan, Studier av reformer, miljöer och kunskapsvägar" (Eng: The wild-growing college, Studies of reform, environments and knowledge paths), SISTER, Skrifter 8, Nora: Nya Doxa.

Kaplan, R. & Talbot, J.F. (1983). "Psychological benefits of wilderness experience." Human Behavior & Environment: Advances in Theory & Research 6, 163-203.

Kaplan, R., Kaplan, S. & Ryan, R.L. (1998). "With People in mind." Island Press.

For a complete list of the research studies, refer to: <http://restorativeworkplace.com/wp-content/uploads/2015/07/Publications-2015-GI-Starka-Miljöer.pdf>



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