

**HEMSÖ**

**2018**

**Annual Report**



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### 2018 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 pages 66-120. The Directors' Report comprises pages 66-81. Sustainability issues are integrated into Hemsö's operating activities. A description of the company's sustainability efforts is therefore included in each operating area. The GRI Content Index is on pages 63–65 and 132–135.





## Mission

Hemsö's mission is to sustainably own, manage and develop public properties



## Vision

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

## This is Hemsö

Hemsö is one of the largest private owners of public properties in Sweden. The business is based on sustainably owning, managing and developing public properties for nursing homes, education, health care and the justice system.

The properties are located in Sweden, Germany and Finland. The tenants are mainly state, municipal and county councils, but also private companies with taxpayer-funded operations. The Third Swedish National Pension Fund is Hemsö's principal owner.

## Hemsö's core values

Three core values permeate Hemsö's operations: accessible, reliable and progressive.

**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.

# Hemsö in figures and significant events in 2018

Properties

**365**

Leasable area

**1,732**  
tsqm

Economic  
occupancy rate

**98.3 %**

Property value

**SEK 46.2**  
billion

Contracted annual rent

**SEK 2,750**  
million

Profit from  
property management

**SEK 1,443**  
million





## Q1

Within the framework of the existing EMTN programme, a 15-year bond of EUR 56 million and a 20-year bond of SEK 150 million were issued.

In central Helsinki, Hemsö acquired three university properties with the University of the Arts Helsinki as tenant. The University of the Arts Helsinki, comprises the Sibelius Academy, the Theatre Academy and the Finnish Academy of Fine Arts. The investment amount was SEK 800 million.

Hemsö raised a loan of SEK 800 million from the Nordic Investment Bank (NIB). The 8-year loan is unsecured and included in the NIB's loan portfolio, which aims to promote social sustainability across the Nordic region.

Hemsö's newly constructed research and educational property Neo in Huddinge was fully leased. The largest tenants are the Karolinska Institute and Huddinge Municipality.

## Q2

Hemsö acquired two nursing homes with 90 beds that are currently under construction in Turku. A 12-year lease agreement was signed with Esperri Care for both of the nursing homes.

Hemsö launched the "Skolgårdsluftet" project and invested SEK 30 million in the development of school playgrounds. The aim of the project is to raise the quality of all school playgrounds in the portfolio.

Construction start for the Kronan nursing home in Luleå. The home has 144 beds, and a 20-year lease agreement was signed with Luleå Municipality.

Hemsö initiated the development of a new 60-bed nursing home project in Kristianstad in partnership with Vardaga, which has signed a 15-year lease agreement.

The City of Stockholm allocated a land reserve to Hemsö in Skärholmen with the aim of exploring the possibility of developing a hospital.

Borlänge Municipality awarded Hemsö a contract to develop a new school for 600 students. A 20-year lease agreement was signed with Borlänge Municipality.



## Q3

Hemsö signed a loan agreement of SEK 3,000 million with the European Investment Bank. The loan agreement supports new construction and refurbishment for energy-efficient public properties “Nearly Zero-Energy Buildings.”

Hemsö acquired a property portfolio in a new segment in Germany. The portfolio comprises four justice system properties with the State of Hesse as tenant. The investment amount was EUR 26 million.

In Sandbyhov in Norrköping, the zoning plan was enacted and Hemsö commenced construction of “Nodhuset.” The new building will house health care premises for Region Östergötland, and 42 rental apartments that Hyresbostäder (a housing company owned by Norrköping Municipality) will acquire.

Hemsö strengthened its development project department by employing eight people, and recruiting a new Head of Central/Northern Region.

## Q4

Hemsö extended the lease agreement with Mälardalen University in Västerås. The lease agreement comprises approximately 34,500 sqm and the lease term is ten years.

Hemsö concluded an agreement to construct a secondary school for 1,000 students in Zossen, south of Berlin in Germany. The City of Zossen signed a 20-year lease agreement. The investment amount was EUR 45 million.

Hemsö signed a letter of intent with the City of Turku to acquire eight nursing homes and health care properties in Turku, Finland. The investment amount was EUR 130 million.

Hemsö received the Swedish Business Award in Germany, presented by the Swedish Chamber of Commerce, Business Sweden and Swedish Embassy.

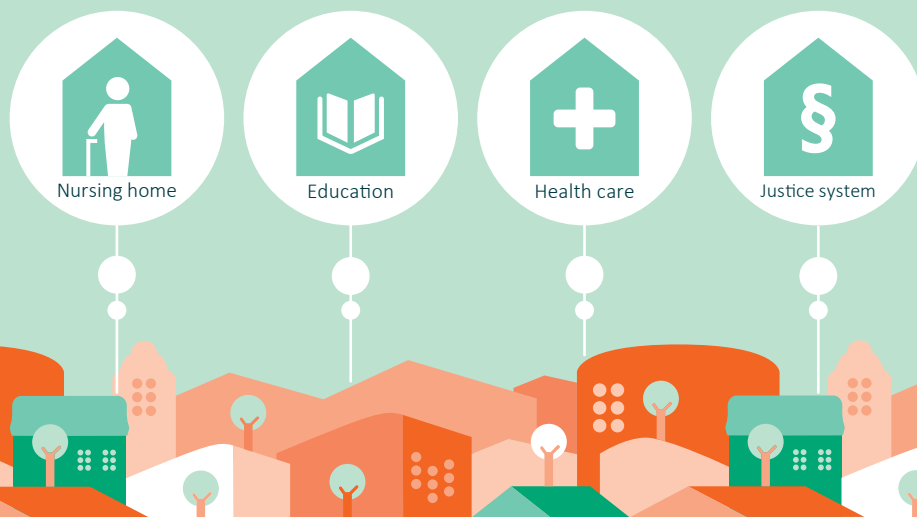
Hemsö acquired a school under construction in Haninge and is planning to construct a 54-bed nursing home in Halmstad. The investment amount was SEK 320 million.

Hemsö acquired Helsinki Court House for EUR 200 million. The Finnish state is the largest tenant. The leasable area is 50,000 sqm and the remaining lease term is 12 years. Transfer is scheduled for the first quarter of 2019.



## Properties for public use

A property that is predominantly used for **taxpayer-funded operations** and is **dedicated** to **public services**. Internationally, these properties are generally referred to as “social infrastructure.”





## CEO statement

# We are equipped for the future

Hemsö's stable growth continued in 2018. Rental income and profit from property management rose 10 per cent to SEK 2,607 million and SEK 1,443 million, respectively, and profit for the year after tax increased 19 per cent to SEK 3,092 million, mainly driven by changes in property value.

Hemsö's business model with long-term lease agreements and tenants with good credit scores creates long-term earnings stability. Over the past five years, the average increase in Hemsö's profit from property management has been 15 per cent per year. Hemsö's low operational risk combined with an extended loan maturity and fixed-rate period creates ideal conditions for stable and predictable cash flows moving forward.

### Longer lease duration and improved property portfolio

Due to acquisitions and completed development projects during the year, the lease duration increased to 9.7 years. The proportion of public-sector tenants, where Hemsö signs lease agreements directly with state, municipal or county councils, increased to 60 per cent. A full 94 per cent of Hemsö's total rental income is derived from taxpayer-funded tenants.

The property portfolio has been continuously improved over the past years, and our focus on developing modern nursing homes and schools has played an important part. In 2018, we started constructing new schools, nursing homes and health care properties for a total investment volume of SEK 2 billion, a lease duration of more than 20

years and where public-sector tenants accounted for 90 per cent of the rental income. Because of these efforts, the quality of our property portfolio will continue to improve in the future.

### Leading project developer of schools and nursing homes

In recent years, Hemsö has established a market position as one of Sweden's leading project developers of public properties, particularly schools and nursing homes.

The focus of our investment in development is to help Swedish municipalities create the social infrastructure needed to provide public services. This involves close cooperation with municipalities and private health care and school operators when constructing new schools and nursing homes. During the year, we started development projects in Sweden with public-sector tenants including the City of Västerås, Norrköping Municipality, Luleå Municipality, Region Östergötland, and taxpayer-funded private-sector tenants such as Vardaga and Norlandia Care.

### Skolgårdslyftet

During the year, Hemsö launched the Skolgårdslyftet project, with an initial investment of SEK 30 million. The aim of the project is to raise the quality of outdoor environments at our schools and preschools. The investment will help to improve social sustainability by enhancing and developing the outdoor environment with a focus on children and young people. The objective is to develop the school playgrounds

in line with current research on quality outdoor environments. The research shows that green and varied school playgrounds promote the learning of children and young people, as well as their social and physical development.

Hemsö currently own approximately 100 preschools and elementary schools across Sweden and Skolgårdslyftet enables us, as a property owner, to embrace our social responsibility and contribute to greater social sustainability. Sustainable development is a primary objective for Hemsö and we are proud to be making this investment on behalf of our children and young people. The initiative represents an important step in the creation of a well-functioning learning environment, and a sound workplace for teachers and other members of staff.

### Strategic investments in Germany and Finland

During the year, we broadened our operations in Germany with a focus



on justice system properties and schools with public-sector tenants. We also broadened our portfolio in Finland by acquiring properties and development projects with a large proportion of public-sector tenants engaged in justice system, education and nursing home services. I would like to highlight our first two development properties outside of Sweden, where close cooperation with public-sector tenants has played a key role.

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**“In recent years, Hemsö has claimed a market position as one of Sweden’s leading project developers of public properties for schools and nursing homes.”**

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Hemsö took a major step forward in Germany with the construction start of a secondary school for 1,000 students in Zossen, south of Berlin. This is Hemsö’s first school project in Germany. The City of Zossen is the tenant and has signed a 20-year lease agreement. This development project is unique in Germany, where virtually all municipal schools are developed by the municipalities themselves. I believe that this project will show other German municipalities the benefits of working with an experienced and long-term partner like Hemsö. Germany’s schools are in huge need of modernisation and the municipalities will not be able to meet this challenge without partnership with private operators.

Hemsö’s first development project in Finland is a total refurbishment of the Sibelius Academy in central Helsinki. Hemsö is investing EUR 15

million in restoring the property to its former condition in the 1930s when it was built as a conservatory. Hemsö is creating modern and functional teaching rooms with high demands on good acoustics. The Sibelius Academy is ranked the sixth-best school of music in the world and I am proud to have such a prestigious Finnish cultural institution as one of our long-term tenants.

### **Lower refinancing risk and predictable interest expense**

During the year, we strengthened our capital structure. We focused on broadening the company’s financing and issued long-term bonds with fixed rates in both European and Swedish bond markets. The bonds have maturities of up to 25 and 30 years, respectively. In addition, two unsecured loans totalling SEK 3.8 billion were raised from the Nordic Investment Bank and European Investment Bank. These efforts subsequently extended our loan maturity and fixed-rate period by 7.9 and 5.9 years, respectively, at period-end, while our investor base was considerably broadened during the year.

Despite a longer fixed-rate period, the average interest rate declined to 1.3 per cent.

Despite bond market turbulence in the second half of the year, Hemsö has created a strong position in Swedish and international capital markets with access to financing that few other property companies can match.

### **Favourable conditions for growth**

The demand for social infrastructure is large. This need is mainly driven by demographic shifts and population growth that are not changing, regardless of global economic trends. This strong demand is creating favourable market conditions for continued growth, and Hemsö can help not only municipalities in Sweden, but also in Germany and Finland, with their major challenges.

To meet this challenge of creating new social infrastructure while maintaining a stable capital structure, Hemsö’s owners contributed equity of SEK 1 billion after the end of the year. The capital contribution from the Third Swedish National Pension Fund and Sagax is testament to the long-term approach of our owners and their confidence that the company will play a key role in meeting this challenge. The owners view this as a first capital injection and are prepared to provide further capital in the future should the need arise.

Finally, I would like to thank all of our talented and committed employees and partners for their dedicated efforts over the past year to create an even stronger Hemsö.

Nils Styf, CEO







# Strategy and business model

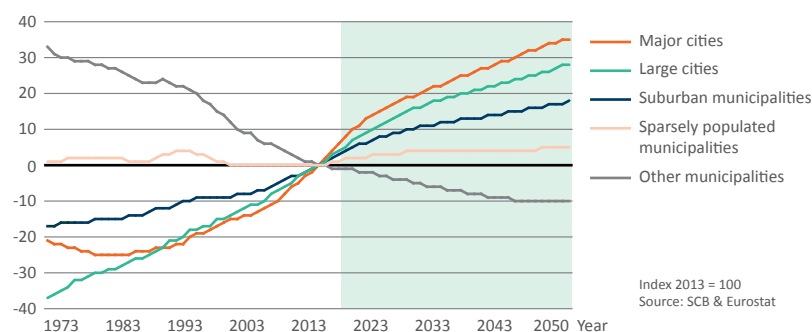
Hemsö's strategy is to own public properties with long-term lease agreements and predominantly public-sector tenants. The aim of the business model is to generate long-term and stable returns.

Hemsö owns, manages and develops public properties. These properties are customised for public services and the tenants are taxpayer-funded. The public properties market creates conditions for long-term and stable returns due to:

- Stable demand for premises, which is also expected to rise over time.
- Financially stable tenants who sign long-term lease agreements.
- Lower sensitivity to economic fluctuations than other property types.

Demand for public properties is expected to rise sharply over the next 20 years – partly because of the demographic trend, partly urbanisation. All of Hemsö's geographic markets are also characterised by a major need to convert older portfolios into more modern premises.

## Urbanisation in Sweden, %



Of Hemsö's property portfolio, 72 per cent is located in Sweden, 16 per cent in Germany and 12 per cent in Finland. The tenants are state, municipality, county or private operators who are taxpayer-funded. The countries in which Hemsö operates have stable economies, with strong finances and a publicly funded welfare sector. This strengthens Hemsö's business model, with income derived directly or indirectly from public funds.

## Hemsö's markets

Country	Sweden	Germany	Finland
Credit rating, S&P	AAA	AAA	AA+
Public sector share of GDP	49 %	44 %	54 %
GDP growth 2018	2.3 %	1.5 %	2.2 %
Hemsö's market value, share	72 %	16 %	12 %

Population	Sweden	Germany	Finland
Population, 2018	10,220,000	83,000,000	5,520,000
Population 80+	520,000	4,980,000	290,000
Projected population growth, 2030	+8 %	-3 %	+5 %
Projected population growth for 80+, 2030	+58 %	+22 %	+69 %

Source: Statistics Sweden, Eurostat and OECD



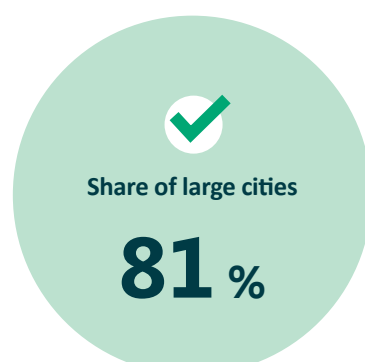
## Hemsö's four property frameworks

To clarify the company's strategy, Hemsö 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.



### **Nursing homes are to account for at least 30 per cent of rental income**

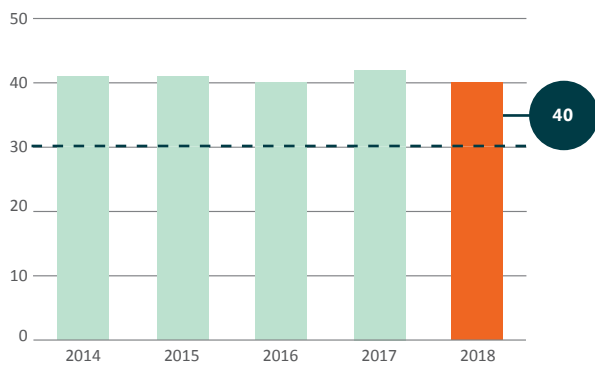
The nursing homes segment is showing strong, long-term and rising demand, which guarantees stable rental income over time. Demand is directly linked to the demographic trend, where the share of people aged 80 and over is setting the tone. This share is expected to rise sharply in all of Hemsö's geographic markets. The residual value risk is also low, since nursing homes can often be easily converted into ordinary housing.



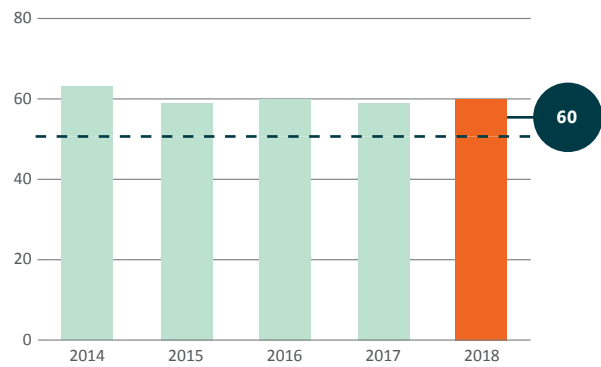
### **At least 75 per cent of the property value is to be concentrated to large cities**

Demand for public properties is mainly driven by demographics and urbanisation. Analyses show that demand will be greatest in metropolitan areas and large cities. For this reason, strong long-term demand for Hemsö's properties is secured by concentrating a high percentage of the property holding to large cities.

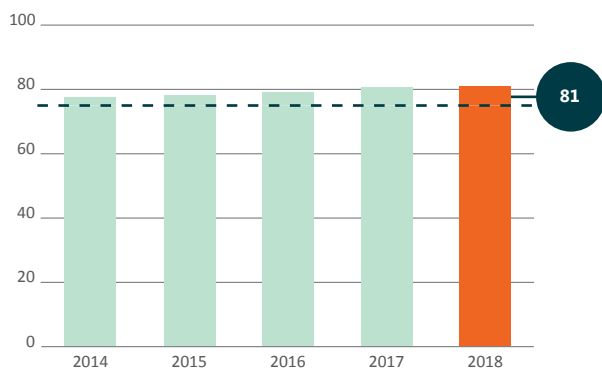
**Rental income from nursing homes, %**



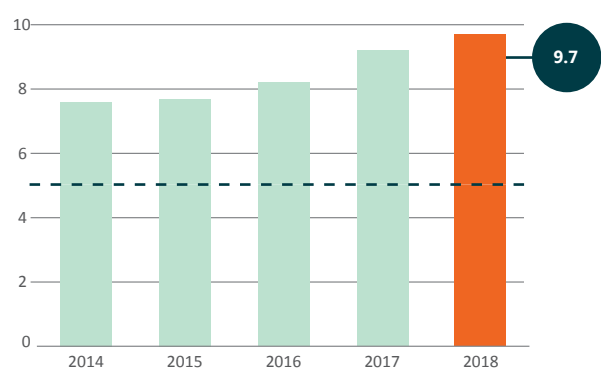
**Public-sector tenants, %**



**Large cities, %**



**Lease duration, years**



✓

**Share of public-sector tenants**

**60%**

**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 county councils. This provides stability since the ability of these tenants to meet their payment obligations is strong.

✓

**Lease duration**

**years 9.7**

**The Lease duration is to exceed 5 years**

To ensure stable, predictable and inflation-adjusted income, Hemsö strives for long-term lease agreements. Lease agreements for new construction normally have terms of 15-25 years, with annual rent adjustments to reflect increases in the consumer price index.





Education, Sandbyhov, Norrköping



Nursing home, Sandbyhov 30, Norrköping

## Hemsö's portfolio

Hemsö grows through acquisitions, extensions and refurbishment, and new construction.

Growth takes place with a focus on profitability, and on developing the property portfolio in accordance with the stated property frameworks. Hemsö holds a unique position with growth opportunities by being the leading public property operator, with established tenant relationships, especially with municipalities.

Hemsö has in-house expertise and capacity for public property development projects, and is therefore able to meet strong demand, particularly the need for new nursing homes and schools. By working closely with municipalities and tenants, Hemsö can develop its existing portfolio at an early stage, or undertake new construction projects.

Hemsö implements new construction projects with the aim of long-term ownership. This guarantees high-quality and sustainable production that meets the tenant's high

demands. By ensuring an efficient construction process, we can offer our tenants attractive rents. To reduce risk in Hemsö's new construction projects, a high rate of occupancy and long-term lease agreements are secured before construction start-up, which guarantees future net operating income. Production costs are fixed before project start to ensure project profitability, and production is procured from creditworthy contractors, which minimises cost risk.

Properties that Hemsö considers non-strategic holdings are divested, such as solitary properties in smaller towns, which further streamlines Hemsö's property management. The freed-up capital is used to acquire or build new properties that are modern, sustainable and located in areas with long-term strong demand.

## Property management

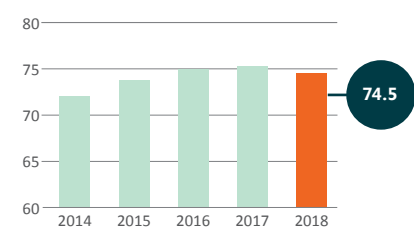
Hemsö is a property-management company and a long-term property partner for our tenants. Hemsö's property management is characterised by a local presence to ensure a high level of service, as well as

efficiency and a strong sustainability focus. Hemsö has extensive experience and knowledge of its tenants' operations and has built up specialised expertise in the management of public properties.

In Germany and Finland, lease agreements are usually structured so that tenants are responsible for most of the operating expenses, which minimises the cost risk.

Hemsö's NOI-margin is currently 74.5 per cent.

## NOI-margin, %



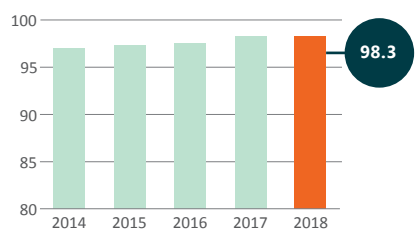
To further improve the predictability of cash flow from property operations, property management is focused on minimising costs by, for example, reducing energy consumption and hedging electricity costs.



District Court of Helsinki, Finland

Since demand for public properties is both high and growing, tenants usually choose to extend their lease agreements when they expire. Hemsö's property management includes active efforts to understand tenant needs and challenges, to adapt the premises together and win tenant loyalty.

### Occupancy rate, %



### Capital structure

Hemsö grows through the free cash flow generated by its operations. 50 per cent of the profit from property management is normally distributed to shareholders, while the remaining 50 per cent is reinvested in the operations.

Hemsö strives to maintain a stable capital structure, with a maximum loan-to-value ratio of 70 per cent.

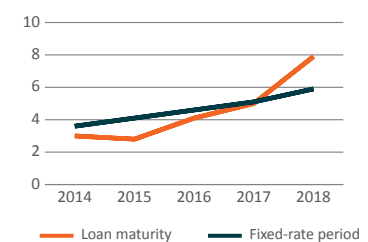
Historically, the loan-to-value ratio has been about 65 per cent and was 63.3 per cent at period-end. Hemsö's capital structure reflects a stable and predictable operating cash flow, which provides scope for adjusting the capital structure and maintaining financial flexibility should the property market decline.

Hemsö minimises its financial risk by diversifying the sources of its borrowed funds. By focusing on unsecured loans in the capital market, Hemsö has methodically reduced its secured debt, which amounted to 0 at year-end. Efforts to optimise the debt maturity profile, as well as loan maturity and fixed-rate periods, have also been important for minimising financial risk. On 31 December, the loan maturity was 7.9 years and the fixed-rate period 5.9 years, which means that net financing cost is expected to remain stable in the medium term and refinancing risk is limited.

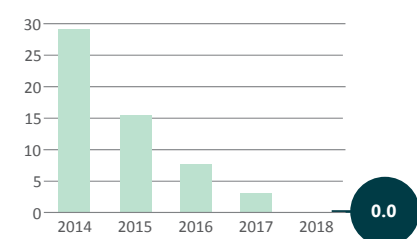
Hemsö's sustainability efforts represent a key component of future borrowing. Hemsö currently has sus-

tainable financing of SEK 2.6 billion in the form of sustainability bonds, and sustainable financing from the European Investment Bank and Nordic Investment Bank.

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



### Share of secured debt, %



# Hemsö's targets

## Engagement Index (EI).

Outcome 2018

# 84/100

This means that the target of 77 was achieved in 2018. EI is part of the Employee Engagement Index (EEI), which includes the Leadership Index and Efficiency Index, which also received high scores during the year.

## Energy consumption per sqm is to be reduced by 30 per cent between 2012 and 2020.

Outcome 2018

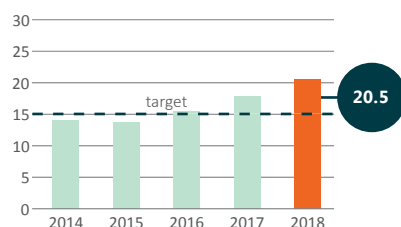
# 13.5%

Energy consumption has fallen 13.5 per cent since 2012. Energy audits have been carried out for all properties in Sweden and potential efficiencies in tenant operations have also been identified.

## Financial target

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

### Return on equity, %

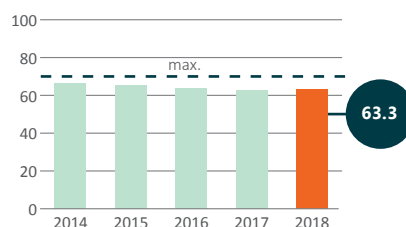


In 2018, average return on equity over a five-year period was 20.5 per cent.

## Financial policy

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

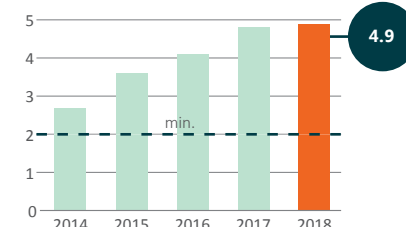
### Loan-to-value ratio, %



At the end of 2018, Hemsö's loan-to-value ratio was 63.3 per cent which is in line with 2017.

An interest-coverage ratio of at least 2.0.

### Interest-coverage ratio



In 2018, the interest-coverage ratio increased to 4.9. This was an effect of higher net operating income and a lower average interest rate.









Education, Vittra School, Sollentuna



Education, Raoul Wallenberg School, Solna



## Skolgårdslyftet

Hemsö launched the Skolgårdslyftet project during the year, a development project to raise quality and increase social sustainability by improving the outdoor environments of preschools and comprehensive schools. Over the next few years, at least SEK 30 million will be invested in the project.

### A focus on learning

Hemsö owns just over 100 pre-schools and elementary schools in Sweden, distributed across the entire country. Hemsö's target is to make an inventory of all school playgrounds in its portfolio within five years, and to upgrade them according to need. The construction years of these schools vary considerably – the oldest was built in the early 1900s, others are still under construction.

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. Hemsö is implementing Skolgårdslyftet with the aim of raising quality and increasing social sustainability by improving the outdoor environments of our preschools and elementary schools.

### Ongoing sustainability efforts

Efforts are in full swing and stage one is now complete – 13 preschools and elementary schools in Nacka received new, educational outdoor environments that were inaugurated after summer in 2018. An inventory phase for 20 school and preschool playgrounds is ongoing across the country, with the aim of continuing to develop inspiring and stimulating outdoor environments. Skolgårdslyftet enables Hemsö, as a property

owner, to contribute to greater social sustainability.

### The all-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.

### Park features

Based on the study of human needs and demands on their physical and social environment, eight different features were identified in outdoor environments that meet the basic

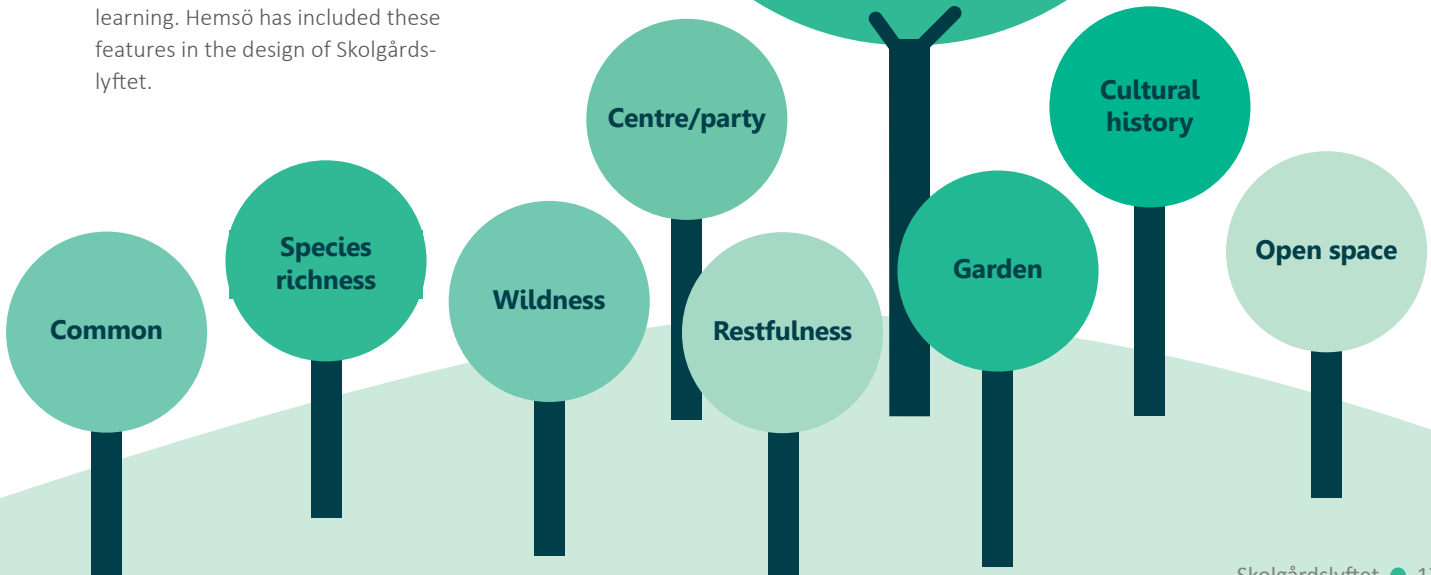


Education, Raoul Wallenberg School, Solna

needs of humans, both passive and active.

The design of school playgrounds and outdoor environments for children and young people should strive to provide these eight different characteristics, which influence cognitive learning. Hemsö has included these features in the design of Skolgårdslyftet.

# 8 park features







Health care, Torp 2:19, Lerum

## Market overview

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

It means that private-sector tenants also receive funding from municipalities, county councils 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. Refer to the following market section for each country.

### 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."

# Public service funding model in Sweden



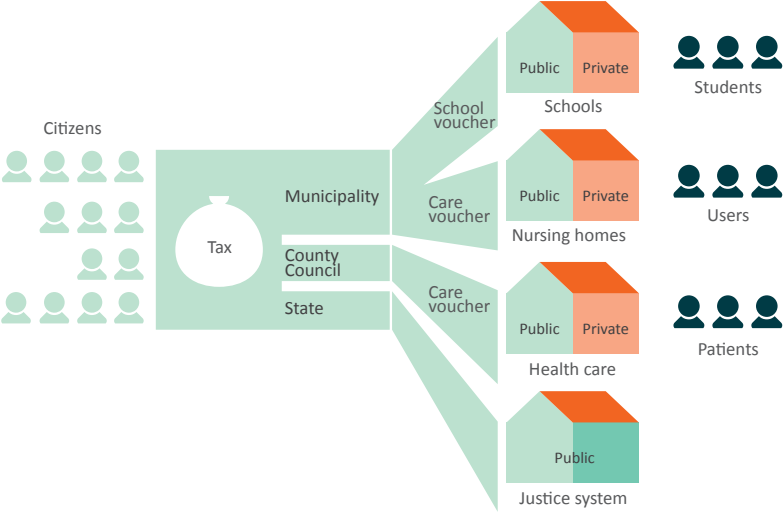
## Sweden

### Economy

The Swedish economic boom peaked in 2018, and GDP growth is expected to slow down in 2019. Sweden's GDP growth was approximately 2.3 per cent in 2018 and, the Swedish National Institute of Economic Research (NIER) expects growth to fall to 1.3 per cent in 2019, and then stabilise and increase in 2020. The fall in housing construction has contributed to the slowdown. Households are putting off buying homes, which has led to fewer home sales and less new construction for smaller residential developers in particular.

The expansionary monetary policy implemented by the Swedish Riksbank, with an historically low repo rate and government bond purchases, has pushed down interest rates in the Swedish economy. The rising inflation rate in 2017 continued into 2018, and reached the Riksbank's target of 2 per cent. Since inflation has remained close to the Riksbank's target for some time while the economy has begun to level off, the Riksbank decided to normalise monetary policy by gradually raising the repo rate to -0.25 per cent in December 2018. The cautious approach

Text source Sweden and Finland: Savills



to interest rates is unlikely to have any major impact on transaction volumes in the property market in 2019.

### Demographics

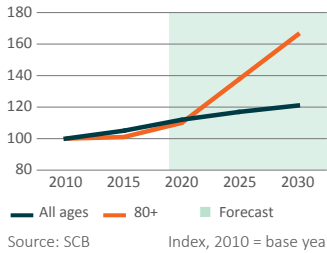
The need for public services, and thus public properties, is governed by demographic, political and economic factors. While demand for public properties is largely governed by population growth, rising employment is a prerequisite for a positive trend in the tax base. This ultimately benefits those parties that lease public properties to operations that are wholly or partially dependent on public funds.

In 2017, the Swedish population reached 10 million, due to strong population growth. From an historical perspective, Sweden has entered an expansionary phase – the increase from 8 to 9 million inhabitants took 35 years, while the increase from 9 to 10 million took 13 years. According to the latest population projection from Statistics Sweden, the population will hit the 11-million mark in ten years, representing average population growth of 100,000 people per

year. The strong urbanisation trend means that population growth is highest in metropolitan areas, but other regional cities with colleges or universities, such as Umeå, Uppsala, Västerås and Linköping, are also showing a strong growth rate.

For nursing homes and education, the trend for younger and older age groups is important since demand for public services is expected to increase in line with population growth. In Sweden, the population in preschool, elementary school and upper secondary school ages is rising faster than the average for all ages. The 80+ age group is also growing fast, which is positive for Hemsö.

### Demographic trend, Sweden







Education, Medicinaren 25, Huddinge

### **The property 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.

### **The transaction market**

Interest in property investments has been high in recent years and the Swedish property market showed continued strength in 2018. During the year, properties totalling approximately SEK 161 billion were sold.

In terms of turnover per segment, residential properties was the largest individual segment with a transaction volume of approximately SEK 53

billion during the year, which is an historically high level. Office properties was the second-largest segment with a market share of 21 per cent. Demand for warehouse and logistics properties was high during the year, and this segment accounted for the third-largest turnover with a market share of 11 per cent.

Interest from foreign investors remained strong and competitive during the year. In 2018, foreign investors acquired properties for a total value of SEK 43 billion, representing 27 per cent of the total transaction volume – and the highest volume recorded since the financial crisis in 2008. 2018 was the second consecutive year that foreign investors were net buyers of property.

The expectations for 2019 look stable, based on the prevailing fundamentals and continued strong demand for property investments. The basic driving forces of the property market are looking positive for the immediate future. Most risks are macroeconomic and linked to

the performance of international financial markets, but there are also some concerns at national level, linked to the decline in housing construction and the high indebtedness of households.

### **The transaction market for public properties**

Since the early 2000s, when the share of private ownership began to rise sharply, public properties have become an established property segment. After the financial crisis in 2008, investors became more risk-averse which led to higher demand for properties with relatively low risk, such as housing or public properties. Public properties usually offer lower risk compared with traditional commercial properties, in the form of stable tenants and long-term lease agreements. Transaction volumes in this segment have therefore shown sharp, but volatile, growth over the past decade. Transaction volumes in this segment can vary widely from year to year, mainly driven by fluctuations in supply. In 2018, the transaction volume



Education, Medicinaren 25, Huddinge



Harvestadskolan, Linköping

rose 10 per cent year-on-year to approximately SEK 14 billion. The average transaction volume over the past decade has been approximately SEK 13 billion.

Due to strong investor appetite and buying pressure, yield requirements fell to record-low levels during the year. Buyers were predominantly property companies, representing about 60 per cent of the total volume. Sellers included construction and property development companies, combined with property companies. The valuation yields for prime and secondary objects are expected to remain stable during the coming year. It should be noted, however, that yield requirements between both prime and the secondary objects can differ considerably depending on location, use, modernity and lease duration.

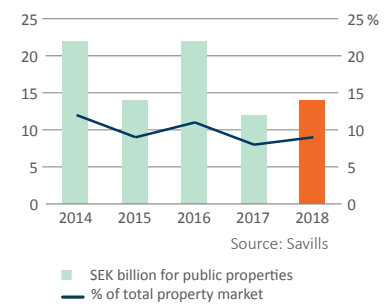
The transaction volumes in this segment are expected to remain high, driven by the prevailing market conditions and the segment's favourable risk-benefit profile. In addition, mu-

nicipalities are expected to continue selling off their properties in order to focus on their core activities and to free-up capital. The anticipated increase in new construction volumes is also expected to drive the transaction market because construction companies and property developers are divesting properties upon, or prior to, completion.

### Public property trends

A growing trend among public property acquisitions is forward funding transactions, whereby the new construction project is transferred to the buyer before or during the construction phase while the seller agrees to ensure that the building is completed within a given time. This means that the buyer is involved in financing the project, while the transfer is easier and the buyer is not liable for the insolvency of the seller or contractor. In 2018, forward funding agreements accounted for 37 per cent of the total transaction volume for public properties, compared with the average share of 10 per cent over the past decade.

### Transaction volumes for public properties, Sweden, SEK billion





## Finland

### Economy

In 2017, the Finnish economy recovered after several years of recession. However, economic growth declined again at the end of 2018 and several growth forecasts had to be revised downwards during the autumn due to the slowdown. On a full-year basis, the Finnish economy accounted for growth of more than 2 per cent.

The Finnish job market showed strong growth, however, and jobs rose from about 2.5 to 3 per cent in 2018, which is the fastest rate of jobs growth in the country over the past decades. Unemployment subsequently declined by more than 1 percentage point during the year, and is expected to continue falling in 2019. Despite the strong labour market, economic growth is expected to be about 2 per cent in 2019, mainly due to the impact of a weaker global economy on Finnish exports.

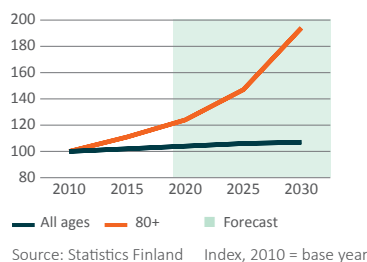
### Demographics

Finland's population growth is positive due to net immigration effects. Population growth in Finland is characterised by a strong urbanisation trend that is similar to Sweden, which means that cities like Helsinki, Turku, Oulu and Tampere are growing faster than the smaller cities. The Finnish

population is expected to reach 5.6 million by 2035.

The age pyramid is similar to the Swedish, indicating a growing proportion of elderly people. Due to the ageing population, with a sharply growing proportion of people aged 80 or more, demand for nursing homes has risen.

### Demographic trend, Finland



### Transaction market

The Finnish transaction market has been growing strongly for several years, with record figures in both 2016 and 2017. In 2017, the total value of properties sold was EUR 10.2 billion, up 38 per cent compared with 2016. Interest from investors also continued in 2018 and the transaction volume reached EUR 9.2 billion, the second-highest figure ever achieved.

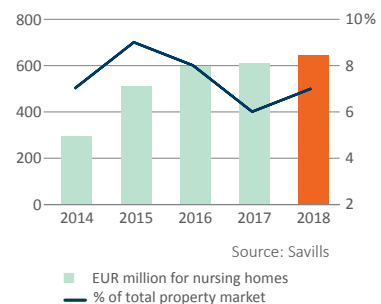
A strong interest from foreign investors pressed yield requirements down to historically low levels in several segments. In 2018, foreign investors accounted for 67 per cent of the total transaction volume. During the year, several new operators from the Nordic region, the US, the UK and Asia began to invest in Finland.

Office properties was the largest segment in 2018, with a 39-per-cent share of the total transaction volume. Over the past few years, demand for office properties has been highest in the Helsinki region, resulting in record-low yield requirements for offices in Helsinki. The second-largest segment was retail properties with a 25-per-cent share.

In Finland, the transaction market for public properties is still relatively immature, and characterised by a high proportion of state and municipal ownership. While investor interests have mainly focused on health care properties, other types of properties have also become popular in recent years, such as properties designed for educational purposes. In 2018, the transaction volume for health care properties was EUR 600 million, which is the highest figure ever measured, and can be compared with the average volume of EUR 343 million over the past five years.

Expectations for 2019 are positive and demand for property investments is considered high. The Helsinki region is the hub of the Finnish property market and the region expected to attract most interest from investors. In terms of transaction volume, the public properties segment has favourable conditions for growth.

### Transaction volumes health care and nursing homes year, Finland, EUR million



University of the Arts Helsinki, Finland





## Germany

### Economy

In 2018, strong growth continued across Germany. Germany's GDP growth was 1.5 per cent in 2018, which means that Germany's current economic upswing has now entered its ninth year. However, GDP growth has slowed from a high 2.2 per cent in 2017. The recent drop in private consumption, particularly in the retail market, has been less favourable for the country compared with the strong upward trend of previous years. Market uncertainty also continued for Germany's export industry. Despite these signs of weakness in the historically strong German economy, unemployment fell steadily throughout 2018. At year-end, unemployment had fallen to 5.0 per cent, a new record-low figure. Although growth is likely to slow, the overall outlook for 2019 remains positive.

### Demographics

While the total population of Germany is not growing, the number of elderly people is increasing and accounting for a higher share of the population. The number of people aged 65 and over divided by the number of people of working age, is among the highest in the world. In the 1960s, Germany had one pensioner per six people of working age. The current ratio is that each pensioner corresponds to only two people of working age and by 2050, the number of pensioners in Germany is expected to equal the number of people of working age.

In Germany, 3.4 million people, corresponding to 4.1 per cent of the population, are entitled to long-term care under the national Pflegeversicherung insurance scheme. This scheme takes the form of a care voucher for the individual and is used to finance their care requirements – in their own home or a nursing home. Of these 3.4 million people, more than 800,000 are cared for in nursing homes, up more than

Text source Germany: Hemsö



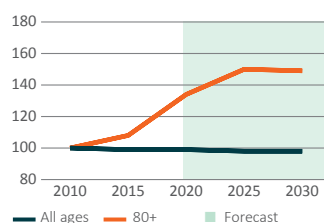
30 per cent since 2003. By 2030, the number of people in need of care is expected to rise by a further one million – a direct consequence of Germany's demographics.

The elderly care market is growing in line with the ageing population. Longer life expectancies and higher incidents of age-related diseases will also increase the need for care services. There is a political aspiration to initially enable care of the elderly in their own homes. However, the growing need will increase the burden on families if their relatives are to be cared for at home. This can also become more difficult when relatives no longer live close by, or have their own family or work obligations. For this reason, the relative share of people being cared for in nursing homes is expected to increase.

The transaction market for health care and nursing homes amounted to EUR 2 billion in 2018, which is double compared with 2017. Two-thirds of the total volume comprised portfolios with several properties, which is an increase compared with the preceding year. While most investments continued to pertain to nursing homes, interest in assisted living facilities also increased during the year. Continued investment is needed to add new beds in new construction, while existing properties are in need of refurbishment. A growing contribution of new construction is expected to further increase volumes in the transaction market. The property yield on health care and nursing homes has declined sharply over the past five-year period, and fell to historically low levels of less than 5 per cent in 2018.

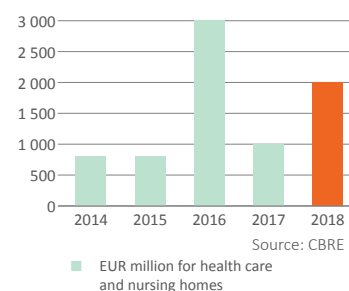
### Transaction market

#### Demographic trend, Germany



Source: Eurostat & Destatis Index, 2010 = base year

#### Transaction volumes health care and nursing homes, Germany, EUR million



Source: CBRE

EUR million for health care and nursing homes



# Property portfolio

Hemsö's property portfolio contains properties for nursing homes, education, health care and the justice system in Sweden, Germany and Finland. The portfolio is well diversified and at year-end, the market value was SEK 46 billion.

At 31 December 2018, Hemsö's property portfolio consisted of 365 properties with a market value of SEK 46,236 million. Contracted annual rent and total leasable area amounted to SEK 2,750 million and 1,732 tsqm, respectively. Net operating income amounted to SEK 1,950 million.

## Portfolio development

In 2018, a total of 29 properties were acquired for SEK 3,135 million.

Property acquisitions amounted to SEK 852 million in Sweden, SEK 1,588 million in Germany and SEK 695 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 SEK 23 billion to just

over SEK 46 billion. During the same period, the leasable area rose 8 per cent. Over the past five years, the lease duration has increased by 2.2 years and the market value in large cities has risen 10 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	Educa-tion	Health care	Justice system	Total
Property value, SEK billion	18.9	15.8	7.8	3.7	46.2
No. of properties	176	110	63	16	365
Value/property, SEK million	108	143	125	230	130
Rent/sqm, SEK	1,420	1,530	1,610	1,660	1,510
NOI-margin, %	76	74	70	79	74
Ec. occupancy rate, %	100	99	95	97	98
Lease duration, years	9.5	12.0	7.0	6.9	9.7
Share of large cities, %	75	82	94	80	81

## Property portfolio in growth regions

City	Population	Property value, SEK million	% of portfolio
Stockholm	2,020,000	14,800	32
Malmö	680,000	3,500	8
Helsinki	1,500,000	2,500	6
Västerås	150,000	2,500	5
Gothenburg	900,000	2,000	4
Norrköping	140,000	1,700	4
Duisburg	790,000	1,700	4
Umeå	130,000	900	2
Gävle	100,000	900	2
Uppsala	220,000	800	2
Eskilstuna	110,000	700	2
Berlin	4,400,000	600	1
Turku	200,000	600	1
Frankfurt	2,530,000	500	1
Linköping	160,000	500	1
<b>Subtotal</b>		<b>34,200</b>	<b>74</b>
Other large cities		3,000	7
<b>Total large cities</b>		<b>37,200</b>	<b>81</b>
<b>Total Hemsö</b>		<b>46,236</b>	<b>100</b>

Metropolitan area  
Large city

# Property portfolio

## Sweden

273 properties  
 SEK 33.6 billion in property value  
 72% of the portfolio's  
 market value

	SEK million	No.
Value, Jan 2018	30,220	267
Acquisitions	852	16
Investments	2,086	–
Divestments	-867	10
Disposals	-44	–
Value changes	1,397	–
Exchange-rate differences	–	–
<b>Value, Dec 2018</b>	<b>33,644</b>	<b>273</b>

## Finland

41 properties  
 SEK 5.4 billion in property value  
 12% of the portfolio's  
 market value

	SEK million	No.
Value, Jan 2018	3,774	36
Acquisitions	695	5
Investments	545	–
Divestments	–	–
Value changes	172	–
Exchange-rate differences	166	–
<b>Value, Dec 2018</b>	<b>5,352</b>	<b>41</b>

## Germany

51 properties  
 SEK 7.2 billion in property value  
 16% of the portfolio's  
 market value

	SEK million	No.
Value, Jan 2018	4,889	43
Acquisitions	1,588	8
Investments	29	–
Divestments	–	–
Value changes	519	–
Exchange-rate differences	215	–
<b>Value, Dec 2018</b>	<b>7,240</b>	<b>51</b>



Education, Medicinaren 25, Huddinge



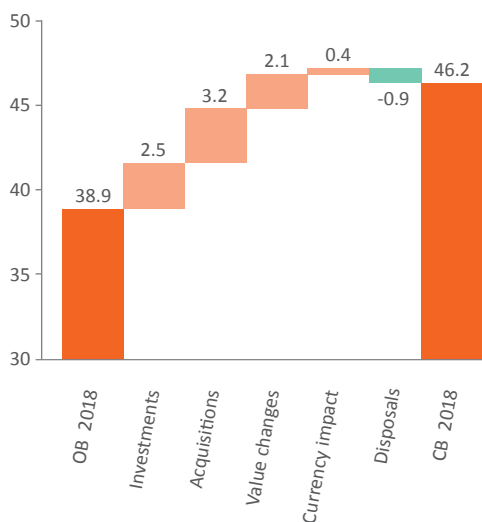
### Property portfolio development 2010-2018

Key ratios	2010	2018
Property value, SEK billion	18.5	46.2
Value/property, SEK million	60	130
Rent/sqm, SEK	960	1,510
NOI-margin, %	71	74
Ec. occupancy rate, %	98	98
Lease duration, years	7.6	9.7
Share of large cities, %	70	81

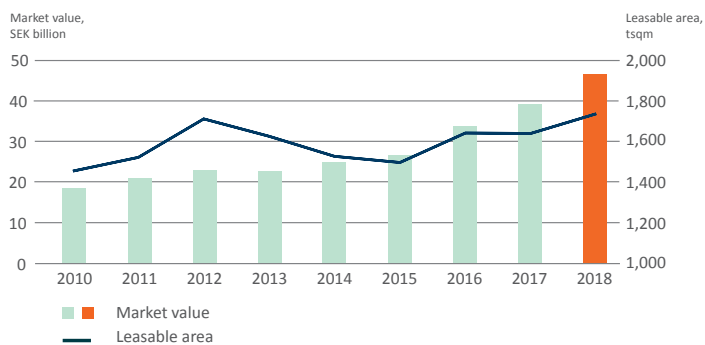
### Net operating income per geographic market, SEK million

	Sweden	Finland	Germany	Total
Property income	1,974	318	326	2,618
Property costs	-573	-76	-19	-668
<b>Net operating income</b>	<b>1,401</b>	<b>242</b>	<b>307</b>	<b>1,950</b>
<b>Key ratios</b>				
Share of NOI, %	71.8	12.4	15.7	100.0
NOI-margin, %	71.0	76.1	94.2	74.5

### Property portfolio development 2018, SEK billion



### Market value and area





Education, Medicinaren 25, Huddinge



Education, Sandbyhov, Norrköping

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

Municipality	Property	Property category	Largest tenant	Leasable area, tsqm	Property value, SEK million
Huddinge	Medicinaren 25	Health care	Karolinska Institute	19	1,300
Solna	Tegen 6	Justice system	Swedish Police	35	1,300
Lund	Klostergården 2:9	Education	International English School	51	1,200
Duisburg, Germany	Wuhanstrasse 6,9,11	Education	Nordrhein-Westfalen	17	1,100
Huddinge	Medicinaren 19	Health care	Region Stockholm	39	1,100
Huddinge	Medicinaren 23	Education	Royal Institute of Technology	17	1,000
Umeå	Stigbygeln 5	Justice system	Swedish Police	22	800
Pori, Finland	Satakunnankatu 23	Education	Pori Municipality	20	600
Täby	Marknaden 1	Nursing home	Täby Municipality	23	600
Upplands Väsby	Vilunda 19:2	Education	Upplands Väsby Municipality	15	600
<b>Total</b>				<b>258</b>	<b>9,600</b>

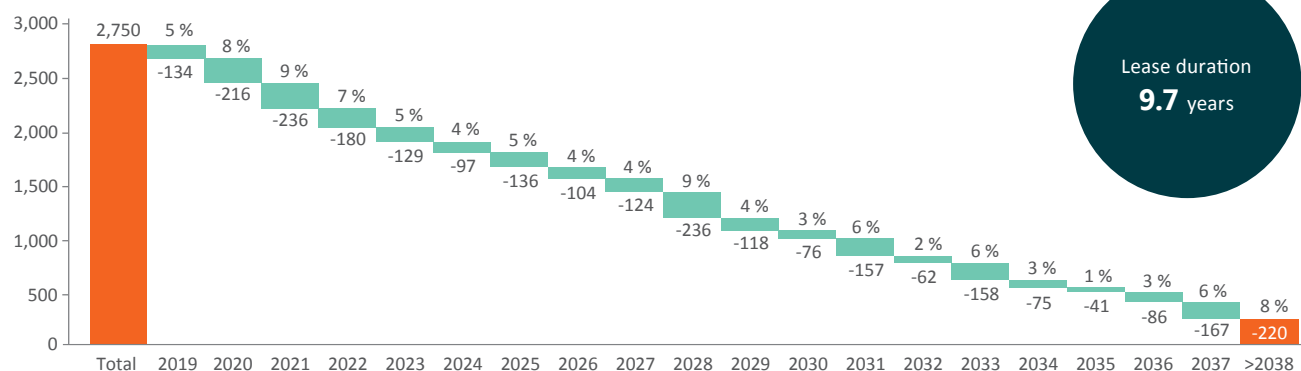
### Hemsö's five largest acquisitions in 2018

Municipality	Property/portfolio	Property category	Largest tenant	Transfer	Investment, SEK million
Helsinki, Finland	District Court of Helsinki	Justice system	Finnish state	Q1 2019	2,000
Helsinki, Finland	University of the Arts	Education	University of the Arts	Q1 2018	800
Kassel, etc. Germany	Portfolio, Hesse	Justice system	State of Hesse	Q4 2018	260
Zeuthen, Germany	Fontaneallee	Nursing home	Seniorenstift Zeuthen	Q4 2018	150
Piding, Germany	Lindenstrasse	Nursing home	Vivaldo	Q4 2019	90
<b>Total</b>					<b>3,300</b>

Public-sector tenant  
 Private-sector tenant



## Lease agreement maturity structure, annual rent SEK million



Lease duration  
**9.7** years

## Tenants

94 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 13 of the 20 largest tenants are direct state, municipal or county operators. The share of contracted annual rent with public-sector tenants was 60 per cent, where lease agreements with state operators accounted for 19 per cent, municipal operators for 32 per cent and county operators for 9 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.

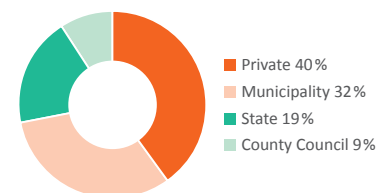
In Germany, privately run operations are funded by the long-term care insurance scheme and care-user fees. If residents are unable to pay for their expenses, funding is provided through a municipal contribution. Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions.

Contracted annual rent in Germany amounted to SEK 386 million, of which 18 per cent is secured by pledging public flows. In 2018, Ger-

man properties with public-sector tenants were transferred to Hemsö, which increased the public rental flow in Germany by SEK 71 million.

Hemsö's five largest tenants are the Swedish Police, Attendo, Region Stockholm, AcadeMedia and the City of Västerås.

## Contracted rent per category



## Hemsö's 20 largest tenants

Tenant	Tenant category	Contracted annual rent, SEK million	Share of contracted annual rent, %	No. of lease agreements
Swedish Police	State	152	5.5	30
Attendo, Sweden, Finland	Private	129	4.7	73
Region Stockholm	County Council	115	4.2	74
AcadeMedia	Private	110	4.0	25
City of Västerås	Municipality	81	2.9	17
Västra Götaland Region	County Council	81	2.9	71
Karolinska Institute	State	68	2.5	11
AWO Hesse Süd, Germany	Private	67	2.4	8
Norrköping Municipality	Municipality	60	2.2	17
Mälardalen University	State	55	2.0	2
HEWAG, Germany	Private	54	1.9	9
North Rhine-Westphalia, Germany	State	52	1.9	1
Gävle Municipality	Municipality	51	1.8	19
Ambea	Private	46	1.8	8
Region Gotland	County Council	44	1.6	9
Mehiläinen, Finland	Private	41	1.5	8
Upplands Väsby Municipality	Municipality	40	1.5	4
International English School	Private	40	1.5	7
Pori Municipality, Finland	Municipality	38	1.4	1
Uppsala Municipality	Municipality	37	1.3	23
<b>Total</b>		<b>1,361</b>	<b>49.5</b>	<b>417</b>

Public-sector tenant  
Private-sector tenant



**Per-Egon Johansson,  
CEO of Raoul Wallenbergskolorna AB:**

## **“A fantastic partnership”**

Honesty, compassion, courage and action – the guiding principles for Raoul Wallenberg Schools (RWS). We are passionate about making a difference for every individual child and student.



By accounting for the different dreams and circumstances of each child, the company aims to make a “positive contribution to the development of Swedish schools, and thereby Sweden.” Hemsö also works hard to help the schools achieve this vision. By working together, Hemsö and RWS have created a school in Järvastaden based on the “village school” concept. The school was opened in 2017, followed by a preschool building in 2018. Approximately 730 students are enrolled at the preschool and elementary school.

“Our partnership with Hemsö has been fantastic. Everything has been handled with the utmost professionalism. Hemsö’s project managers have done a perfect job,” says Per-Egon Johansson, CEO of RWS.

### **A focus on children**

During the first year of operation, preschool activities for about 120 children were housed in existing premises while a new preschool building was taking shape – an arrangement that worked perfectly. Instead of causing upheaval, the students found the construction process exciting and in August 2018, they could move into their new premises. The project was on schedule throughout the entire construction process, which helped to reduce stress for custodians and employees.

Information about the construction process was also handled well, which simplified communication with all of those affected. Thanks to Hemsö’s solution-oriented approach, the school management could focus fully on its core operations.

## **“Hemsö has met all our expectations”**

A total commitment to students and their development is a number-one priority for Raoul Wallenberg Schools.

### **Satisfied with the partnership**

Everything works perfectly in the new premises and together with Hemsö, the school has continuously evaluated various technical solutions, materials, colour schemes and so forth. Throughout this process, the school has appreciated Hemsö’s flexibility and the dialogue has been positive and constructive, since both parties want to achieve a professional and high-quality outcome.

“Our expectations have been met in

every respect. Hemsö handled anything that required attention fast and efficiently,” says Per-Egon. We are running a fantastic school in the premises, and having a professional and active landlord obviously makes that easier,” he continues.

Unfortunately, unforeseen events are a hallmark of major construction projects. The most important thing is that these events are addressed fast and efficiently. We are also satisfied with Hemsö’s approach and structure in this respect.

“In the years ahead, we are hoping to open schools in many new school premises with Hemsö as our landlord,” says Per-Egon.



Raoul Wallenberg School, Solna

## Marlon Rodriguez Figueroa, Nursing Home Administrator, Eriksborg, City of Västerås:

### “Hemsö is both proactive and responsive”

The Eriksborg and Änglamarken nursing homes are situated in Västerås. The patients here are strengthened by living close to nature.



The Änglamarken nursing home comprises two properties with a total of 98 apartments. Änglamarken has two storeys – one for elderly people with multiple comorbidities who need both medical treatment and care, the other for people with dementia. Eriksborg also has two storeys, and both are nursing homes.

Research shows that the presence of animals can have positive effects on quality of life for the elderly, and both Eriksborg and Änglamarken have taken this on board. They have developed an animal and nature theme and keep a range of animals including cats, guinea pigs and fish. The theme also encourages patients to spend as much time as possible outdoors.

#### Property management aligned with services

Hemsö has helped with the outdoor environment and worked to make it as stimulating as possible. In the summer, there is a fantastic garden that has also been developed to promote a green and pleasurable experience for the patients. During the summer months, hens are borrowed from the Västerås Open Air Museum.

Marlon Rodriguez Figueroa is Administrator of the Eriksborg nursing home and has worked there for four years. In his view, Hemsö is very responsive to different needs and wishes and maintains active contact. Most issues can be solved he says.

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#### “A landlord that makes our day-to-day operations easier”

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The Eriksborg properties recently received a facelift with newly painted interiors. Together with the City of Västerås, colour schemes were developed that also have a positive effect on the activities taking place in the buildings.

“We hold regular meetings with Hemsö where we synchronise our ongoing partnership and also talk about the areas that could be improved. They always listen to our wishes and offer suggestions for improvement in line with our services,” says Marlon.

#### A safe and secure environment

In 2018, Hemsö carried out extensive work with the fire protection system in the Eriksborg home. The fire sprinkler systems and ventilation were replaced, so that every apartment is now a separate firecell. Safety and security are absolutely essential in a nursing home where the patients are elderly and have multiple comorbidities. The project was completed in August.

“Hemsö is very good at synchronising and listening. They ask whether they can help us with anything and then offer prompt solutions and help us in our day-to-day operations. They are genuinely fast, efficient and flexible. In connection with refurbishment, for example, Hemsö deals with problems before, or as soon as they arise. We work very closely together,” says Marlon.









Nursing home, Krusmyntan 2, Tyresö

## 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 176 nursing homes.

The premises accommodate:

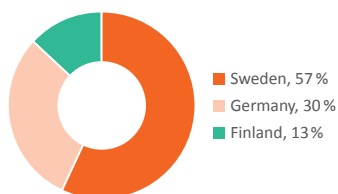
- Residential care facilities
- Dementia care facilities
- Residential facilities for people in need for extra support and service

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 70 per cent and private-sector tenants for 30 per cent of contracted annual rent. In Finland, public operators accounted for 3 per cent, and private operators for 97 per cent, of contracted annual rent.

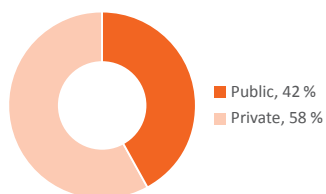
In Germany, Hemsö has private-sector tenants only.

The largest tenants in this category are Attendo, Norrköping Municipality and AWO (Germany).

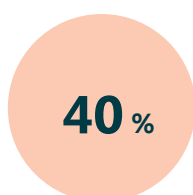
### Market value per country



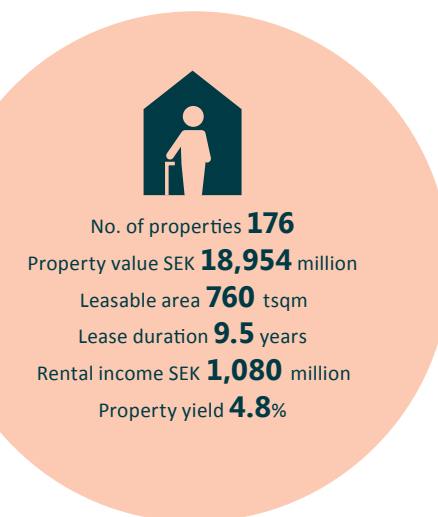
### Contracted annual rent per customer category



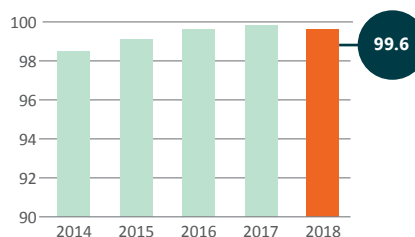
### Share of property value



### No. of beds

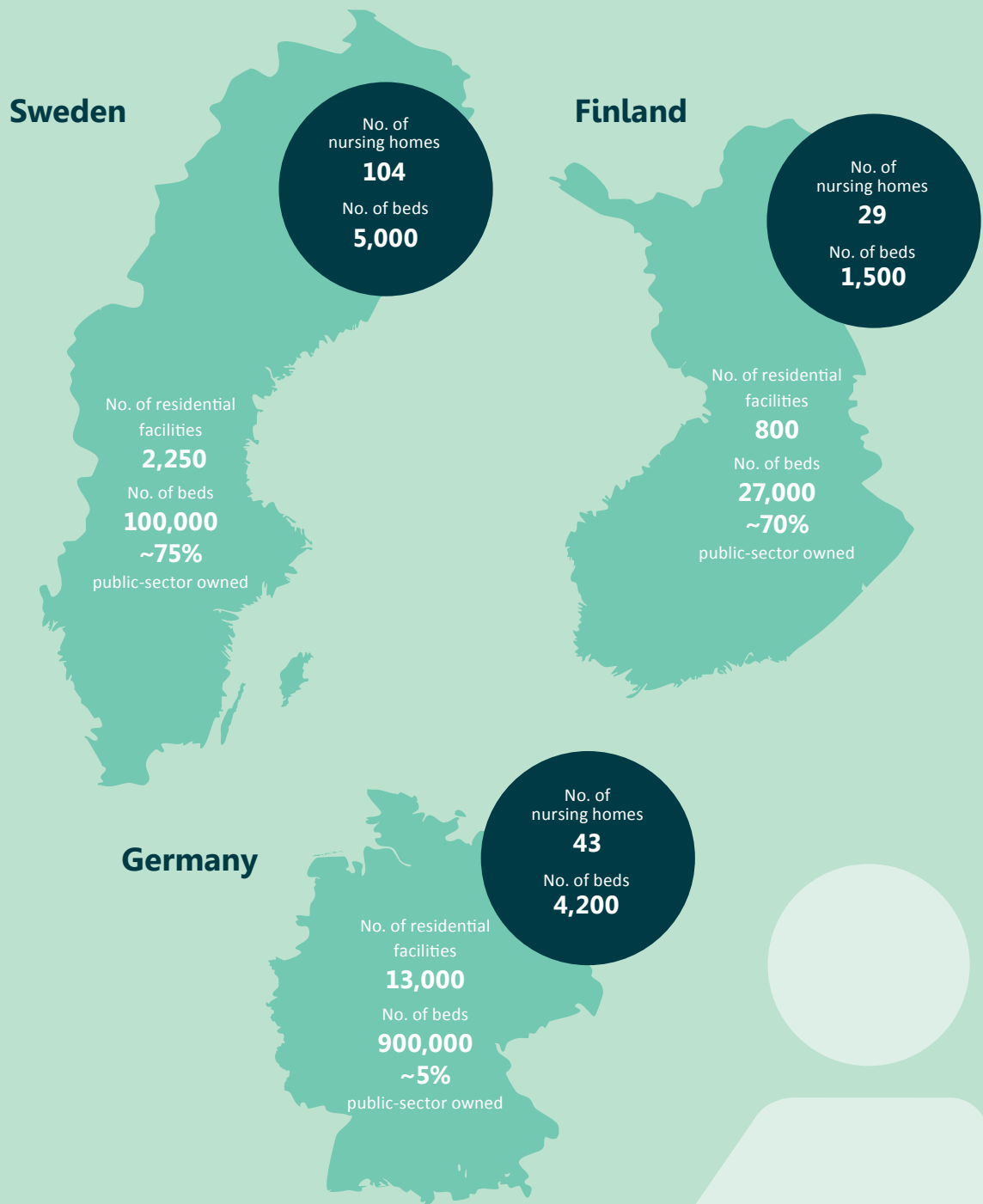


### Economic occupancy rate, %



## Nursing homes per country

- Hemsö's portfolio
- Total portfolio





Education, Rosenhill 1, Västerås



Education, Medicinaren 25, Huddinge

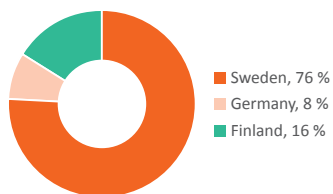
## Property portfolio – Education

### Portfolio and tenants

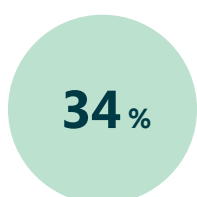
Education is Hemsö's second-largest property category and at year-end, accounted for 34 per cent of the total property value. Hemsö owned 110 educational properties, with a total of 138 schools. Some properties comprise several buildings and schools. The premises accommodate:

- Preschools
- Comprehensive schools
- Secondary schools
- Colleges/Universities
- Premises for advanced life sciences research

### Market value per country

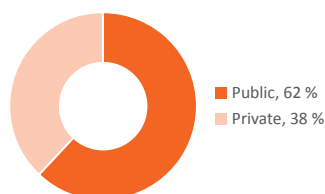


### Share of property value



Of the contracted annual rent, public-sector tenants accounted for 62 per cent, and private taxpayer-funded operators for 38 per cent. In Sweden, public-sector tenants accounted for 48 per cent and private-sector tenants for 52 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 94 per cent, and private operators for 6 per cent, of contracted annual rent. In Germany, all educational

### Contracted annual rent per customer category



### No. of students

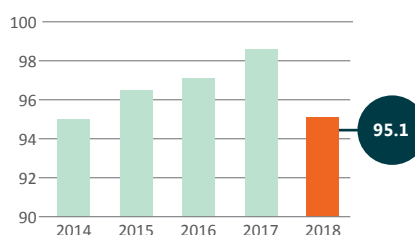


properties are leased to public-sector tenants.

The largest tenants in the category are AcadeMedia, Mälardalen University and North Rhine-Westphalia (Germany).

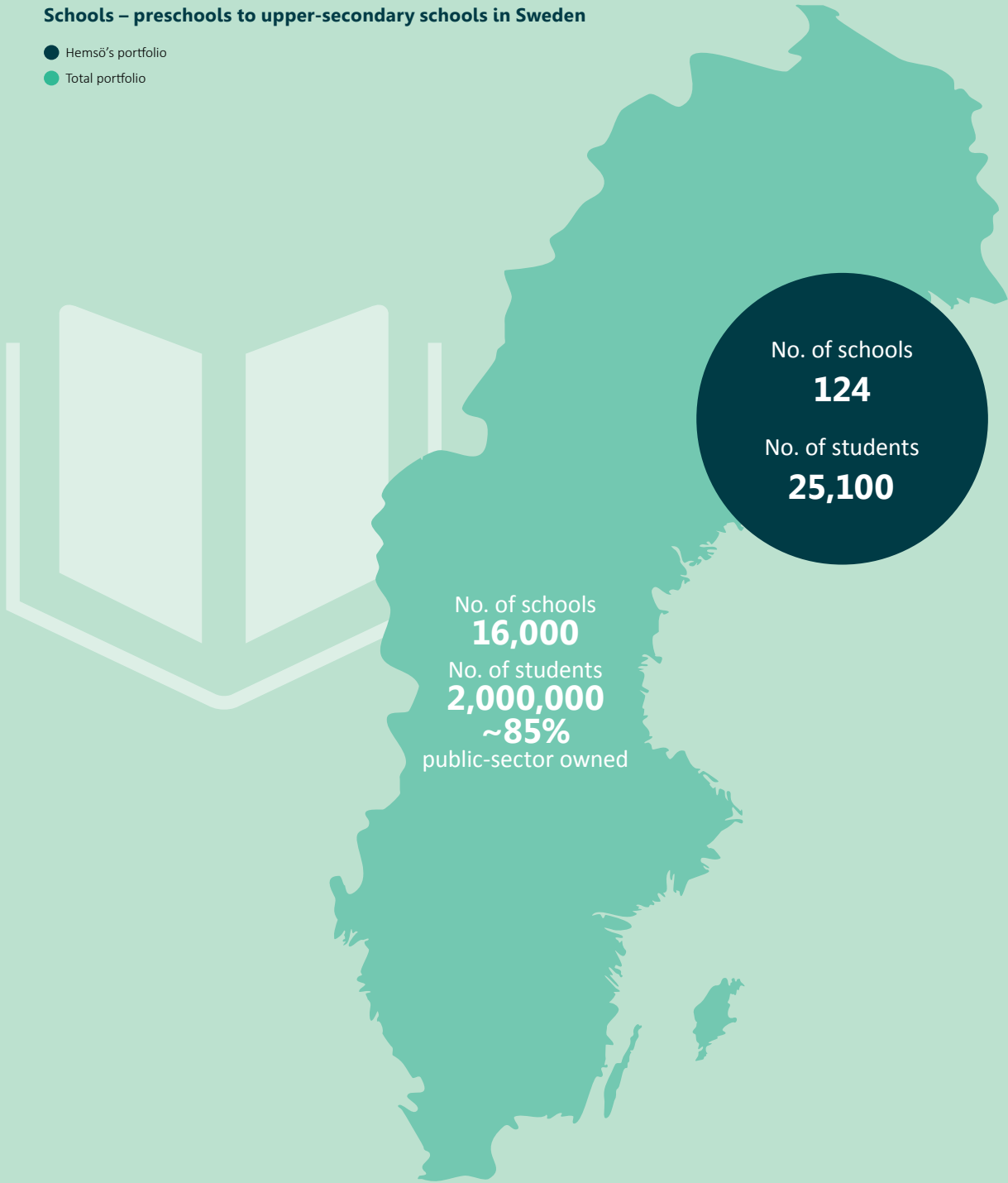


### Economic occupancy rate, %

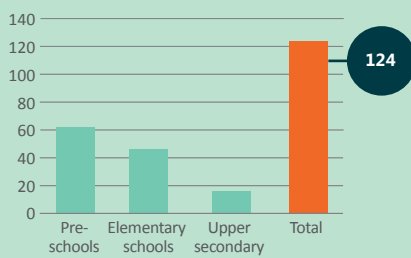


## Schools – preschools to upper-secondary schools in Sweden

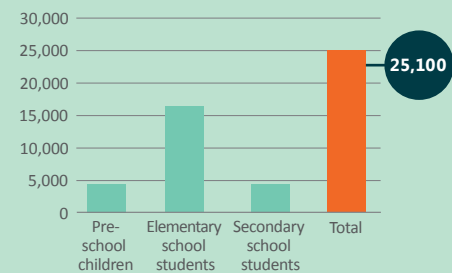
- Hemsö's portfolio
- Total portfolio



No. of schools per category, Sweden



No. of students per category, Sweden



Source: Hemsö. Schools under construction have been excluded. Please note that statistics for the large image also exclude colleges/universities.





Education, Medicinaren 25, Huddinge



Health care, Brämregården 80:1, Gothenburg

## Property portfolio – Health care

### Portfolio and tenants

At year-end, health care premises accounted for 17 per cent of Hemsö's total property value. Hemsö owned 63 health care properties, of which 60 were in Sweden and three 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

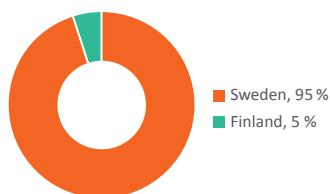
Of the contracted annual rent, public-sector tenants accounted for 78 per cent, and private taxpayer-funded operators for 22 per cent.

In Sweden, public-sector tenants accounted for 80 per cent, and private operators for 20 per cent,

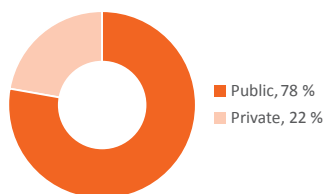
of the contracted annual rent. In Finland, public operators accounted for 53 per cent, and private operators for 47 per cent, of contracted annual rent.

The largest tenants in the category are Region Stockholm, the Karolinska Institute and the Västra Götaland Region.

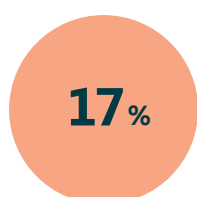
### Market value per country



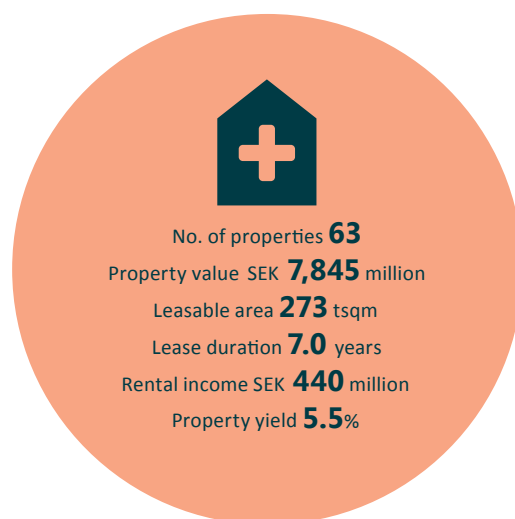
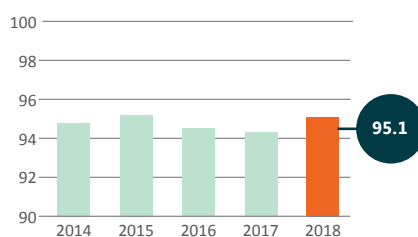
### Contracted annual rent per customer category



### Share of property value



### Economic occupancy rate, %





Justice system, Stigbygeln 5, Umeå

## Property portfolio – Justice system

### Portfolio and tenants

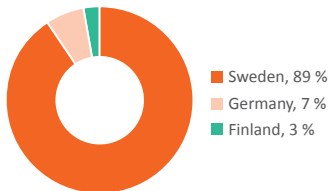
At year-end, properties for the legal sector accounted for 9 per cent of Hemsö's total property value. Hemsö owned 16 justice system properties, of which 11 were in Sweden, four in Germany and one in Finland. The buildings house premises for:

- The police
- Prisons
- Courts
- Prosecutors

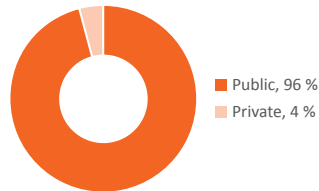
The properties are characterised by a large proportion of customised areas with high security requirements. The tenants often choose to co-locate in legal centres, which can accommodate police, custodial operations and courts. In Sweden, the majority of Hemsö's tenants are state agencies who accounted for 96 per cent of contracted annual rent. In Finland and Germany, public-sector tenants accounted for 100 per cent.

The largest tenants in this category are the Swedish Police, the Swedish Courts and the Swedish Prison and Probation Service.

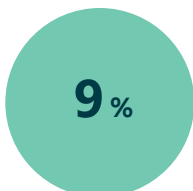
### Market value per country



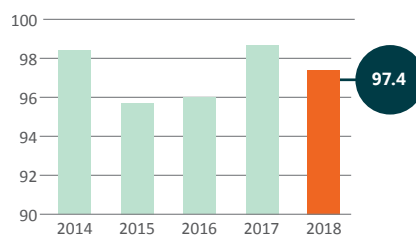
### Contracted annual rent per customer category



### Share of property value



### Economic occupancy rate, %





Education, Rosenhill 1, Västerås



## Property management

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

### Value-creation property management

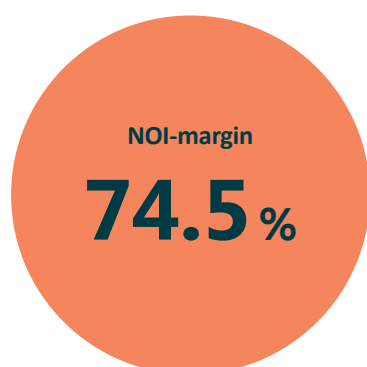
Efforts to create a uniform approach to property management in Sweden continued during the year. This work has focused on combining processes, services and execution into value-creation activities. Hemsö takes care of the technical management, while external providers are con-

tracted for property operations and maintenance. 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 emissions, improve the quality of its properties and to focus more on customer benefits. To succeed with this goal, more people are employed

in property management compared with 2017.

### Higher tenant satisfaction

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







Education, Grenverket, Lund



Education, Widénska upper secondary school, Västerås

managers with specific responsibility for major state, municipal, county and private-sector tenants. Property managers maintain continuous contact with tenants to capture their needs and views. This creates security and helps to build long-term relationships.

Hemsö works with customer care on a daily basis and arranges internal workshops on this topic for all employees every year. Customer Satisfaction Index (CSI) surveys are conducted regularly and the most recent survey in November 2018 gave a CSI score of 66, a one-point

increase since the previous survey in November 2016. 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 next CSI survey is planned for autumn 2019.

One concrete activity that Hemsö uses is to request that customers rate the service they received –

green, yellow or red – as well as leaving a written comment, in conjunction with the e-mail confirmation of their maintenance request. This direct feedback on the customer's experience is then used as a basis for monitoring, and for ways to improve the quality of deliveries to tenants.

### Enhanced dialogue

Hemsö's dialogue with tenants takes several different forms. In addition to the ongoing contact, regular meetings are held with tenants to discuss the condition of the property, any maintenance needs and any specific issues for tenants.





No. of environmentally certified buildings

21

Emissions/leasable area<sup>1)</sup>

5.1

<sup>1)</sup> Emissions per leasable area (kgCO<sub>2</sub>e/m<sup>2</sup>), Sweden

Energy consumption, kWh/m<sup>2</sup><sup>2) 3)</sup>

141

<sup>2)</sup>Including business electricity, average year corrected for heating

<sup>3)</sup>Area pertains to heated area (A-temp), Sweden

## Energy efficiency

Important work for achieving a sustainably developed property portfolio is to continuously improve the properties' energy performance. During the year, Hemsö increased its rate of investment in development projects that aimed to reduce energy consumption and the environmental impact. Energy audits have been performed on all properties in Sweden, forming the basis for the prioritisation of energy projects. These projects may also identify opportunities for potential energy efficiencies in the tenants' operations. During the year, the projects led to a more strategic focus on renewable energy, including geothermal energy and solar panels.

Most of the energy consumed, about 60 per cent, is used for heating properties. The aim is reduce energy consumption in the Swedish portfolio by 30 per cent by 2020, compared with 2012. These efforts are proceeding and in 2018, total energy consumption had declined 13.5 per cent compared with 2012. In the comparable portfolio, energy consumption had declined approximately 5 per cent between 2018 and 2017. The outcome for 2018, as a separate year, remained unchanged compared with 2017: 141 kWh/m<sup>2</sup> for heating and electricity (including business electricity). Hemsö has been working to increase the proportion of renewable energy sources for some time and in Sweden, the company only purchases hydroelectricity with guarantees of origin. District heating is the most common form of heating, but the number of properties with geothermal heating is growing, which has reduced Hemsö's emissions.

## Digitisation – pilot project completed

Over the past year, Hemsö has conducted a digitisation pilot project with the aim of developing its properties as well as its internal working methods. Sensors were installed in

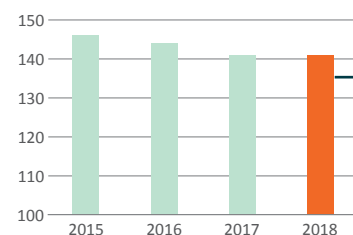
selected properties to collect more data for analysis in relation to the buildings' performance, utilisation rate and user behaviour.

Hemsö is currently working to connect control systems for the properties in a secure web-based control portal behind an encrypted firewall. The goal is to connect as many properties as possible. The aim is to enable more efficient energy consumption and property operations, but also to be able to control the buildings remotely and optimise the indoor climate. Hemsö's control standard enables open system solutions with standard interfaces, which means that most systems can be integrated with each other.

Hemsö has selected a new provider, Metry, for the collection of energy data. The system was integrated with Hemsö's energy monitoring system Vitec in early 2018, which improved the process and led to higher data quality and lower costs.

During the year, Hemsö initiated a lighting project in partnership with Signify. Hemsö also visited the Research & Development unit of Signify and Phillips in Eindhoven in the Netherlands during the year. The goal is to align classroom lighting with the type of activity, amount of external lighting, time of day and so forth. Research has shown that the right lighting can help students stay alert and concentrate on learning. A pilot project in one of Hemsö's schools is planned to take place in 2019.

Energy consumption in Sweden past 4 years, kWh/m<sup>2</sup> A-temp





## Hi there...



... Jennifer Jennerhed, who began as a trainee at Hemsö in August.

**Last summer, you graduated from the Faculty of Engineering at Lund University with a Master of Science degree in Real Estate Economics/Land Surveying. Why did you choose Hemsö?**

I've been interested in urban planning and development for as long as I can remember. I eventually decided that I wanted to be involved in the development of properties that are sustainable in the long-term and important for society at large. I came into contact with Hemsö on several occasions while I was studying, and gradually realised that what they do is very similar to what I am interested in. When I saw that a trainee position was available, there was no question that I would apply and in retrospect, I can say it was an excellent choice.

**What have you tried?**

I began my trainee period in development, and that also became permanent at the end of the period. In Strategy & Transaction, I worked with acquisitions and divestments and also spent some time at the office in Germany. Working in different departments and getting to know my colleagues in other parts of the company has been very rewarding.

**You probably had an image of Hemsö before you started. Has that now changed?**

I already knew that Hemsö had a lot of investment properties, but I was shocked by the actual size of

Hemsö's project portfolio. Not to mention the high pace of new acquisitions and steady inflow of development opportunities that are creating opportunities to grow and become even bigger. We also have properties in far more municipalities than I ever realised before I started here, which was a pleasant surprise.

**What has been most interesting and rewarding?**

Without a doubt, it was the opportunity to work in different departments during my trainee period and to learn about what each department does and what their function is. The trainee period also helps you to develop a fantastic network in the company, while getting to know your colleagues in a range of departments and regions across the country.

**You are going to become a project developer at Hemsö. How does that feel?**

It feels challenging and exciting. As I said, there are lots of development projects waiting to be implemented, and I am hoping to further strengthen our development department when I start working there full-time.



Education, Rosenhill 1, Västerås

### Supplier requirements

Hemsö's primary suppliers are contractors and consultants for development and operations and maintenance, as well as utility companies. Purchasing is characterised by high ethical standards, respect for human rights, professionalism, objectivity and fair treatment. Hemsö's suppliers are to act in accordance with set requirements in relation to, for example, sustainability, quality, reliability, service and human rights. These aspects are included in Hemsö's supplier requirements and are applied in purchasing and procurement.

Efforts with expanded supply chain management continued in 2018. A sustainable supply chain reveals, for example, environmental impacts and working conditions in the production stage and creates conditions

for making informed choices and imposing demands on suppliers and producers. Hemsö guides purchases of the consumables used in property operations to the supplier Ahlsell. Hemsö and Ahlsell conducted a joint review of the management systems used to purchase these consumables and have ensured compliance with Hemsö's supplier requirements.

### Sustainable property management

During the year, Hemsö initiated a process to coordinate waste procurement. 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. A new supplier and new agreement were imple-

mented in Hemsö's Eastern Region, to be followed by other regions in Sweden early in 2019.

Hemsö has a zero accident vision for its properties. Safety inspections and surveys are conducted on all properties to check, for example, fire safety and fire protection equipment. In 2018, no accidents were reported that resulted in premises liability claims on Hemsö's properties.

### Focus in 2019

The focus moving forward will be to further develop structured and process-oriented working methods. The focus lies on more efficient property management, an entrepreneurial culture and increased customer satisfaction.

To further develop the portfolio and maintain the high standard sought





Education, Vittra School, Sollentuna

by Hemsö, the funds allocated for planned maintenance will continue to increase.

Sustainability management will remain central for the company. In 2019, efforts to digitise the properties and certify existing properties will continue. Additional focus will be placed on operational community initiatives to create synergies in Hemsö's business model.

The rate of investment in energy projects will be high, in order to achieve the set targets. Energy consumption per sqm is continuously decreasing and there is a well-formulated strategy to ensure that this trend continues. One focus area is to accelerate the rate of investment in photovoltaic systems on the properties.

In Germany, Hemsö's property development managers' focus on the development potential in the existing property portfolio, the acquisition of older properties with refurbishment projects, and the implementation and adaptation of Hemsö's sustainability policy for the German property management portfolio will continue. In Finland, efforts to improve the efficiency of property management and agreements are ongoing, as well as planning for several energy projects with renewable energy. In addition, the first customer survey for Finland is being planned.



## Sweden – Focus on standardisation and digitalisation

During the year, we worked intensively to develop and secure a uniform “Hemsö Standard,” that will apply regardless of where properties are located in Sweden. “One of our most important tasks is to make day-to-day life easier for our tenants,” says Rikard Nyhrén.



Rikard Nyhrén, Head of Asset Management Sweden

In Sweden, sustainability played a key role in property management in 2018. We have worked methodically to create an inventory for the property portfolio and produced a development plan for each property. To benefit from economies of scale, we have produced concepts and standards that can be broadly applied. One example is the Skolgårdslyftet project, where we have defined a basic level for the outdoor environments of our educational properties. We have clear inventory model, based on research and a toolbox for actions that everyone can use.

Other important areas have been to improve the quality of properties and customer benefits.

“During the year, we were focused on maintenance projects and the digitalisation of our properties, and we completed successful sustainability projects,” says Rikard with a smile. We have restored outdoor environments and implemented exciting digitalisation projects that will improve the learning environment for the students in these schools.

The global digitisation mega trend is now developing the property industry, which traditionally has been relatively conservative. Hemsö is driving this transformation by

engaging in joint pilot projects with service providers in the fields of PropTech and the Internet of Things.

At the same time, work is ongoing to obtain data from the properties that start-up companies can then use to build their products.

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### “We implemented successful sustainability projects”

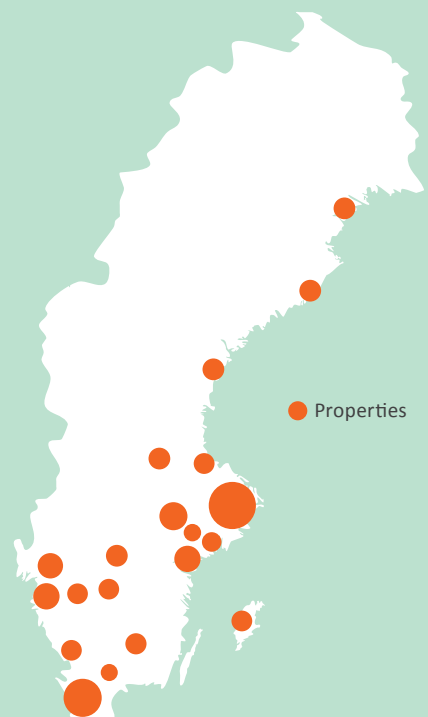
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“We see digital tools as a natural part of our operations and the refinement of our product. We do not have a separate digital strategy – digitalisation should be a natural part of Hemsö in general, much the same as we have implemented our sustainability management.

During the year, we increased the number of employees in property management and continued to strengthen our local presence. This strong growth with newly constructed buildings and acquisitions has meant that we continue to scale up our Regional offices. This process will continue in 2019 and we are planning to open a local office in northern Sweden in order to be closer to our customers.

### Long-term owner

“Our tenants are responsible for important social functions such as nursing homes, schools and health care. Long-term ownership is key to our ability to provide them with the best conditions for running their operations in Hemsö’s properties. That means that we can make investments that pay off in the long term, and set a strategic direction that enables ambitions such as becoming climate-neutral.”



## Sweden

273 properties

SEK 33.6 billion in property value

72% of the portfolio's  
market value

97.8 % occupancy rate

SEK 2,023 million in rental value

1,286 tsqm of leasable area

## Properties per category

104 Nursing homes

98 Education

60 Health care

11 Justice system

# New segments and strengthened asset and property management in Germany

During the year, Hemsö in Germany expanded its portfolio with several objects in the justice system and education segments. This is consistent with Hemsö’s investment strategy, which has long been applied in Sweden.



Jens Nagel, Head of Region, Germany

During the year, Hemsö acquired four police stations/properties in Germany and, through a joint venture with the municipality, commenced the development of a new upper secondary school on the outskirts of Berlin. The school will be ready for occupancy in early 2021.

During the year, growth in the nursing home segment was lower than in preceding years due to much higher price levels, but the year ended with several nursing home acquisitions.

In this segment, Hemsö has decided

**“We are very proud of the award”**

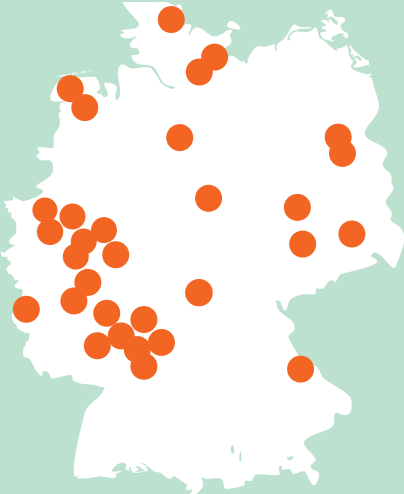
to focus on development projects in the existing portfolio, and on refurbishment and renovation projects. Since this is more resource-intensive than the acquisition of existing investment properties, Hemsö strengthened its organisation with an additional technical manager.

Hemsö’s activities in the education

segment were monitored and also received positive media attention. This partly triggered a public debate on the use of private capital for the construction and renovation of public schools. Hemsö is benefiting from the reporting and can use this as a good reference for future growth in this segment.

At the end of the year, Hemsö received the Swedish Business Award in Germany, presented by the Swedish Chamber of Commerce, Business Sweden and the Swedish Embassy.

“We are very proud of the award, which is proof that we have succeeded in establishing ourselves in the German property market,” says Jens.



● Properties



## Germany

**51** properties

SEK **7.2** billion in property value

**16** % of the portfolio's  
market value

**99.9** % occupancy rate  
SEK **399** million in rental value

**266** tsqm of leasable area

## Properties per category

**43** Nursing homes

**4** Education

**0** Health care

**4** Justice system



## An exciting year in Finland

In 2018, Hemsö implemented one acquisition in Finland that Jarkko Leinonen, Hemsö's Head of Asset Management in Finland, is especially pleased about.

"The highlight of the year was when we took over the University of the Arts' existing properties from Helsinki University properties Oy, and extended the lease agreement with the University of the Arts," says Jarkko.



Jarkko Leinonen, Head of Asset Management Finland

The acquisition consisted of three university properties with the University of the Arts Helsinki as tenant. The University of the Arts Helsinki comprises the Sibelius Academy, the Theatre Academy and the Finnish Academy of Fine Arts, and is situated in prestigious premises in central Helsinki.

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**"We are looking forward to a successful partnership."**

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"We are looking forward to a successful partnership with the University of the Arts Helsinki and delighted that we can contribute to the university's continued development in flexible, safe and secure properties together with the University's competent and active organisation," says Jarkko.

Jarkko also adds that a new step during the year was that the company performed most of its own development, and he has therefore employed a project developer. Having our own resources, and expanding our collaboration with Finnish municipalities for schools and other public properties, is strategically

important. Hemsö now has its own resources in all areas to lead activities and partner networks.

"As a long-term landlord and investor, it is important for Hemsö that our tenants and partners can communicate with our employees. I think that decision paths will become shorter and commitment will increase if we have our own organisation," he continues.

And of course, Jarkko is also satisfied with the lease agreement that was extended during the year for a rental value of EUR 4.6 million per year and that, in addition to energy efficiencies, several existing properties became certified under the BREEAM In-Use scheme. The properties selected are more geared towards learning and focusing on improvements rather than trying to achieve the highest-possible level of certification. A number of electricity contracts were renewed during the year and all of the electricity consumed by Hemsö in Finland is green electricity. Hemsö continued its efforts to increase sustainability in the Finnish portfolio and operations.

"We ended the year by acquiring the District Court of Helsinki and the Finnish state is now our largest tenant. It is gratifying that we are

growing in central Helsinki. Overall, we had a good year in Finland and a lot can happen as we move forward. Hemsö will continue to be an active player by improving the Finnish public property portfolio and clarifying its offer to municipal, state and other public operators," says Jarkko.



## Finland

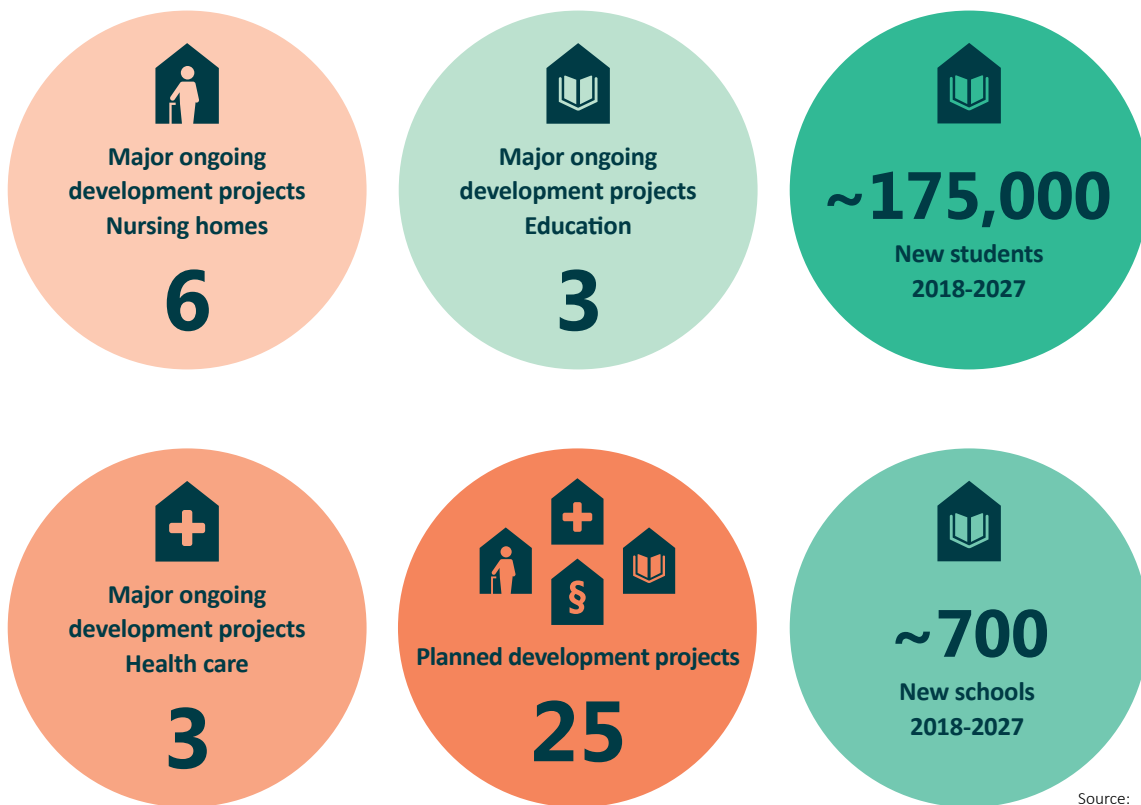
41 properties  
SEK 5.4 billion in property value  
12% of the portfolio's market value

97.1% occupancy rate  
SEK 329 million in rental value  
180 tsqm of leasable area

## Properties per category

29 Nursing homes  
8 Education  
3 Health care  
1 Justice system





Source: Swedish Ministry of Finance.

## 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

Two-thirds of Swedish municipalities have an acute shortage of school premises. Classes are growing larger and students are being taught in temporary modules and other premises that are not designed to be classrooms. According to the Swedish Ministry of Finance, the number of students is expected to rise by 175,000 over the next ten years and 400 new comprehensive schools and 300 new secondary schools will be needed. While the need for investment in elementary schools is partic-

ularly high, the trend also indicates a growing need for upper-secondary school properties. Many Swedish schools were built in the 1960-70s and often have considerable maintenance needs coupled with outdated design, inefficient working methods and lack of security as a result. These schools are in major need of extensions and refurbishment. Nor is it uncommon that the schools are in such bad condition that they have to be demolished and replaced with new, effective buildings. The high rate of new construction and refurbishment will require major economic and hu-

man resources. Many municipalities are therefore electing to increase their proportion of leased premises by transferring full ownership, management and use of their properties to private operators.

### 70 new nursing homes per year

The demographic trend indicates a 60-per cent increase in the population aged 80 or over between 2017 and 2030 (source: OECD). According to the Swedish Board of Housing, Building and Planning, approximately 70 new nursing homes will need to



Turning the first sod, Kronan Nursing Home, Luleå



The starting shot, Sandbyhov, Norrköping

be built per year in Sweden over the next ten years, a total of 700 homes with 32,000 new beds. In addition, many old nursing homes will need to be replaced because they do not comply with applicable requirements and regulations.

### Long-term partner for municipalities

Many municipalities will soon be faced by the major challenge of building public properties. For most municipalities and county councils, construction is carried out at several year intervals. Hemsö, on the other hand, develops several public properties across the country every year, for both municipal and private operations. Hemsö has acquired broad knowledge and experience in the development of modern properties that are sustainable and customised

with good property management economics. Hemsö is now a long-term partner for municipalities, and helps them meet tomorrow's need for public properties.

### Long-term ownership

At year-end, Hemsö had 12 major ongoing new construction projects in the nursing home, education and health care categories. Development takes place both in-house, and in partnerships. Regardless of the form, Hemsö's objective is long-term ownership. Properties are developed in a collaboration between 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. As part of the process to increase the focus on development, the department was strengthened with eight new employees during the year.

### Completed development projects

During the year, Hemsö completed Hälsans hus in Kungshamn, the Widénska upper secondary school in Västerås, two nursing homes and one preschool.

### Widénska upper secondary school, Västerås

The Widénska upper secondary school in Västerås was completed during the final days of 2018 and

opened in January 2019. The school can accommodate about 480 students and has a leasable area of 5,300 sqm.

#### **Hälsans hus, Kungshamn**

Hemsö completed the construction of Hälsans hus in Kungshamn and the tenant, Västra Götaland Region, signed a 20-year lease agreement. The property was completed in November.

#### **Villa Basilika, Tyresö and Villa Idun, Enköping**

Both of these nursing homes have Ambea as their tenant and were completed in January and October, respectively. The homes are

designed for modern elderly care operations, with 63 apartments divided between six departments.

#### **Järvastaden School, Solna**

Stage 2 of Järvastaden School, which opened in 2017, was also completed. Stage 2 comprises a preschool for about 200 children. This building has also been designed for flexibility and can easily be converted into an elementary school. Stage 2 is the second-last stage of the school.

#### **Ongoing development projects**

At year-end, the remaining investment volume in Hemsö's ongoing project portfolio was an estimated

SEK 3.8 million. Five nursing home projects and three school projects were started-up during the year.

#### **Urban development project, Sandbyhov Norrköping**

Sandbyhov in Norrköping is an urban development project, where Hemsö and Norrköping Municipality have jointly created building permits for new housing units of 50,000 sqm, in addition to public properties. Construction was started on three school buildings during the year – Apelgården, Ekhöjden and Estethuset. Apelgården is a high school for 350 students, and Ekhöjden an elementary school for 350 students. The buildings for both Apelgården

## **Villa Basilika, Tyresö**

– Completed January 2018



**Property category:** Nursing home  
**Project type:** New construction  
**Project area:** 4,300 sqm  
**Leased at start-up:** 100%



**Environmental certification:** SGBC, Silver  
**Project description:** This new nursing home is connected to Hemsö's existing nursing home Krusmyntan 2.

Villa Basilika has 63 beds, divided between three floors, and a semi-basement. The home has been built for people with dementia.



## Development projects completed, 2018

Municipality	Development projects	Property category	Project area, sqm	Investment, SEK million	Rental duration, years	Rental value increase after project, SEK million	Occupancy rate, %
Tyresö	Villa Basilika	Nursing home	4,300	157	15	10	100
Sotenäs	Hälsans hus	Health care	2,600	50	16	3	100
Solna	RWS stage 2	Education	2,000	76	30	4	100
Enköping	Villa Idun	Nursing home	4,200	105	16	9	100
Västerås	Widénska	Education	5,300	143	15	11	100
<b>Total</b>			<b>18,400</b>	<b>531</b>	<b>17</b>	<b>38</b>	

 Public-sector tenant  
 Private-sector tenant

and Ekhöjden were originally completed and opened in 1910. Both building have now been totally renovated, and an extension is being added to accommodate the schools. Estethuset, a completely new build-

ing, will have special classrooms for activities such as craft, home economics and technology and serve both Apelgården and Ekhöjden. All buildings have been leased by the municipality for a period of 25 years.

## Widénska upper secondary school, Västerås

– Completed December 2018



**Property category:** Education  
**Project type:** New construction  
**Project area:** 5,300 sqm  
**Leased at start-up:** 100%

**Project description:** The tenant is the City of Västerås with a 15-year lease agreement. The new upper secondary school is a designated sports school and strategically located close to both

ice hockey rinks and football fields. The school is the first upper secondary school in Sweden with LGBTQ certification.

Both Apelgården and Ekhöjden are scheduled for completion by the beginning of the autumn school term in 2019 and Estethuset by the beginning of the spring school term in 2020.

The Nodhuset building, located in the same area, has a total area of 9,000 sqm and will house health care premises, retail stores and a garage in a low-rise three-storey section, as well as 42 rental apartments in a high-rise seven-storey section built on top of the low-rise section. The health care premises of approximately 3,000 sqm have Region Östergötland as the largest tenant and a lease term of ten years. The residential section has been sold to Hyresbostäder, a municipal housing company. The building is scheduled for completion in the third quarter of 2020.

#### Södra Källtorp, Västerås

In 2017, Hemsö secured the contract to realise the City of Västerås's vision of a new area for public services in the Södra Källtorp residential area. The company will build a nursing home with 120 beds, 60 senior housing units and a preschool with 72 places. A 25-year lease agreement has been signed with the City for the nursing home and preschool, and a number of co-housing units. The

development project is currently in project planning stage.

#### Kronan, Luleå

In early 2017, Hemsö acquired five properties in Luleå – four nursing homes and one medical centre. The transaction also included a land-use agreement for a new nursing home. The nursing home is currently under construction and scheduled for completion in November 2020. The home contains 144 apartments and a 20-year lease agreement has been signed with the municipality.

#### Björknäsgården, Boden

In 2017, Hemsö and Norlandia Care secured a contract from Boden Municipality to build a nursing home with 126 apartments. The development project is scheduled for completion in November 2019. A 15-year lease agreement has been signed with Norlandia Care.

#### Villa Boulevard, Kristianstad

A new nursing home in Kristianstad with 60 beds and a small school-room. The nursing home has been leased for 15 years by Vardaga, part of the Ambea Group.

#### Fyllinge, Halmstad

In Halmstad, Hemsö began construction of a nursing home with 54 beds

with Norlandia Care as the tenant for 15 years.

#### Paradisskolan, Borlänge

During the spring, Hemsö secured a Public Procurement Act (LOU) contract to build Paradisskolan (the Paradise School) in Borlänge. The school is designed for a population of 600 elementary school students, including a sports centre. Construction is based on the "village school" concept with a focus on co-utilisation and flexibility. The school is currently in the planning phase. Procurement is expected to take place in May 2019 and the school is scheduled for completion by the start of the autumn school term in 2020. A 20-year lease agreement has been signed with the municipality.

#### Dabendorf, Germany

In autumn, Hemsö reached an agreement with the German City of Zossen, south of Berlin, to jointly develop an upper secondary school. This is Hemsö's first school project in Germany. The school will accommodate 1,000 students. Construction was started immediately and the school is scheduled for completion in the first quarter of 2021. A 20-year lease agreement has been signed with the City of Zossen.

### Hemsö's largest ongoing development projects >SEK 100 million

Municipality	Development projects	Property category	Project area, sqm	Investment, SEK million	Remaining investment, SEK million	Rental value increase after completion, SEK million	Occupancy rate, %	Estimated year of completion
Solna	Patienten 1 <sup>1)</sup>	Health care	21,260	1,849	677	91	84	2020
Stockholm	Princeton 1 <sup>1)</sup>	Health care	22,360	1,397	730	77	1	2021
Västerås	Södra Källtorp	Nursing home	15,160	469	435	29	100	2021
Zossen	Dabendorf	Education	16,300	485	483	25	100	2021
Luleå	Kronan	Nursing home	11,990	287	232	21	100	2020
Norrköping	Sandbyhov	Education	10,230	248	133	19	100	2020
Boden	Björknäsgården	Nursing home	10,050	246	82	20	100	2019
Norrköping	NOD-huset	Health care	6,800	247	231	13	89	2020
Helsinki	University of the Arts	Education	4,100	151	111	13	100	2019
Staffanstorps	Villa Vikhem	Nursing home	4,100	126	41	9	100	2019
Kristianstad	Villa Boulevard	Nursing home	4,430	131	130	9	89	2020
Halmstad	Fyllinge	Nursing home	3,870	107	105	8	100	2020
<b>Total</b>			<b>130,650</b>	<b>5,743</b>	<b>3,390</b>	<b>335</b>	<b>70</b>	

1) The development projects are conducted in companies owned jointly with SveaNor.

	Public-sector tenant
	Private-sector tenant

## Some of Hemsö's ongoing development projects

### Sandbyhov Norrköping

**Property category:** Nursing home, education and health care.

**Project type:** Urban development area

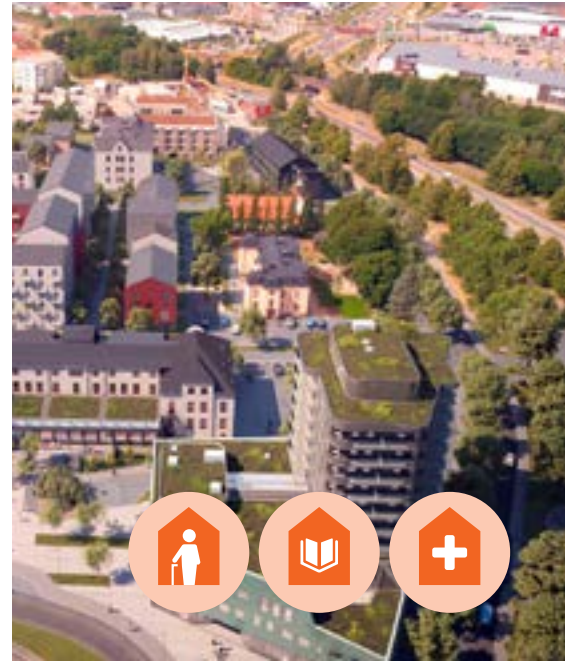
**Project area:** 17,000 sqm excl. housing

**Construction start-up:** 2018

**Leased at start-up:** 100%

**Environmental certification:** SGBC, Silver

**Project description:** Development of the area is ongoing with nursing homes, comprehensive schools, a preschool and new construction comprising a public dental service clinic, a medical centre and housing. The schools include Ekhöjden (elementary), Apelgården (lower secondary) and Estethuset with special classrooms. A 25-year lease agreement has been signed with Norrköping Municipality for the school buildings and a 10-year lease agreement with Region Östergötland. The area is scheduled for completion by the end of 2020.



### Kronan, Luleå

**Property category:** Nursing home

**Project type:** New construction

**Project area:** 12,000 sqm

**Construction start-up:** 2018

**Leased at start-up:** 100%

**Environmental certification:** SGBC, Silver

**Project description:** In May, Hemsö began the construction of a new residential care facility in Luleå. The facility has 144 beds, a leasable area of approximately 12,000 sqm and is located in the new district of Kronan. The investment is an estimated SEK 287 million. Luleå Municipality has signed a 20-year lease 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

**Leased at start-up:** 100%

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







Turning the first sod for Villa Basilika, Tyresö – Nursing home



### 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.

All materials and products used by Hemsö must have either A or B classification under the SundaHus system. In 2018, 92 per cent of the assessed products in completed projects were classified as either A or B. In some cases, non-compliant products were approved following a special evaluation, on account of no other options being available. The goal is that SundaHus Material Data will also be used for refurbishments, and for regular property maintenance.

### Quality control

In 2018, 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 manager. Projects are monitored six months after completion, which means that the tenant's experience and views can also be taken into account.

### Driving development

Because Hemsö develops and manages properties for public use, the company has unique knowledge and insight into the requirements for



Education, Sandbyhov, Norrköping. Nils Styf, CEO



Education, RWS Järvastaden, Solna

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 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 2019

In 2019, Hemsö will be focused on developing public properties on own land, or land owned through our 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 minimising the use of resources and guaranteeing 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.



## 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.

### 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 responsibility, teamwork and a passion for the social benefit that Hemsö helps to create.

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.

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 2018, Hemsö employed its fourth trainee as well as several young talents. Hemsö 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.

### Career Company of the Year – again!

For the third consecutive year, Hemsö was named Career Company of the Year – a genuine stamp of quality. 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.

### Valuable work placements

Hemsö has an earlier target of, every year, being able to offer people who are less likely to enter the workforce valuable work placements and experience. In 2018, Hemsö employed several trainees in various forms.

In 2018, Hemsö participated in "Jobbsprånget" – an employment programme for newly arrived engineers, architects, scientists and economists.

### Leadership development

An important objective for Hemsö is effective leadership, with strong leaders who can motivate, develop and support their colleagues. All of the company's managers therefore undergo a leadership development programme. The programme con-





tains modules including communication training, feedback and group dynamics with a business focus. All managers have also received personal coaching with an external coach.

### **Long-term and strategic HR management**

Hemsö's HR strategy is long-term and goal-oriented. The Head of HR is a member of Group Management and responsible for overall strategic HR management.

HR management is based on Hemsö's strategic direction and business plan, and on employment policies.

### **Commitment**

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. The Hemsö School is a key element for building shared values. In the Hemsö

School, all employees take part in practical and theoretical exercises to understand and embrace Hemsö's value words – accessible, reliable and progressive. An international Hemsö School will be launched in 2019, since several new employees have now begun in Germany and Finland. Hemsö Days is also held every year – an internal conference for all employees, focusing on key strategic issues and any changes in the business environment that impact the operations.

The latest employee survey in 2018 showed overall excellent results with high scores for commitment and leadership. The psychosocial index also indicated a well-functioning psychosocial work environment. The employee survey was also followed up by a pulse survey after the summer for those areas that could be improved, such as reasonable stress levels, recovery, support from the manager and contact in the event of workplace harassment. After the survey, every department reviewed its results and creates

action plans for achieving improvements.

### **Knowledge sharing with high attendance**

Hemsö works systematically to ensure that all employees can develop in their role, and provides training and competence development. In the latest employee survey, 77 per cent responded positively and 18 per cent neutrally to the question "Are you able to develop in your role?"

Many employees at Hemsö have unique cutting-edge knowledge. In an effort to spread this knowledge, Hemsö launched the Social School in 2017. This school does not have a fixed timetable. Whenever time allows, employees describe and communicate their own unique speciality and working day.

This transfer of knowledge and skills is highly appreciated. During the year, topics have included negotiation techniques, rhetoric, financial analysis and economic theory for non-economists.



### 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.

During the year, several fitness challenges were held to motivate all employees to take part in daily physical activity and exercise. In the long term, exercise is believed to have positive effects on both physical and mental symptoms, such as stress. In 2018, Hemsö's employee attendance was 98.9 per cent (98.7) and there were zero work-related accidents or fatalities.

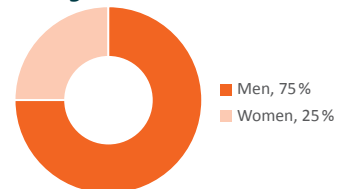
### Diversity and equal opportunities

Variation in terms of gender, age and background is important for Hemsö's development and competitiveness. Hemsö's view is that all people are

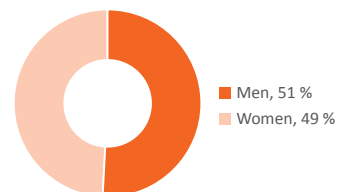
equal, and that everyone should have the same opportunities for development regardless of gender, ethnic and cultural background or age.

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 2018, salaries were reviewed and showed that, as in previous 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.

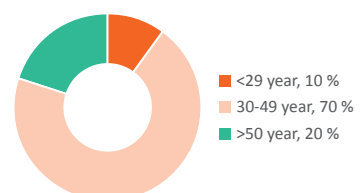
### Gender balance, management



### Gender balance total, %



### Age balance





HEMSÖ



## In new roles during the year

When looking for new employees, Hemsö always seek to recruit internally first, with the objective of stimulating and developing employees. During the year, several existing employees were recruited to new roles, including Andrea Cedwall as Head of Transactions and David Magnusson as project manager.

80%

of employees are satisfied with competence development at Hemsö



**Andrea Cedwall,**  
new Head of Transactions

### What are your previous roles at Hemsö?

"I was previously a business project manager in Strategy and Transactions."

### What made you want to change roles?

"I like Hemsö's leadership philosophy of values-driven leadership. It matches my own philosophy that people do their work best in a team. The team I will be leading is an ambitious and competent group of people with an amazing number of good ideas, so the choice was easy from that perspective."

### What challenges do you expect in your current role?

"Taking one step at a time in the contributions I want to make as a leader, and not trying to do everything at once."

Partnership between departments while Hemsö is growing and taking on so many new employees."



**David Magnusson,**  
new project manager

### What are your previous roles at Hemsö?

"I was previously a purchasing manager at Hemsö. In summer 2018, I joined the development department as a project manager. By April, I was working 50 per cent in my new role, and 50 per cent in my former role as purchasing manager. That meant that I could still maintain control over purchasing in my new position. I became a full-time project manager in August 2018."

### What made you want to change roles?

"Purchasing had shifted from development to property management. I was looking for new challenges so it was a natural step for me to move from purchasing to development. I have a Masters Degree in Civil Engineering from the Royal Institute of Technology, and contracting experience from working at Skanska Stålteknik, NCC, Arcona and Peab Bostad, so I have a great deal of construction knowledge."

### How easy was it to take on your new position?

"It has gone well. I became responsible for two ongoing contracts as soon as I started, and I also helped the transaction department with an acquisition during the summer. During the autumn, I started-up two new contracts and one development project related to digitisation, which involved the installation of smart lighting in a school in order to improve the working environment and study results."

### What challenges do you expect in your current role?

"As Hemsö grows, the company will need methods, procedures and systems to improve structures and monitoring. An exciting task that requires a high level of expertise and new approaches in areas such as digitisation. That will create new business opportunities for Hemsö, but will also require new working methods for development, and for property operations."



Nursing home, Backa 243:52, Gothenburg

## Sustainable business

Hemsö's mission is to sustainably own, manage and develop properties for public use. This involves being a long-term and responsible property owner that accounts for environmental and social sustainability aspects, as well as the company's profitability, in all areas of the company's operations.

### Sustainable governance

Sustainability is a high priority for Hemsö. Sustainability management is coordinated by the company'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 Asset Management is the person 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, the work environment, choice of materials and waste. The objective is that sustainability management will be fully integrated with business management and planning.

### Values

Hemsö's operations are based on the value words: accessible, progressive and reliable. These values are to permeate how the company's employees act both internally and in external contacts. We do not tolerate

any form of corruption or unethical behaviour. Corresponding values and principles are also expected from suppliers, business partners and other partners.

An internal Code of Conduct has been introduced to clarify the most important standpoints in relation to business ethics. Over the past year, there has been a theme with exercises and discussions related to this Code of Conduct. The case was used at both Hemsö's management days and the Hemsö School, which is part of the introduction for all new employees. The plan is that all of Hemsö's employees will undergo training in 2019.



A whistleblower system has also been available on hemso.se since 2016, enabling internal and external stakeholders to make anonymous reports of suspected unethical behaviour or irregularities in the company's operations. To prevent corruption, procedures for purchasing and authorisation have been developed. Hemsö already has an external Code of Conduct for suppliers.

In 2018, no incidents of corruption or legal violations were reported in connection with Hemsö's operations. One case was received by Hemsö's whistleblower system during the year. The case was investigated but no measures were deemed necessary.

### Materiality analysis and stakeholder dialogue

The focus for sustainability management is reviewed each year as part of Hemsö's business intelligence and strategy processes. In 2018, Hemsö conducted a materiality analysis and engaged in dialogue with its stakeholders. These resulted in an update of the areas that are important for Hemsö in the company's continued work with sustainability. The sustainability aspects with the highest

value both internally and for external stakeholders comprise Hemsö's material sustainability aspects. Both our day-to-day operations and stakeholder communication will maintain a focus on these issues.

The material sustainability aspects 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 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

In 2018, Hemsö's strategic climate-change considerations were work-shopped and analysed. Hemsö's efforts to mitigate climate-change also included how Hemsö's operations impact the climate and how

climate change will impact Hemsö. The latter issue is part of preventive measures and risk management in property management, as well as development projects and acquisitions. Hemsö's focus and objectives are still energy consumption, reduction of CO<sub>2</sub> emissions and energy efficiency. The aim is to update the objectives and to develop the climate-change strategy next year. Hemsö's emissions are currently monitored in a climate report based on GHG Protocol standards.

### 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 evaluation of environmental, social and governance (ESG) at company and portfolio level. Hemsö has achieved the highest GRESB rating – Green Star – since 2016. In 2018, Hemsö achieved a score of 55 points, slightly lower than in 2017. Improvements to implementation and reporting will be introduced in 2019. Hemsö's objective is to improve the score every year by conducting analyses and introducing improvements.



## Environmental certifications

At the end of 2018, Hemsö had 23 environmental certifications distributed between 21 properties. The certifications comprised 15 Sweden Green Building Council, three LEED, one BREEAM, two BREEAM In-Use and one DGNB. Hemsö also had one remaining Green Building certification.

Hemsö has decided to phase out Green Building certifications and not to extend them, as they no longer serve the same purpose for Hemsö. Green Building certification is focused on energy savings in properties. Hemsö's strategy is to continue focusing on energy efficiency in the form of both operational optimisation and energy projects, including the installation of renewable energy systems (photovoltaic and geothermal).

Hemsö received its first environmentally certified property in Finland in 2017 (BREEAM In-Use), and its first two certifications in Germany (LEED and DGNB) in 2018. In 2019, more environmental certifications are expected to flow into the portfolio from all three of the countries in which Hemsö operates, through development projects, project acquisitions and other means. In addition, Hemsö will raise its level of ambition for certifications in the existing portfolio.

## BREEAM In-Use

In 2018, Hemsö conducted a pilot project to obtain BREEAM In-Use certification for two properties, with the goal of achieving a "very good" rating, which was achieved. This is Hemsö's first environmental certification in the company's existing portfolio, and with a property management focus. Hemsö is also planning to conduct a pilot project in early 2019 to obtain two BREEAM In-Use certifications in Finland, and explore the possibility of also obtaining certifications in Germany. The objective for 2019 is a total of ten new BREEAM In-Use certifications.

## Skolgårdslyftet

To raise the quality of existing preschool and school playgrounds,

Hemsö decided to implement the Skolgårdslyftet project. The initiative will help to increase social sustainability by improving the outdoor environments of preschools and schools, for the benefit of everyone who uses these spaces – both children and adults. As part of the Skolgårdslyftet project, Hemsö will invest 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.

## Community engagement

Hemsö's core business and mission to sustainably own, manage and develop public properties, and thereby contribute social infrastructure, can be considered community engagement. Over the past three years, for example, Hemsö's construction of new nursing homes and schools has led to the creation of more than 400 new nursing homes and more than 4,200 new placements in schools ranging from preschools to colleges.

As a long-term owner, property manager and developer of public properties, Hemsö has a strong commitment to sustainable social development. The company therefore 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 employers.

We are also exploring the multi-purpose building concept, where different activities are housed under the same roof. Gathering

different types of activities creates meeting places between generations and groups, so the buildings can be used for more hours of the day. Sharing spaces, such as a common room, meeting room and reception desk, helps to create a sense of security and improves resource efficiency.

Hemsö participates in a range of sustainability forums, including a research project with scientists from Mälardalen University with the aim of fostering collaboration between tenants and property owners to develop sustainable management. Hemsö is also involved in Future by Lund (an innovation platform for sustainable urban development) and is a member of the Swedish Green Building Council (SGBC). In 2018, Hemsö also participated in the SGBC's Research and Quality Council.

## Sponsorship

Hemsö prioritises sponsorship that can help vulnerable groups. Donations are made to activities and initiatives that create social benefit, and match the company's values. Every year, the Hemsö Gift (Hemsögåvan) is awarded to people in Hemsö's properties, with the aim of facilitating and enriching their daily lives. In 2018, the gift was mainly awarded for stimulating activities for school students, with the purpose of spreading positivity and inspiring knowledge acquisition in various ways.

Examples of the Hemsö Gift in 2018 were a contribution towards a visit to the Foteviken Museum in Höllviken to experience a real Viking setting; a contribution towards an overnight stay in Mälarhusen in Österlen for unaccompanied refugee children living in a residential facility in Rosengård, and a contribution towards the conversion of the music room at Ektorp school in Nacka from a dull basement into an inspirational learning environment. Hemsö also arranged an outing to a football stadium in Gävle for the residents of a nursing home, to watch a football match and have a barbecue.

# Directors' Report

The Board of Directors and Chief Executive Officer of Hemsö Fastighets AB, Corp. Reg. No. 556779-8169 hereby present the 2018 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 2018, Hemsö owned 365 properties with a market value of SEK 46.2 billion. The properties are located in Sweden, Germany and Finland. Tenants are mostly government, municipal and county council operators. Hemsö also has a large proportion of 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 136-138.

## Profit from property management

SEK million	2018	2017	Δ %
Property income	2,618	2,375	
Property costs	-668	-587	
<b>Net operating income</b>	<b>1,950</b>	<b>1,788</b>	<b>9.1 %</b>
Central administrative expenses	-146	-130	
Profit from associated companies	11	1	
<b>Operating profit</b>	<b>1,815</b>	<b>1,659</b>	<b>9.4 %</b>
Financial items	-372	-345	
<b>Profit from property management</b>	<b>1,443</b>	<b>1,314</b>	<b>9.8 %</b>
<b>NOI-margin</b>	<b>74.5 %</b>	<b>75.3 %</b>	
<b>Operating margin</b>	<b>69.3 %</b>	<b>69.9 %</b>	

## Income

In 2018, rental income amounted to SEK 2,618 million (2,375), up 10.2 per cent. The increase was a result of implemented acquisitions, completed development projects and investments in the existing portfolio. Rental income in the comparable portfolio rose SEK 51 million (25), corresponding to 2.5 per cent (1.4). At year-end, the economic occupancy rate remained unchanged at 98.3 per cent (98.3) and economic vacancies amounted to SEK 49 million (42). At period-end, contracted annual rent amounted to SEK 2,750 million (2,492). Hemsö's lease agreements typically include a Consumer Price Index (CPI) clause, enabling inflation-related adjustments. The lease duration increased to 9.7 years (9.2). The high

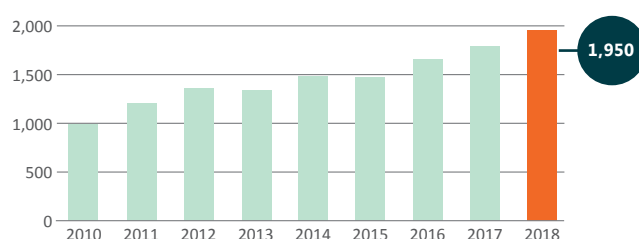
credit scores of tenants reduce the risk of credit losses.

## Costs

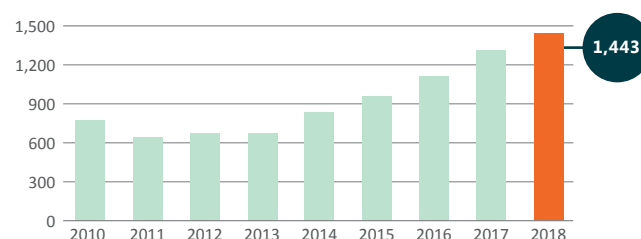
Hemsö's property costs largely comprise operating costs such as maintenance, heating, electricity and water, and the cost of ongoing and planned maintenance. Property costs amounted to SEK 668 million (587), up SEK 81 million, corresponding to 13.8 per cent. The increase was mainly attributable to a larger property portfolio and higher costs for planned maintenance.

Costs in a comparable portfolio increased SEK 66 million, representing 13.2 per cent, due to the increased cost of planned maintenance.

## Net operating income, SEK million



## Profit from property management, SEK million



## Net operating income

Net operating income rose SEK 162 million to SEK 1,950 million (1,788), up 9.1 per cent. The increase was mainly attributable to acquisitions and completed development projects. The NOI-margin was 74.5 per cent (75.3), down 0.8 percentage points year-on-year. The decline was mainly attributable to higher maintenance costs.

In 2018, net operating income in the comparable portfolio was SEK 1,518 million, down 1.1 per cent year-on-year.

## Net financial items

Net financial items amounted to an expense of SEK -372 million (-345). The increase in net financial items was due to an increase of SEK 4,154 million in interest-bearing debt, which totalled SEK 29,728 million (25,575). The fixed-rate period increased to 5.9 (5.1), while the average interest rate declined to 1.3 per cent (1.5). Net financial items comprised interest expenses of SEK -381 million (-343), other financial expenses of SEK -41 million (-43), interest income of SEK 2 million (2) and other financial income of SEK 48 million (39).

## Profit from property management

Profit from property management totalled SEK 1,443 million (1,314), up 9.8 per cent. The increase was attributable to a larger property portfolio.

## Change in value of properties

At the end of 2018, the market value of investment properties was SEK 46,236 million (38,883). During the period, the change in value of

investment properties was SEK 2,060 million (1,682), of which unrealised change in value accounted for SEK 2,088 million (1,761) and realised for SEK -28 million (-79). The value change was attributable to lower yield requirements in Sweden, Germany and Finland, but also to completed development projects and new leasings.

## Tax

Recognised tax for the period amounted to SEK -502 million (-540), of which current tax comprised SEK -36 million (-63) and deferred tax SEK -466 million (-477). The Riksdag introduced a change in tax legislation and deferred tax has been recalculated using the effective tax rate as of 2021. The change in tax rate from 22.0 to 20.6 per cent generated a positive impact of SEK 174 million on earnings.

## Profit for the year

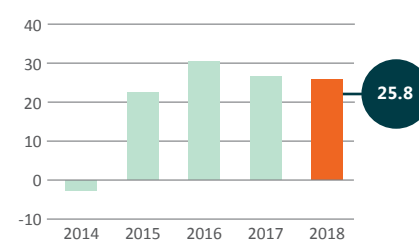
Profit for the year before tax totalled SEK 3,594 million (3,131) and profit for the year after tax was SEK 3,092 million (2,591), up 19.3 per cent year-on-year. The earnings improvement was mainly attributable to increased profit from property management, higher positive value changes and lower tax.

## Profitability

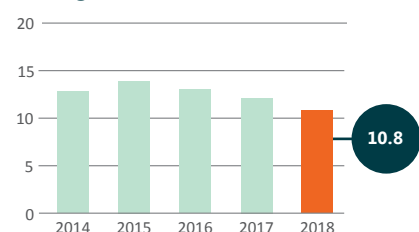
Return on equity was 25.8 per cent (26.6). Return on profit from property management was 10.8 percentage points (12.1).

The total return was 9.7 per cent (9.8).

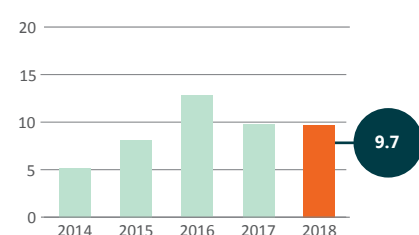
## Return on equity, %



## Return on profit from property management, %



## Total return, %



## Property portfolio development 2018

	SEK million	No.
<b>Market value, opening balance</b>	<b>38,883</b>	<b>346</b>
Acquisitions	3,135	29
Investments in new construction, extension and refurbishment	2,660	
Divestments	-867	-10
Disposals	-44	
Exchange-rate fluctuations	381	
Unrealised value changes	2,088	
<b>Market value, closing balance</b>	<b>46,236</b>	<b>365</b>

## Calculation of property yield

	SEK million
Net operating income according to income statement	1,950
Adjusted for 12-month holding period	82
Adjusted for development properties	-137
<b>Adjusted net operating income, 12-month holding period excluding development properties</b>	<b>1,895</b>
Market value of properties according to balance sheet	46,236
Adjusted for development properties	-7,700
<b>Adjusted market value of properties</b>	<b>38,536</b>
<b>Property yield</b>	<b>4.9%</b>



## Investments

Investments refer to investments in existing properties, new construction and acquisitions. During the year, Hemsö invested SEK 5,795 million (4,858), of which SEK 3,135 million (2,668) pertained to acquisitions and SEK 2,660 million (2,190) to new construction, extension and refurbishment. An amount of SEK 2,303 million (1,851) was invested in new construction, and SEK 357 million (339) in extensions and refurbishment. For all ongoing development projects with project volumes of more than SEK 20 million, the remaining investment volume is SEK 3,592 million (3,687).

## Cash flow

Consolidated cash flow from operating activities amounted to SEK 1,430 million (1,341) and operating cash flow amounted to SEK 1,383 million (1,272). Investing activities had a negative impact of SEK -5,010 million (-3,493) on cash flow, while increased borrowings had a positive impact of SEK 2,923 million (2,361) on cash flow from financing activities. Overall, cash and cash equivalents declined SEK -657 million (216) during the period.

## Parent Company

Sales amounted to SEK 63 million (56) and consisted of fees for services performed on behalf of subsidiaries. Administrative expenses increased to SEK -158 million (-145). Operating loss totalled SEK -95 million (-89) and profit after financial items was SEK 227 million (-317). In preceding years, unrealised changes in value related to financial instruments were only recognised in the Group. Due to an accounting policy change that came into effect at the

beginning of the year, unrealised changes in the value of financial instruments must also be recognised in the Parent Company. This policy change resulted in a non-recurring item of SEK -544 million that was eliminated in the Group.

## Employees

At period-end, Hemsö had 102 (105) employees, of whom 49 (53) were women. Of all employees, 93 (98) were employed in Sweden, 5 (4) in Germany and 4 (3) in Finland.

## Sustainability performance

In accordance with the Swedish Annual Accounts Act, Chapter 6, section 11, Hemsö Fastighets AB has elected to prepare the mandatory Sustainability Report separately from the Annual Report. The Sustainability Report was submitted to the auditor together with the Annual Report and can be found on page 135 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 impact on 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 2018, which were presented to the Annual General Meeting for approval on 29 April 2019, 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 home	Education	Health care	Justice system	Total
No.	176	110	63	16	365
Leasable area, tsqm	760	555	273	144	1,732
Lease duration, years	9.5	12.0	7.0	6.9	9.7
Property value, SEK million	18,954	15,756	7,845	3,681	46,236
Rental income, SEK million	1,080	849	440	238	2,607
Net operating income, SEK million	824	626	310	190	1,950
Economic occupancy rate, %	99.6	98.6	95.1	97.4	98.3
Property yield, %	4.8	4.8	5.5	5.5	4.9

## Proposed appropriation of profits

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

Retained earnings	87,192,986
Share premium reserve	2,500,000,000
Profit for the year	484,989,405
<b>Carrying amount at period-end</b>	<b>3,072,182,391</b>

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

To shareholders	721,500,000
To be carried forward	2,350,682,391
<b>Total</b>	<b>3,072,182,391</b>

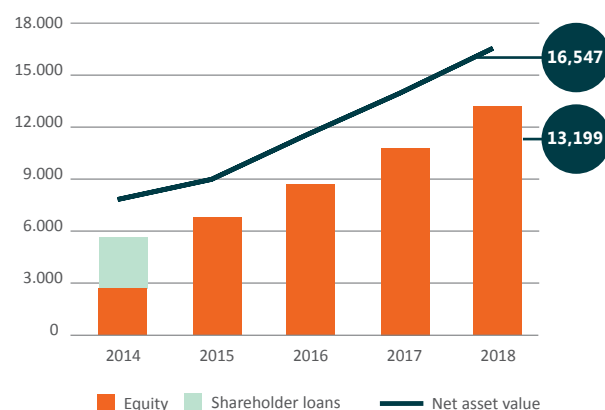
## Dividend policy

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	2018	2017	2016	2015	2014
Properties	46,236	38,883	33,629	26,502	24,668
Other assets	720	660	392	443	209
Cash	450	1,134	932	157	107
<b>Assets</b>	<b>47,406</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>
Equity	13,199	10,795	8,673	6,764	2,682
Shareholder loans	0	0	0	0	3,000
Interest-bearing liabilities	29,728	25,575	22,442	17,433	16,507
Derivatives	281	544	724	679	826
Deferred tax	3,067	2,591	2,104	1,518	1,289
Other liabilities	1,131	1,172	1,010	708	680
<b>Equity and liabilities</b>	<b>47,406</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>
<b>Payment to shareholders</b>					
Dividends paid	657	555	585	265	124
Interest paid on shareholder loans	0	0	0	53	210
<b>Total</b>	<b>657</b>	<b>555</b>	<b>585</b>	<b>318</b>	<b>334</b>
<b>Financial resilience</b>					
Equity and shareholder loans	13,199	10,795	8,673	6,764	5,682
Equity/assets ratio, %	27.8	26.5	24.8	25.0	22.7
Net asset value	16,547	13,930	11,501	8,961	7,797
Adjusted equity/assets ratio, %	34.9	34.2	32.9	33.1	31.2

## Development of equity, SEK million



# Financing

Hemsö's financing aims to maintain a stable capital structure and low financing costs. In 2018, Hemsö continued to diversify its borrowings and worked actively to extend the company's loan maturity and fixed-rate period.

## 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. Because Hemsö owns properties in Sweden, Germany and Finland, the company requires financing in both EUR and SEK.

## Historically low interest rates

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.

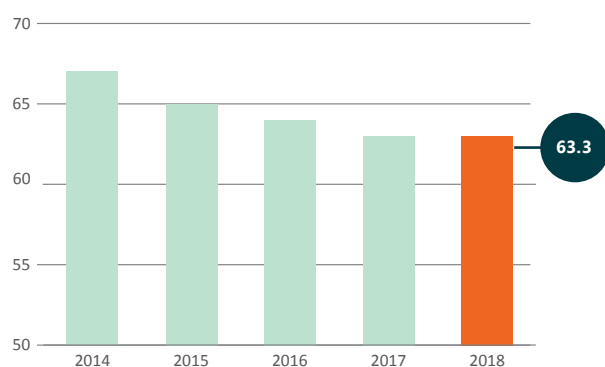
## Capital structure

At year-end, assets amounted to SEK 47,406 million (40,677). Hemsö financed its operations with equity of SEK 13,199 million (10,795), interest-bearing liabilities of SEK 29,728 million (25,575), deferred tax liabili-

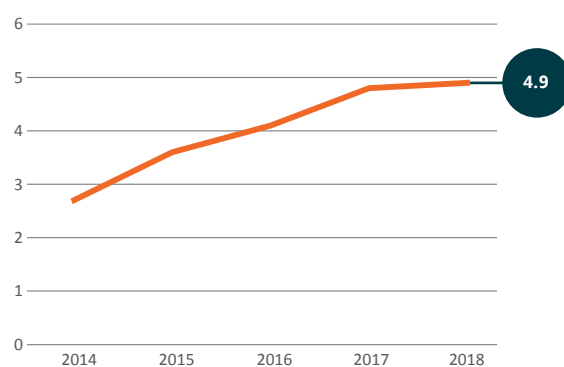
ties of SEK 3,067 million (2,591) and other liabilities of SEK 1,131 million (1,716).

The interest-bearing liabilities of SEK 29,728 million (25,575) consisted of unsecured bonds of SEK 23,679 million (20,317), commercial papers of SEK 4,449 million (4,038) and unsecured bank loans of SEK 1,600 million (0). At year-end, Hemsö's loan-to-value ratio was 63.3 per cent (62.9).

Loan-to-value ratio, %

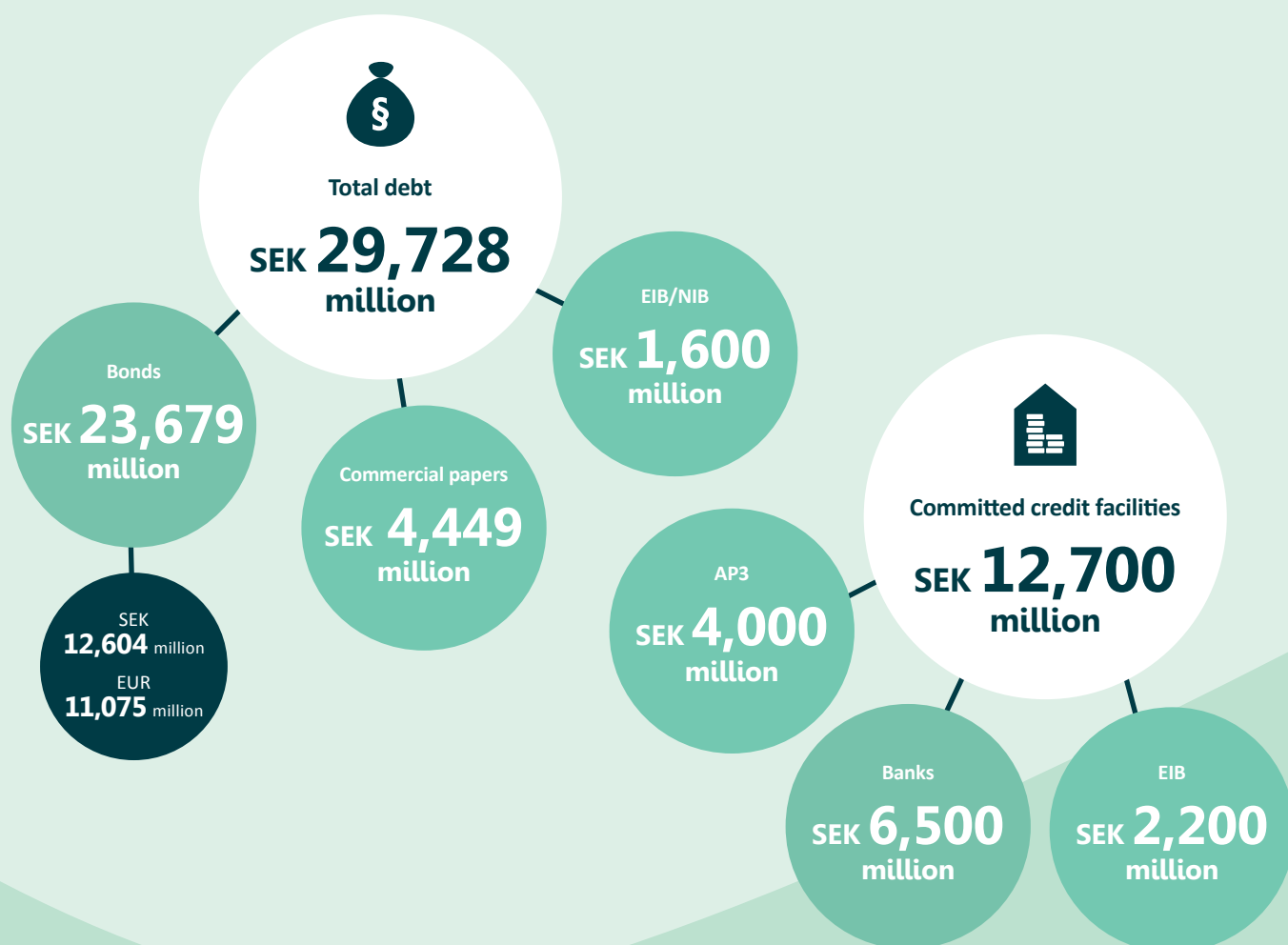


Interest-coverage ratio

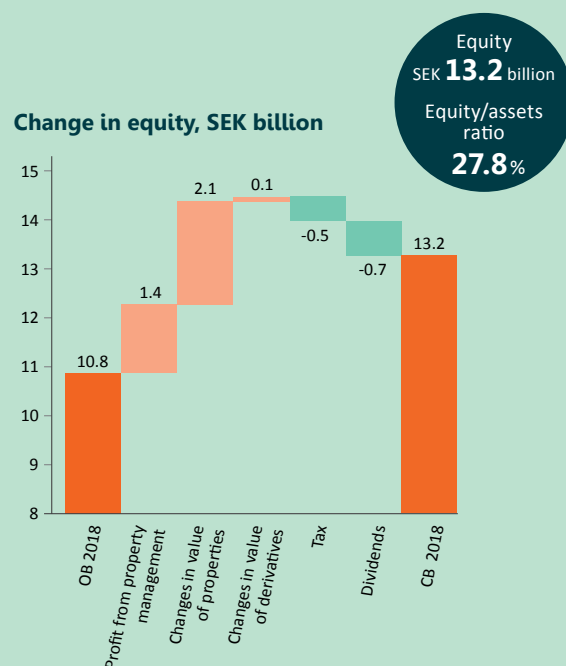
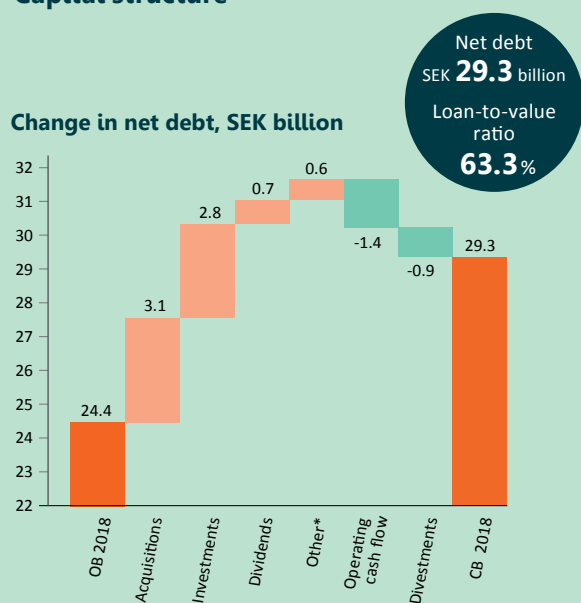




## Sources of funding



## Capital structure



\*Working capital, currency effects and adjustment items

## S&P Global Ratings

### 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.

### Diversified funding sources

Hemsö is an established issuer in the Swedish and European bond markets. At year-end, Hemsö had outstanding bonds of SEK 12,604 million (11,660) 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 11,075 million (8,657), making Hemsö an established name among European investors. During the year, Hemsö further diversified its investor base by raising loans with the European Investment Bank (EIB) and Nordic Investment Bank (NIB).

### Focus on stable cash flows

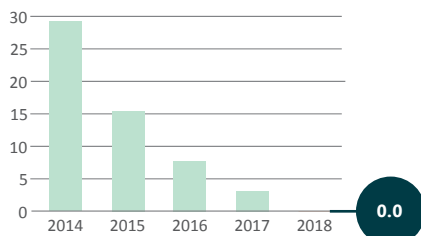
Hemsö works actively to secure stable and predictable cash flows for the company.

Through access to the European capital market and a calculated borrowing strategy, the company extended its loan maturity to 7.9 years (5.0) and the fixed-rate period to 5.9 years (5.1) during the year. Despite a longer loan maturity and fixed-rate period, Hemsö's average interest rate declined to 1.3 per cent (1.5) in 2018.

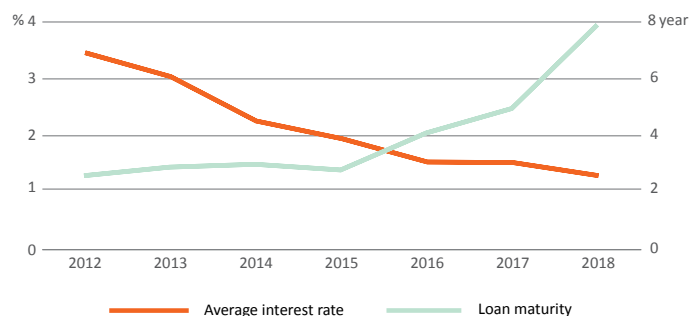
### Reduction of secured loans

Hemsö's strategy to focus on unsecured capital market financing will continue. Hemsö repaid its remaining secured debts during the year, which amounted to 0 per cent (3) at year-end. Reducing secured debt will reduce the risk associated with Hemsö's bonds and commercial papers.

Share of secured debt, %



Average interest rate and loan maturity



## Interest-bearing liabilities

At year-end, Hemsö had interest-bearing liabilities of SEK 29,728 million (25,575), representing a loan-to-value ratio of 63.3 per cent (62.9).

Of Hemsö's interest-bearing liabilities, SEK 9,810 million (12,181) carries variable interest rates, and SEK 19,918 million (13,394) million fixed rates. The company uses interest-rate derivatives to adjust interest-rate risk. Taking this into consideration, 67 per cent of Hemsö's debt had a fixed-rate period of more than one year.

## Bonds

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

In 2018, Hemsö issued bonds totalling SEK 6,769 million. At 31

December 2018, the volume of bonds therefore amounted to SEK 23,679 million (20,317), of which one sustainability bond 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 bond is included on Nasdaq Stockholm's Sustainable Bond List.

## Commercial papers

Hemsö has a commercial paper programme with a ceiling of SEK 8,000 million. At 31 December 2018, the value of Hemsö's outstanding commercial papers was SEK 4,449 million (4,038).

## 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 2018, Hemsö's committed credit facilities totalled SEK 12,700 million (10,700), committed credit facilities of SEK 6,500 million from banks, comprising an underwriting commitment of SEK 4,000 million from the Third Swedish National Pension Fund and the undrawn portion of a credit line from EIB totalling SEK 2,200 million. At year-end, SEK 12,700 million of Hemsö's total committed credit facilities was undrawn. At year-end, cash and cash equivalents amounted to SEK 450 million (1,134), bringing available liquidity to SEK 13,150 million (11,854).

## Capital structure

SEK million	2018	2017
Interest-bearing liabilities	29,728	25,575
Cash and cash equivalents	450	1,134
<b>Net debt</b>	<b>29,278</b>	<b>24,441</b>
Market value of investment properties	46,236	38,883
<b>Loan-to-value ratio, %</b>	<b>63.3</b>	<b>62.9</b>
<b>Share of secured debt, %</b>	<b>0.0</b>	<b>3.1</b>

## Sources of funding

SEK million	2018	2017
Bonds, SEK	12,604	11,660
Bonds, EUR	11,075	8,657
<b>Total bonds</b>	<b>23,679</b>	<b>20,317</b>
<i>Of which sustainability bonds</i>	<i>1,000</i>	<i>1,000</i>
Commercial papers	4,449	4,038
European Investment Bank	800	0
Nordic Investment Bank	800	0
Secured loans	0	1,220
<b>Interest-bearing liabilities</b>	<b>29,728</b>	<b>25,575</b>
<i>Of which sustainable financing</i>	<i>2,600</i>	<i>1,000</i>



## Interest-rate and foreign exchange derivatives

Hemsö uses currency and interest-rate 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 281 million (544). The notional amount of outstanding interest-rate derivatives was SEK 6,350 million (8,250).

## Changes in value

Changes in the value of financial instruments had a positive impact of SEK 91 million (135) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 81 million (144) on profit. The change in value was largely due to shorter maturities in the interest-rate derivatives portfolio. Foreign exchange derivatives had a positive impact of SEK 10 million (-9) on profit. During the period, a previously recognised loss of SEK -175 million was realised in connection with Hemsö's early termination of interest-rate derivatives.

## Currency exposure

At 31 December 2018, Hemsö had investment properties in Germany and Finland with a market value of EUR 1,226 million, corresponding to SEK 12,592 million. The Group's interest-bearing liabilities in EUR amounted to EUR 1,078 million (879), corresponding to SEK 11,075 million (8,657) and cash and cash equivalents in EUR amounted to EUR 0 million (52), corresponding to SEK 0 million (515). Net exposure defined as property assets and cash, including currency hedging less interest-bearing liabilities, amounted to EUR 148

### Committed credit facilities

SEK million	2018	2017
Banks	6,500	6,000
Third Swedish National Pension Fund	4,000	4,000
EIB	2,200	0
Construction credit	0	1,940
<b>Total committed credit facilities</b>	<b>12,700</b>	<b>11,940</b>
<i>Of which undrawn</i>	12,700	10,720
Cash and cash equivalents	450	1,134
<b>Available liquidity</b>	<b>13,150</b>	<b>11,854</b>
Short-term loans	7,994	6,691
Debt-coverage ratio, %	165	166*

\* Excluding undrawn construction credit of SEK 720 million.

### Currency exposure

SEK million	2018	2017
Properties EUR	12,592	8,663
Cash EUR	0	515
<b>Assets EUR</b>	<b>12,592</b>	<b>9,178</b>
Debt EUR	11,075	8,657
<b>Exposure EUR</b>	<b>1,517</b>	<b>521</b>
Currency hedging	0	645
<b>Currency exposure</b>	<b>1,517</b>	<b>1,166</b>
Equity	13,199	10,795
<b>Currency exposure, %</b>	<b>11.5</b>	<b>10.8</b>



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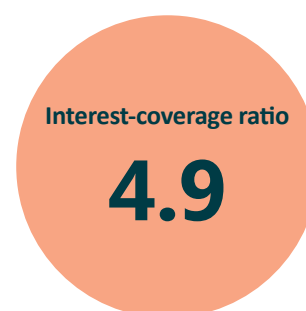
million, corresponding to SEK 1,517 million. The amount represents 11.5 per cent of equity.

## 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 an optimal net financial position, within the defined constraints.

## Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 70 %	63.3 %
Loan maturity	At least 2 years	7.9 years
Debt-coverage ratio	At least 110 %	165 %
Share of secured debt	Max. 20 %	0 %
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 2.0	4.9
Fixed-rate period	3-8 years	5.9 years
Fixed-rate maturity	Max. 40 % <1 year	33 %
<b>Counterparty risk</b>		
Financial instruments	A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. 20 %	11.5 %



## Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreements, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2019	3,545	3,545	14.0	9,744	32.8
2020	11,300	3,300	13.1	1,349	4.5
2021	4,804	2,604	10.3	2,250	7.6
2022	945	945	3.7	200	0.7
2023	3,300	800	3.2	1,500	5.0
2024	500	500	2.0	2,000	6.7
2025	0	0	0.0	0	0.0
2026	5,914	5,914	23.4	5,114	17.2
2027	0	0	0.0	0	0.0
2028	100	100	0.4	0	0.0
2029	3,279	3,279	13.0	3,279	11.0
2030	482	482	1.9	482	1.6
2031	0	0	0.0	0	0.0
2032	860	860	3.4	860	2.9
2033	1,370	1,370	5.4	1,370	4.6
2034–	1,580	1,580	6.3	1,580	5.3
<b>Total</b>	<b>37,979</b>	<b>25,279</b>	<b>100.0</b>	<b>29,728</b>	<b>100.0</b>
Commercial papers		4,449			
<b>Total</b>		<b>29,728</b>			

# 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 for Hemsö.

## 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 are 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 Swedish properties are valued internally, four times per year. The internal valuation is quality-assured every year by an external independent valuer. The properties in Germany and Finland are valued externally, at least once per year. In 2018, 95 per cent of Hemsö's 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 lease agreements and conduct operations that are directly or indirectly publicly funded. The income loss risk and va-

cancy risk are therefore considered generally low. The risk of bad debt loss is limited because Hemsö always performs credit assessments before signing new lease agreements, and continuously monitors the creditworthiness of its tenants. The vacancy rate is stable. In 2018, the occupancy rate was more than 98 per cent. Hemsö's objective is that the average remaining lease term is at least five years. In 2018, 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 leasehold fees. If they cannot be offset by higher rental income, increased or unexpected 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.

Risk is also reduced by including Hemsö's supplier requirements in all supplier contracts, performing supplier inspections and working preventively to avoid injuries. 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.

## 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 pro-

cesses and tools. Hemsö always performs a prior due diligence and analysis of the micro-market (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 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 quality assurance, external audits 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 entails a risk that customer needs and expectations are not met, that regulatory permits are not obtained, 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 knowledge, and where demand is favourable for Hemsö's premises. Hemsö focuses on growth areas in all countries.

The risk is also limited by using turn-key contracts for most development projects, and by not starting construction until the property is fully leased. Hemsö quality-assures its development projects with standardised internal processes, a high level of internal project competence and creditworthy contractors and partners. Hemsö works according to a project process and monitors development projects on an ongoing basis in all phases. The process is reviewed annually.



### Crises

#### Risk

Crises are caused by external events including terrorist and cyber attacks, extreme weather events, environmental disasters, negative media, serious accidents and information leaks. 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 organisation and guidelines for crisis management, and a continuity plan for IT. Hemsö also works continuously to improve internal processes and procedures to prevent crises from arising. The risk is currently assessed as low.

## 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 can 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 environment quality, energy efficiency, sustainable material choices and the 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. All new construction holds at least Silver certification under the SGBC system, or an equivalent level under a similar system. 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 2018, no incidents were recorded that led to fines or 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 and health 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 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 Workplace Handbook that govern how Hemsö works. The Net Promoter Score is a tool used for monitoring, which is performed annu-

ally. The score increased dramatically in 2018, from 31 to 48, 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 2018, employee attendance was 98.9 per cent. In 2018, no workplace accidents were recorded for Hemsö's employees, and two cases for Hemsö's sub-contractors. Any incidents are followed up and analysed.



## 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 county council. These activities are largely dependent on government policy and regulatory requirements on property ownership, leasing, rent levels and premise requirements. New or amend-

ed 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.

ed processes. Third-party auditors perform annual audits. To reduce corruption risk, Hemsö has guidelines and procedures for purchasing and authorisation.

#### Management

Hemsö has effective, continuous internal control and quality assurance at several levels, and well-document-

Hemsö has one internal Code of Conduct, and one for suppliers. Hemsö also has one whistleblower system for internal use, and one for suppliers.

## 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.

7.9 years. The short-term financing is mainly supplied by commercial papers, but also by overdue bonds. To further reduce financing risk and manage its short-term debt, Hemsö has undrawn credit commitments. At 31 December 2018, these amounted to SEK 12,700 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.

#### 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



### 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.

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 2018, Hemsö's average fixed-rate period was 5.9 years and 33 per cent was due within 12 months.

#### Management

To manage its interest-rate risk, Hemsö issues fixed-rate bonds or

## 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 banks with a minimum credit rating of A-/A3 (S&P/Moody's). Excess liquidity may only be 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 Germany and Finland. Hemsö therefore has income, expenses, assets and liabilities in EUR. Hemsö is therefore exposed to the risk of exchange-rate fluctuations affecting 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 2018, Hemsö's currency exposure was SEK 1,517 million, or 11,5 per cent of consolidated 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 also engages in regular liquidity forecasting to increase predictability and ensure sufficient funds to meet loan maturities and other major payment obligations. Hemsö should also maintain an adequate liquidity buffer. The debt/equity ratio – available liquidity in relation to short-term debt – should be at least 110 per cent. At year-end, the ratio was 165 per cent.

## Sensitivity analysis

### Sensitivity analysis

	Change	Earnings effect before tax, SEK million
Rental income	+/- 1%	+/- 26
Economic occupancy rate	+/- 1 percentage point	+/- 28
Property costs	+/- 1%	-/+ 7
Interest rates, market	+/- 1 percentage point	-84/+69
Valuation yield, change in value of properties	+/- 0.1 percentage point	-1,027 / +1,075
EUR/SEK (effect on profit from property management)	+/- 10%	+/- 33



Pär Nuder, Chairman of the Board

## Chairman's comments

# Strong sustainability track record

Hemsö continues to strengthen its position as the leading player in social infrastructure. 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.

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. 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.

The strategic establishment of Hemsö in Finland and Germany has also proved right, and the company is now a major owner of public properties in these markets. I am very proud that Hemsö could add the University of the Arts and District Court of Helsinki to its list of new customers in Finland in 2018. In Germany, the largest state of North Rhine-Westphalia also became our tenant when the new research property in Duisburg was transferred. This confirms Hemsö's position as a long-term and major investor in these countries.

A deepened partnership with the public sector outside of Sweden has shown how the operations can be broadened without compromising Hemsö's low-risk business model.

I would also like to highlight the year's investments in energy efficiencies and the initiative to upgrade Sweden's school playgrounds (the "Skol-

gårdslyftet" project). These efforts have increased Hemsö's focus on the green transition, while continuing to improve the outdoor environment for Sweden's children and students.

A strong sustainability track record is now a condition for securing access to finance. It is therefore gratifying that Hemsö established partnerships with the Nordic Investment Bank and European Investment Bank during the year, two financial institutions with a strong focus on the environmental commitment of companies. These banks have issued financing of SEK 3.8 billion, a testament to Hemsö's dedication to reducing the company's emissions. As Hemsö's principal owner, the Third Swedish National Pension Fund will continue to drive Hemsö's sustainability performance.

Strong owners, a strong brand and a long-term approach will ensure the company's continued positive development.



# 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.

## 2018 Annual General Meeting

The 2018 AGM was held on 26 April 2018 in Stockholm. All shares were represented. The 2017 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.

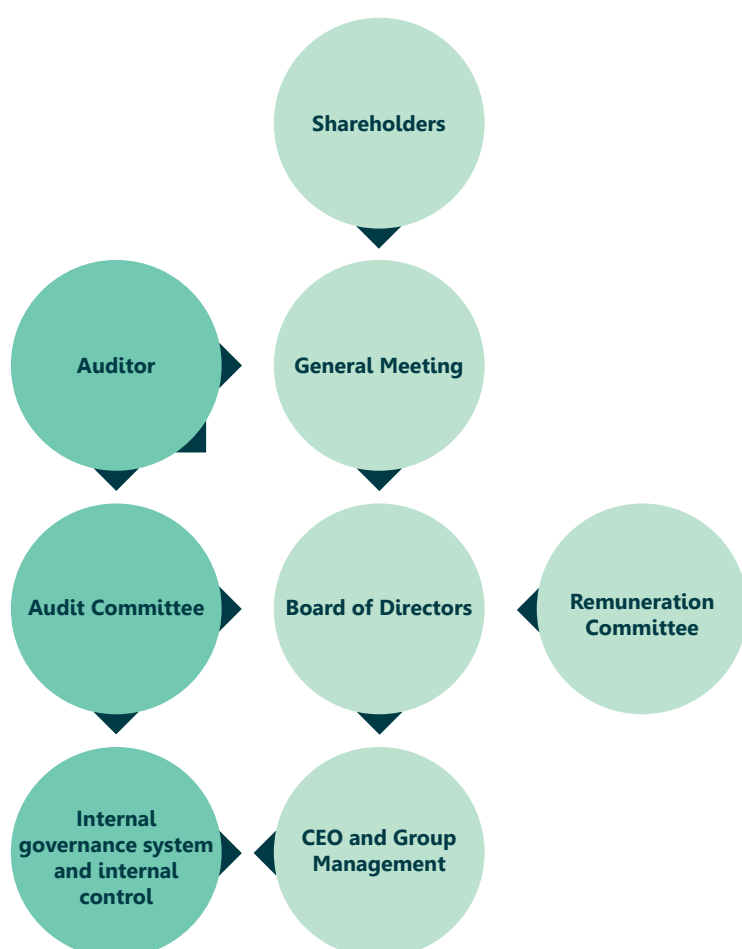
The AGM did not grant the Board authorisation to issue new shares or repurchase own shares.

## Extraordinary General Meetings

No Extraordinary General Meetings (EGM) were held in 2018.

## Board of Directors

The duties of the Board of Directors include determination of the compa-



ny'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 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 2018, seven regular Board meetings were held, including the statutory Board meetings and two extra Board meetings.

### Chairman of the Board

The Chairman of the Board is to work closely with the CEO to monitor the company's earnings, 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

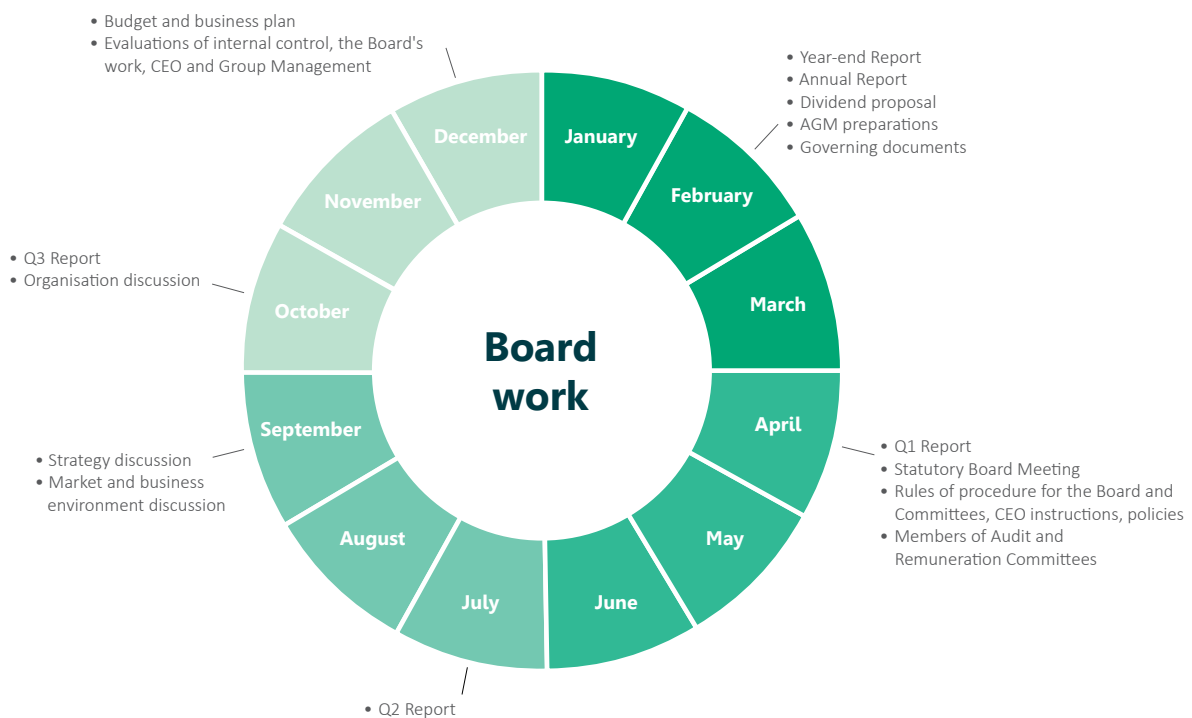
The performance of the Board and the CEO is evaluated annually in a systematic and structured process. This is conducted with the assistance of an external consultant and the results are presented to the Board.

### 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.



## Composition of the Board

Name	Year of election	Independent of the company	Independent of major shareholders	Meeting attendance in 2018		
				Board of Directors	Audit Committee	Remuneration Committee
Pär Nuder	2013	Yes	No	9/9	–	2/2
Johan Thorell	2013	Yes	Yes	9/9	3/3	–
David Mindus	2009	Yes	No	8/9	3/3	2/2
Bengt Hellström	2009	Yes	No	9/9	3/3	–
Kerstin Hessius	2009	Yes	No	9/9	–	2/2
Åsa Bergström	2017	Yes	Yes	9/9	3/3	–

The Audit Committee held three meetings during the year. The Committee members are David Mindus (Chairman), Bengt Hellström, Johan Thorell and Åsa Bergström.

### Remuneration Committee

The Remuneration Committee's main tasks are to make recommendations 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 2018 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 87.

### 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 com-

pany's owners. Kerstin Hessius and Bengt Hellström are employed by the Third Swedish National Pension Fund, and David Mindus by AB Sagax. The 2018 AGM resolved that fees of SEK 450,000 (SEK 385,000) would be paid to the Board's Chairman, and SEK 200,000 (SEK 170,000) to each of the other Board members. In addition, the AGM resolved that remuneration of SEK 40,000 (35,000) for committee work would be paid to the Chairman of the Remuneration Committee and SEK 30,000 (22,500) to each of the Committee's other members, and SEK 100,000 (60,000) to the Chairman of the Audit Committee and SEK 50,000 (35,000) 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 88-89.

### 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 meetings that address 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 Mikael Ikonen as Auditor in Charge. The company's auditor 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 102 employees in three countries. All personnel are employed by the Parent Company, except for 14 people in Hemsö Development AB, five people in Germany and four 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 controller function for the management of Sweden, Germany and Finland, and for the Finance 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 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.



Teaching, Medicinaren 25, Neo in Huddinge





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.

### **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, Hållsta Fastighetsutveckling AB, K2A Knaust & Andersson Fastigheter AB and Gamefederation Svenska AB. Board member of AB Sagax, Oscar Properties Holding AB, Tagehus Holding AB, Delarka Holding AB, and Nicoccino Holding AB.

### **David Mindus** born 1972

Board member since 2009.  
Chairman of the Audit Committee and 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 Prime Minister.

#### **Other current assignments:**

Chairman of the Board of the Third Swedish National Pension Fund, and Öbergs färghus. Board member of Beijerinvest AB, and Azelio AB. Senior Counsellor at Albright Stonebridge Group.



## Senior executives

### Ulrika Frisk

Head of HR since 2015.  
Born 1970.

**Education:** Degree in Human Resource Management and Working Life, Uppsala University.

**Most recent position:** HR Director at Anticimex Sverige.

### Mats Wilborg

Chief legal counsel since 2014.  
Born 1969

**Education:** Master of Laws, Stockholm University

**Most recent position:** Corporate lawyer, Vasakronan.

### Nils Styf

President and CEO since 2016.  
Born 1976.

**Education:** MBA, Stockholm School of Economics.

**Most recent position:** Chief Investment Officer, Citycon Oyj.

### 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.

### 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 property industry.

### Camilla Jarl

Head of Communication since 2017.  
Born 1976.

**Education:** MBA, Stockholm University.

**Most recent position:** Marketing Director, Klöver.



Top row: Ulrika Frisk, Nils Styf, Jens Nagel, Jarkko Leinonen and Rikard Nyhrén.  
Bottom row: Mats Wihlborg, Anna Marand, Camilla Jarl and Gustav Björkman.  
Rutger Källén was not present when the photo was taken.

### 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.

### Gustav Björkman

Head of Strategy and Transactions since 2010, Deputy CEO since 2014.  
Born 1971.

**Education:** Master's Degree in Economics, Gothenburg University.

**Most recent position:** Investment Manager for Carnegie/Profis property funds.

### Rikard Nyhrén

Head of Asset Management, Sweden, since 2016, at Hemsö since 2014.  
Born 1981.

**Education:** Studies in Civil Engineering Construction, Mälardalen University.

**Most recent position:** Business Area Manager, Stockholm, Dalkia Sweden.

### Rutger Källén

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

**Education:** Economics, Uppsala University.

**Most recent position:** Head of Finance, Kungälv.







## Multi-year overview

Amounts in SEK million	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Income statement</b>									
Property income	2,618	2,375	2,204	2,000	2,063	1,887	1,899	1,671	1,396
Property costs	-668	-587	-552	-524	-577	-547	-535	-469	-407
<b>Net operating income</b>	<b>1,950</b>	<b>1,788</b>	<b>1,652</b>	<b>1,476</b>	<b>1,486</b>	<b>1,340</b>	<b>1,364</b>	<b>1,202</b>	<b>989</b>
Central administrative expenses	-146	-130	-182	-154	-173	-173	-169	-150	-90
Profit from participations in associated companies	11	1	–	–	–	–	–	–	–
<b>Operating profit</b>	<b>1,815</b>	<b>1,659</b>	<b>1,470</b>	<b>1,322</b>	<b>1,313</b>	<b>1,167</b>	<b>1,195</b>	<b>1,052</b>	<b>899</b>
Financial items	-372	-345	-359	-363	-480	-493	-521	-409	-124
Interest on shareholder loans	–	–	–	-53	-210	-210	-210	-210	-138
<b>Profit before changes in value</b>	<b>1,443</b>	<b>1,314</b>	<b>1,111</b>	<b>906</b>	<b>623</b>	<b>464</b>	<b>464</b>	<b>433</b>	<b>637</b>
<b>Profit from property management</b>	<b>1,443</b>	<b>1,314</b>	<b>1,111</b>	<b>959</b>	<b>833</b>	<b>674</b>	<b>674</b>	<b>643</b>	<b>847</b>
Change in value, properties	2,060	1,682	2,072	581	-261	-125	84	897	479
Change in value, financial instruments	91	135	-208	140	-760	297	-128	-235	–
Current tax	-36	-63	-49	-46	-89	-9	-17	-19	-24
Deferred tax	-466	-477	-583	-231	127	-99	178	-250	-162
<b>Profit/loss for the year</b>	<b>3,092</b>	<b>2,591</b>	<b>2,343</b>	<b>1,350</b>	<b>-360</b>	<b>528</b>	<b>581</b>	<b>826</b>	<b>930</b>
Other comprehensive income	22	31	81	-50	42	16	-13	-3	–
<b>Comprehensive income for the year</b>	<b>3,114</b>	<b>2,622</b>	<b>2,424</b>	<b>1,300</b>	<b>-318</b>	<b>544</b>	<b>568</b>	<b>823</b>	<b>930</b>
<b>Balance sheet</b>									
Investment properties	46,236	38,883	33,629	26,502	24,668	22,637	22,951	20,858	18,518
Other assets	720	660	392	443	209	156	201	443	419
Cash and bank balances	450	1,134	932	157	107	13	70	265	353
<b>Total assets</b>	<b>47,406</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>	<b>22,806</b>	<b>23,222</b>	<b>21,566</b>	<b>19,290</b>
Equity	13,199	10,795	8,672	6,764	2,682	3,061	2,633	2,169	1,570
Deferred tax liabilities	3,067	2,591	2,103	1,518	1,289	1,416	1,325	1,502	1,254
Derivatives	281	544	723	679	826	66	363	235	–
Shareholder loans	–	–	–	–	3,000	3,000	3,000	3,000	3,000
Interest-bearing liabilities	29,728	25,575	22,483	17,454	16,507	14,699	15,085	13,445	11,085
Non-interest-bearing liabilities	1,131	1,172	972	687	680	564	816	1,215	2,381
<b>Total equity and liabilities</b>	<b>47,406</b>	<b>40,677</b>	<b>34,953</b>	<b>27,102</b>	<b>24,984</b>	<b>22,806</b>	<b>23,222</b>	<b>21,566</b>	<b>19,290</b>
<b>Key ratios*</b>									
<b>Financial key ratios</b>									
Loan-to-value ratio, %	63.3	62.9	64.0	65.2	66.5	64.9	65.4	63.2	58.0
Interest-coverage ratio, %	4.9	4.8	4.1	3.6	2.7	2.4	2.3	2.6	7.3
Proportion of secured debt, %	0.0	3.1	7.7	15.4	29.2	40.6	62.5	64.5	59.9
Equity/assets ratio, %	27.8	26.5	24.8	25.0	22.7	26.6	24.3	24.0	23.7
Average interest rate, %	1.3	1.5	1.5	1.9	2.3	3.0	3.4	3.7	2.2
Return on profit from property management, %	10.8	12.1	13.0	13.9	12.8	10.4	11.2	11.9	16.0
Return on equity, %	25.8	26.6	30.4	22.4	-2.6	12.6	14.6	21.3	24.5
Total return, %	9.7	9.8	12.8	8.1	5.2	5.3	6.6	10.9	8.9
Net asset value, SEK million	16,547	13,930	11,498	8,961	7,797	7,543	7,321	6,906	5,824
<b>Property-related key ratios</b>									
Market value of investment properties, SEK million	46,236	38,883	33,629	26,502	24,668	22,637	22,951	20,858	18,518
Property yield, %	4.9	5.2	5.7	6.0	6.0	6.1	6.2	6.2	6.4
NOI-margin, %	74.5	75.3	75.0	73.8	72.0	71.0	71.8	71.9	70.8
Economic occupancy rate, %	98.3	98.3	97.5	97.3	97.0	96.9	96.4	97.0	97.6
Property value, SEK/sqm	26,695	23,763	20,528	17,686	16,186	13,956	13,445	13,731	12,753
No. of properties	365	346	356	317	313	348	357	312	297
Leasable area, tsqm	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.

## Consolidated statement of comprehensive income

Amounts in SEK million	Note	2018	2017
<b>Property income</b>			
Rental income		2,607	2,363
Other income		11	12
<b>Total property income</b>	3-4	<b>2,618</b>	<b>2,375</b>
<b>Property costs</b>			
Operating costs	5	-411	-383
Maintenance costs		-197	-161
Other property costs		-60	-43
<b>Total property costs</b>		<b>-668</b>	<b>-587</b>
<b>Net operating income</b>	3	<b>1,950</b>	<b>1,788</b>
Central administrative expenses	6-8	-146	-130
Profit from participations in associated companies		11	1
<b>Operating profit</b>		<b>1,815</b>	<b>1,659</b>
<b>Financial items</b>			
Interest income and similar profit items	10	43	41
Interest expense and similar loss items	10	-422	-386
Profit from divestment of subsidiaries		7	-
<b>Total financial items</b>		<b>-372</b>	<b>-345</b>
<b>Profit from property management</b>		<b>1,443</b>	<b>1,314</b>
<b>Changes in value</b>			
Properties, realised		-28	-79
Properties, unrealised		2,088	1,761
Financial instruments, realised		-172	-45
Financial instruments, unrealised		263	180
<b>Total value changes</b>	11	<b>2,151</b>	<b>1,817</b>
<b>Profit before tax</b>		<b>3,594</b>	<b>3,131</b>
Current tax	12	-36	-63
Deferred tax	12	-466	-477
<b>PROFIT FOR THE YEAR</b>		<b>3,092</b>	<b>2,591</b>
<b>Other comprehensive income, items that may be reclassified to profit or loss</b>			
<b>Translation difference for the year</b>		<b>22</b>	<b>31</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>3,114</b>	<b>2,622</b>
<b>Profit for the year attributable to</b>			
Parent Company shareholders		2,980	2,577
Non-controlling interests		112	14
<b>Comprehensive income for the year attributable to</b>			
Parent Company shareholders		3,002	2,608
Non-controlling interests		112	14
<b>Data per share (no dilutive effect, since there are no potentially dilutive shares)</b>			
Average no. of shares, 000s		100,001	100,001
Earnings per share for the year, SEK		30.9	25.9

Comments on the statement of comprehensive income are provided in the Directors' Report on pages 66-69.

## Consolidated statement of financial position

Amounts in SEK million	Note	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development expenditure	13	1	5
<b>Total intangible assets</b>		<b>1</b>	<b>5</b>
<b>Tangible assets</b>			
Investment properties	14	46,236	38,883
Machinery and equipment	15	2	1
<b>Total tangible assets</b>		<b>46,238</b>	<b>38,884</b>
<b>Financial non-current assets</b>			
Participations in associated companies	17	112	101
Non-current receivables from associated companies		71	47
Other non-current receivables		89	26
<b>Total financial non-current assets</b>		<b>272</b>	<b>174</b>
<b>Total non-current assets</b>		<b>46,510</b>	<b>39,063</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Rent and accounts receivable	18	24	73
Tax assets		0	0
Other current receivables		261	294
Prepaid expenses and accrued income		161	113
<b>Total current receivables</b>	19, 23	<b>446</b>	<b>480</b>
Cash and cash equivalents		450	1,134
<b>Total current assets</b>		<b>896</b>	<b>1,614</b>
<b>TOTAL ASSETS</b>		<b>47,406</b>	<b>40,677</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		1	1
Other capital contributions		6,356	6,856
Reserves		126	104
Retained earnings including profit for the year		6,369	3,546
<b>Equity attributable to Parent Company owners</b>		<b>12,852</b>	<b>10,506</b>
Non-controlling interests		347	289
<b>Total equity</b>		<b>13,199</b>	<b>10,795</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	3,067	2,591
Derivatives	29	281	544
Interest-bearing liabilities	22.23	21,736	18,884
<b>Total non-current liabilities</b>		<b>25,084</b>	<b>22,019</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	22.23	7,992	6,691
Accounts payable		278	213
Current tax liabilities		34	46
Other current liabilities		80	107
Accrued expenses and deferred income	28	739	806
<b>Total current liabilities</b>		<b>9,123</b>	<b>7,863</b>
<b>Total liabilities</b>	23	<b>34,207</b>	<b>29,882</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>47,406</b>	<b>40,677</b>

Comments on the Statement of financial position are provided in the Directors' Report under Financing on pages 70-75.

## 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 2017	1	6,856	73	1,525	217	8,672
Dividends	–	–	–	-556	–	-556
Contribution from minority interests	–	–	–	–	57	57
Comprehensive income	–	–	31	2,577	14	2,622
<b>Closing equity, 31 Dec 2017</b>	<b>1</b>	<b>6,856</b>	<b>104</b>	<b>3,546</b>	<b>288</b>	<b>10,795</b>
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
<b>Closing equity, 31 Dec 2018</b>	<b>1</b>	<b>6,356</b>	<b>126</b>	<b>6,369</b>	<b>347</b>	<b>13,199</b>

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	2018	2017
<b>Operating activities</b>			
Profit from property management		1,443	1,314
Adjustment for non-cash items in profit from property management	26	-9	0
Adjustment for non-cash items	26	47	-69
Tax paid		-51	-42
<b>Cash flow before changes in working capital</b>		<b>1,430</b>	<b>1,341</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		-13	-164
Increase (+)/decrease (-) in operating liabilities		13	171
<b>Cash flow from operating activities</b>		<b>1,430</b>	<b>1,348</b>
<b>Investing activities</b>			
Acquisition of properties	26	-3,135	-2,668
Investments in new construction, extension and refurbishment	14	-2,660	-2,190
Property divestments	26	871	1,469
Investment in financial non-current assets		-86	-102
Other non-current assets		0	-2
<b>Cash flow from investing activities</b>		<b>-5,010</b>	<b>-3,493</b>
<b>Financing activities</b>			
Interest-bearing liabilities	26	8,463	8,470
Repayment of interest-bearing liabilities		-4,711	-5,565
Redemption of financial instruments		-172	-45
Contributions from non-controlling interests		–	57
Dividends paid		-657	-556
<b>Cash flow from financing activities</b>		<b>2,923</b>	<b>2,361</b>
Cash flow for the year		-657	216
Opening cash and cash equivalents		1,134	932
Exchange-rate differences in cash and cash equivalents		-27	-14
<b>Closing cash and cash equivalents</b>		<b>450</b>	<b>1,134</b>



## Parent Company income statement

Amounts in SEK million	Note	2018	2017
Net sales		63	56
Central administrative expenses	7-8	-158	-144
Other operating income		223	168
<b>Operating profit</b>		<b>128</b>	<b>80</b>
<b>Income from financial items</b>			
Profit/loss from participations in Group companies	9	508	-165
Interest income and similar profit items	10	83	161
Interest expense and similar loss items	10	-492	-393
<b>Profit/loss from property management</b>		<b>227</b>	<b>-317</b>
<b>Changes in value</b>			
Financial instruments, unrealised		-281	-
Financial instruments, realised		-172	-45
<b>Loss before changes in value</b>		<b>-226</b>	<b>-362</b>
<b>Appropriations</b>			
Group contributions paid		-61	-1
Group contributions received		700	535
Provision to tax allocation reserve		14	-36
<b>Profit before tax</b>		<b>427</b>	<b>136</b>
Current tax	12	0	-32
Deferred tax	12	58	4
<b>PROFIT FOR THE YEAR</b>		<b>485</b>	<b>108</b>

## Parent Company statement of comprehensive income

Amounts in SEK million	2018	2017
Profit for the year	485	108
Other comprehensive income	-	-
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>485</b>	<b>108</b>

## Parent Company balance sheet

Amounts in SEK million	Note	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Capitalised development expenditure	13	1	5
<b>Total intangible assets</b>		<b>1</b>	<b>5</b>
<b>Tangible assets</b>			
Equipment	15	1	1
<b>Total tangible assets</b>		<b>1</b>	<b>1</b>
<b>Financial non-current assets</b>			
Participations in Group companies	16	6,233	6,324
Deferred tax assets	12	58	–
Other non-current receivables from Group companies	23	16,119	3,355
<b>Total financial non-current assets</b>		<b>22,410</b>	<b>9,679</b>
<b>Total non-current assets</b>		<b>22,412</b>	<b>9,685</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Receivables from Group companies		10,797	17,191
Other receivables	18	–	2
Prepaid expenses and accrued income		126	79
<b>Total current receivables</b>	23	<b>10,923</b>	<b>17,272</b>
Cash and cash equivalents		0	906
<b>Total current assets</b>		<b>10,923</b>	<b>18,178</b>
<b>TOTAL ASSETS</b>		<b>33,335</b>	<b>27,863</b>
<b>EQUITY AND LIABILITIES</b>			
	20		
<b>Equity</b>			
Share capital (100,001,000 at SEK 0.01)		1	1
Share premium reserve		2,500	3,000
Retained earnings		87	137
Profit for the year		485	107
<b>Total equity</b>		<b>3,073</b>	<b>3,245</b>
<b>Untaxed reserves</b>			
Tax allocation reserves	21	34	48
<b>Provisions</b>			
Deferred tax liabilities	12	25	25
<b>Total provisions</b>		<b>25</b>	<b>25</b>
<b>Non-current liabilities</b>			
Derivatives		281	–
Interest-bearing liabilities	22	21,736	17,663
<b>Total non-current liabilities</b>	23	<b>22,017</b>	<b>17,663</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	22	7,992	6,691
Accounts payable		12	10
Tax liabilities		19	26
Other current liabilities		26	24
Accrued expenses and deferred income	28	137	131
<b>Total current liabilities</b>	23	<b>8,186</b>	<b>6,882</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,335</b>	<b>27,863</b>

## 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 2017	1	3,000	692		3,693
Dividends	–	–	-556		-556
Profit for the year	–	–	108		108
<b>Closing equity, 31 Dec 2017</b>	<b>1</b>	<b>3,000</b>	<b>244</b>		<b>3,245</b>
Opening equity, 1 Jan 2018	1	3,000	244		3,245
Dividends	–	-500	-157		-657
Profit for the year	–	–	485		485
<b>Closing equity, 31 Dec 2018</b>	<b>1</b>	<b>2,500</b>	<b>572</b>		<b>3,073</b>

## Parent Company statement of cash flows

Amounts in SEK million	Note	2018	2017
<b>Operating activities</b>			
Profit/loss from property management		227	-317
Adjustment for non-cash items	26	-116	28
Tax paid		-7	-8
<b>Cash flow from operations before change in working capital</b>		<b>104</b>	<b>-297</b>
<b>Changes in working capital</b>			
Increase (-)/decrease (+) in operating receivables		-45	493
Increase (+)/decrease (-) in operating liabilities		485	188
<b>Cash flow from operating activities</b>		<b>544</b>	<b>384</b>
<b>Investing activities</b>			
Acquisition of shares and participations in subsidiaries		-64	-531
Sale of shares and participations in subsidiaries		347	414
Acquisition of other non-current assets		1	-3
<b>Cash flow from investing activities</b>		<b>284</b>	<b>-120</b>
<b>Financing activities</b>			
External borrowings	26	8,462	8,058
Repayment of external borrowings		-3,490	-3,728
Redemption of financial instruments		-172	-45
Intra-Group loans		-5,877	-3,730
Dividends paid		-657	-556
<b>Cash flow from financing activities</b>		<b>-1,734</b>	<b>-1</b>
Cash flow for the year		-906	263
Opening cash and cash equivalents		906	643
<b>Closing cash and cash equivalents</b>		<b>0</b>	<b>906</b>

## 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. When preparing the consolidated financial statements, the same accounting policies have been applied as those described in the 2017 Annual Report. Only minor amendments to IFRS standards became effective in 2018.

#### IFRS 9 Financial Instruments

IFRS 9 applies for reporting periods beginning on or after 2018 and supersedes IAS 39 Financial instruments. The new standard mainly involves changes to how financial assets and liabilities are classified and measured. The first application of IFRS 9 did not have any effect on the Group's equity at 1 January 2018. Nor did transition to IFRS 9 cause any changes in the measurement of financial instruments other than designation of the classification categories: Loans, accounts receivable and other financial liabilities under IAS 39 are classified and measured at amortised cost in IFRS 9. Financial assets and liabilities measured at fair value through profit or loss in prior years will continue to be classified and measured at fair value through profit or loss under IFRS 9. The Group has not identified any financial assets that are measured at fair value through other comprehensive income.

The first application of expected credit losses did not have any significant impact on the Group. For this reason, no additional provisions were made in the transition, which means that the carrying amounts of assets measured at amortised cost have not been affected.

The new standard also contains new requirements for hedge accounting. Since Hemsö has elected to continue applying hedge accounting under IAS 39 for net assets in foreign subsidiaries, the Group's accounting is not impacted by the new hedge accounting treatment under IFRS 9.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 also applies for periods beginning on or after 2018 and specifies how to recognise revenue from contracts with customers as well as non-monetary exchanges between entities in the same line of business. Since Hemsö's revenue essentially comprises rental income and any service income is a sub-category of rental income, the company has elected to continue recognising all consideration as rent and in accordance with IFRS 16 Leases. IFRS 15 has not, therefore, had any impact on the financial statements.

#### New and revised IFRS effective on or after 1 January 2019

A number of new and revised IFRS will become effective during the coming financial year, but have not been applied early in the preparation of Hemsö's financial statements.

#### IFRS 16 Leases

This standard supersedes IAS 17 and will apply for annual reporting periods beginning on or after 1 January 2019. The recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most contracts (lease agreements) will be recognised in the balance sheet. For Hemsö, this will primarily affect the recognition of site leasehold agreements, which are to be recognised in the balance sheet and therefore increase total assets. In addition, leasehold fees will be recognised as interest expense and, therefore, no longer included in net operating income. The impact on Hemsö as a lessee is limited. Hemsö's right-of-use assets and similar lease liabilities will initially amount to just over SEK 300 million and are expected to impact some financial key ratios, including a -0.1 percentage point change in the equity/assets ratio.

#### 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 cover the period 1 January to 31 December 2018 (2017) for income-statement items, and 31 December 2018 (2017) 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 assess 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. During the year, Hemsö restructured its holding of shares in the Vitartes Group. Hemsö divested shares in the joint venture Vitartes AB and acquired half of the shares and votes in Vitartes' former subsidiaries 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 in accordance with the equity method, which entails that the consolidated carrying amount of the holding is adjusted by Hemsö's share of profit for the year and by any dividends received. Accordingly, the owner company's income statement includes its share of the associated company's profit for the year.

#### 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

Purchases and sales are recognised on their date of transfer.

#### Asset acquisitions

In recent years, indirect property transactions have 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 2017 and 2018, 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 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



## Note 1, cont.

goodwill. Deferred tax is not recognised as goodwill. No acquisitions were classified as business combinations in either 2018 or 2017.

### Income

Lease agreements are classified as operating leases on the basis that the property remains in Hemsö's ownership even when the agreement runs for up to 25 years. All rental income is notified in advance and amortised in profit or loss on a straight-line basis based on the terms of the lease 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 expenses on financial instruments are 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 2018, the tax rate in Sweden was 22 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 expenses in the income statement 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.

### Leasing

Hemsö is a major lessor, since its lease agreements are classified as operating leases, see Income above. As a lessee, Hemsö has entered into a number of site leasehold agreements and smaller leases for office premises, cars and office equipment. The total amount of these is of no material significance. The expenditure is 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 the 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 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 mea-

## Note 1, cont.

sured 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.

### **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 recognised in the balance sheet at amortised cost (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 2018 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 financial items in 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.

### **The comparative year according to IAS 39**

Financial instruments are recognised according to IAS 39 in the comparative year of 2017. IAS 39 had different classification categories from IFRS 9. However, IAS 39 also included classification and measurement at either amortised cost or fair value in profit or loss.

Furthermore, IAS 39 had another model for provisions for credit losses, where provisions were made when a credit event occurred, in contrast to IFRS 9 where provisions are made for expected credit losses. Otherwise, there are no differences between the standards for the Group. Transition from IAS 39 to IFRS 9 did not entail any significant changes for the Group.

### **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.

### Shares in subsidiaries

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

### Financial instruments

Due to the association between accounting and taxation, the requirements for financial instruments under IFRS 9 were 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 financial assets in the Parent Company are measured at cost and current financial 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. Unrealised changes in the fair value of financial instruments that were previously recognised in the Group only, must also be recognised in the Parent Company. During the period, this change in policy had a negative impact of SEK -281 million on Parent Company profit, of which SEK -544 million relates to a non-recurring item that was eliminated in the Group.

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 in the balance sheet when the company has an obligation for which payment is probable, otherwise the obligation is recognised as a contingent liability.

### Group information

Hemsö Fastighets AB (publ) 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. For the recognition of deferred tax on temporary differences arising between the carrying amount of an asset or a liability and its tax base, Hemsö applies the balance-sheet method. 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 recalculated 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.

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
<b>Net operating income</b>	<b>569</b>	<b>196</b>	<b>419</b>	<b>218</b>	<b>307</b>	<b>242</b>	–	<b>1,950</b>
Administrative expenses	–	–	–	–	–	–	-146	-146
Profit from participations in associated companies	–	–	–	–	–	–	11	11
Net financial items	–	–	–	–	–	–	-372	-372
<b>Profit/loss before value changes</b>	<b>569</b>	<b>196</b>	<b>419</b>	<b>218</b>	<b>307</b>	<b>242</b>	<b>-507</b>	<b>1,443</b>
<b>Changes in value</b>								
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
<b>Total value changes</b>	<b>616</b>	<b>-47</b>	<b>625</b>	<b>176</b>	<b>519</b>	<b>171</b>	<b>91</b>	<b>2,151</b>
Current tax	–	–	–	–	–	–	-36	-36
Deferred tax	–	–	–	–	–	–	-466	-466
<b>Profit/loss for the year</b>	<b>1,185</b>	<b>149</b>	<b>1,044</b>	<b>394</b>	<b>826</b>	<b>413</b>	<b>-918</b>	<b>3,092</b>
<b>Investment properties – investments, acquisitions, divestments per segment</b>								
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
<b>Total</b>	<b>904</b>	<b>343</b>	<b>657</b>	<b>123</b>	<b>1,617</b>	<b>1,241</b>	–	<b>4,884</b>
<b>Assets per segment at period-end</b>								
Investment properties	14,758	3,837	10,266	4,784	7,240	5,352	–	46,236
Unallocated corporate assets	–	–	–	–	–	–	1,170	1,170
<b>Total assets</b>	<b>14,758</b>	<b>3,837</b>	<b>10,266</b>	<b>4,784</b>	<b>7,240</b>	<b>5,352</b>	<b>1,170</b>	<b>47,406</b>
2017	East	West	Central/ North	South	Germany	Finland	Unallocated items	Group
Property income	688	283	590	309	275	218	–	2,363
Other income	4	3	3	1	–	1	–	12
Total income	692	286	593	310	275	219	–	2,375
Property costs	-170	-113	-156	-92	-15	-41	–	-587
<b>Net operating income</b>	<b>522</b>	<b>173</b>	<b>437</b>	<b>218</b>	<b>260</b>	<b>178</b>	–	<b>1,788</b>
Administrative expenses	–	–	–	–	–	–	-130	-130
Profit from participations in associated companies	–	–	–	–	–	–	1	1
Net financial items	–	–	–	–	–	–	-345	-345
<b>Profit before value changes</b>	<b>522</b>	<b>173</b>	<b>437</b>	<b>218</b>	<b>260</b>	<b>178</b>	<b>-474</b>	<b>1,314</b>
<b>Changes in value</b>								
Properties, realised	-20	-12	-26	-21	–	–	–	-79
Properties, unrealised	541	32	291	171	436	290	–	1,761
Financial instruments, realised	–	–	–	–	–	–	-45	-45
Financial instruments, unrealised	–	–	–	–	–	–	180	180
<b>Total value changes</b>	<b>521</b>	<b>20</b>	<b>265</b>	<b>150</b>	<b>436</b>	<b>290</b>	<b>135</b>	<b>1,817</b>
Current tax	–	–	–	–	–	–	-63	-63
Deferred tax	–	–	–	–	–	–	-477	-477
<b>Profit/loss for the year</b>	<b>1,043</b>	<b>193</b>	<b>702</b>	<b>368</b>	<b>696</b>	<b>468</b>	<b>-879</b>	<b>2,591</b>
<b>Investment properties – investments, acquisitions, divestments per segment</b>								
Investments, new construction, extension and refurbishment	1,017	240	405	236	38	254	–	2,190
Acquisitions	382	22	312	157	1,011	784	–	2,668
Divestments	-92	-628	-183	-690	–	–	–	-1,593
<b>Total</b>	<b>1,307</b>	<b>-366</b>	<b>534</b>	<b>-297</b>	<b>1,049</b>	<b>1,038</b>	–	<b>3,265</b>
<b>Assets per segment at period-end</b>								
Investment properties	13,238	3,543	8,939	4,500	4,889	3,774	–	38,883
Unallocated corporate assets	–	–	–	–	–	–	1,794	1,794
<b>Total assets</b>	<b>13,238</b>	<b>3,543</b>	<b>8,939</b>	<b>4,500</b>	<b>4,889</b>	<b>3,774</b>	<b>1,794</b>	<b>40,677</b>



## Note 4 Operating leases

### Lessor

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

Group	31 Dec 2018	31 Dec 2017
Contracted income, payment within 1 year	2,709	2,499
Contracted income, payment within 1-5 years	8,911	8,489
Contracted income, payment later than 5 years	14,913	14,155
<b>Total</b>	<b>26,533</b>	<b>25,144</b>

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

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 an operating lessee, a number of leases have been signed for site leaseholds, company vehicles and office equipment.

Group	31 Dec 2018	31 Dec 2017
Due within 1 year	27	20
Due within 1-5 years	62	57
Due later than 5 years	345	195
<b>Total</b>	<b>434</b>	<b>273</b>

## Note 5 Operating costs

Group	2018	2017
Media usage	216	209
Supervision	178	161
Other operating costs	17	13
<b>Total</b>	<b>411</b>	<b>383</b>

## Note 6 Central administrative expenses

Group	2018	2017
Personnel costs	147	135
Premises and office expenses	13	14
Services purchased	67	49
Depreciation and amortisation	2	1
Other operating expenses	4	6
Reversal to other items	-87	-75
<b>Total</b>	<b>146</b>	<b>130</b>

## Note 7 Employees, personnel costs and remuneration of senior executives

Group	2018			2017		
	Total	Women	Men	Total	Women	Men
Average no. of employees	97	41	56	101	47	54
No. of Group Management	8	2	6	8	2	6
No. of Board of Directors	6	2	4	6	2	4

At year-end, Hemsö had 102 employees (105), of whom 79 (84) in the Parent Company, 14 (9) in Hemsö Development AB, 5 (4) in Germany and 4 (3) in Finland.

Group	2018		2017	
	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
Board	939	–	853	–
CEO	4,383	–	4,632	–
Deputy CEO	2,079	–	1,773	–
Other senior executives	5,437	108	5,803	118
Other employees	68,947	4,180	61,185	2,829
<b>Total Sweden</b>	<b>81,784</b>	<b>4,288</b>	<b>74,246</b>	<b>2,947</b>
Other senior executives	3,399	–	3,056	–
Other employees	4,419	271	3,159	128
<b>Total Foreign</b>	<b>7,818</b>	<b>271</b>	<b>6,215</b>	<b>128</b>
<b>Total Group</b>	<b>89,602</b>	<b>4,559</b>	<b>80,461</b>	<b>3,075</b>

Group	2018		2017	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	233	–	268	–
CEO	1,697	1,321	1,812	1,470
Deputy CEO	756	422	631	306
Other senior executives	1,976	1,104	2,233	1,536
Other employees	24,207	10,488	22,574	10,143
<b>Total Sweden</b>	<b>28,869</b>	<b>13,334</b>	<b>27,518</b>	<b>13,455</b>
Other senior executives	214	522	167	378
Other employees	473	317	246	365
<b>Total Foreign</b>	<b>687</b>	<b>839</b>	<b>413</b>	<b>743</b>
<b>Total Group</b>	<b>29,556</b>	<b>14,173</b>	<b>27,931</b>	<b>14,198</b>

Note 7, cont.

Parent Company	2018			2017		
	Total	Women	Men	Total	Women	Men
Average no. of employees	79	43	36	82	40	42
No. of Group Management, 31 Dec	5	1	4	5	1	4
Board members, 31 Dec	6	2	4	6	2	4

Parent Company	2018		2017		
	Salaries and remuneration, SEK 000s	Salaries and fees	Variable remuneration	Salaries and fees	Variable remuneration
Board	939	–	853	–	–
CEO	4,383	–	4,632	–	–
Deputy CEO	2,079	–	1,773	–	–
Other senior executives	4,221	–	3,976	–	118
Other employees	52,700	3,698	48,097	–	2,552
<b>Total Sweden</b>	<b>64,321</b>	<b>3,698</b>	<b>59,331</b>	<b>–</b>	<b>2,670</b>
Other senior executives	–	–	–	–	–
Other employees	–	–	–	–	–
<b>Total Foreign</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Parent Company</b>	<b>64,321</b>	<b>3,698</b>	<b>59,331</b>	<b>–</b>	<b>2,670</b>

Parent Company	2018		2017	
	Payroll overheads, incl. special employer's contribution	Pension costs	Payroll overheads, incl. special employer's contribution	Pension costs
Board	233	–	268	–
CEO	1,697	1,321	1,812	1,470
Deputy CEO	756	422	631	306
Other senior executives	1,594	1,104	1,542	1,056
Other employees	18,452	7,807	17,717	7,432
<b>Total Sweden</b>	<b>22,732</b>	<b>10,654</b>	<b>21,970</b>	<b>10,264</b>
Other senior executives	–	–	–	–
Other employees	–	–	–	–
<b>Total Foreign</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Parent Company</b>	<b>22,732</b>	<b>10,654</b>	<b>21,970</b>	<b>10,264</b>

### Remuneration of the Board

The Chairman and other members of the Board of Hemsö Fastigheter 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 2018 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 is 65 for the CEO, and 67 for other senior executives.

61 employees (61) employees have defined-benefit ITP plans with continuous payments to Alecta. The year's contributions for defined-benefit pension plans with Alecta amounted to SEK 6,734,000 (5,800,000). Alecta's surplus can be distributed to the policyholders and/or insured. At December 2018, Alecta's surplus in the form of the collective funding ratio was 142 per cent (December 2017: 154 per cent). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance commitments calculated according to 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	
	2018	2017	2018	2017
Audit engagement				
Ernst & Young	3	2	1	1
Audit activities in addition to the audit engagement	–	–	–	–
Tax consultancy	1	–	–	–
Other assignments	2	1	1	1
<b>Total</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>2</b>

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	2018	2017
Dividends	539	–
Profit from unlimited and limited partnerships	28	23
Impairment	-59	-188
<b>Total</b>	<b>508</b>	<b>-165</b>

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
SEK million	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	304	304
Interest paid, derivatives that do not qualify for hedge accounting	-450	-450
<b>Total</b>	<b>-146</b>	<b>-146</b>
<i>Assets and liabilities measured at amortised cost:</i>		
Interest income from rent and accounts receivable	0	–
Interest income, other financial assets	2	83
<b>Total interest income, effective interest method</b>	<b>2</b>	<b>83</b>
Interest expense, loans	-235	-229
Interest expense, other financial liabilities	–	–
<b>Total interest expense, effective interest method</b>	<b>-235</b>	<b>-229</b>
Exchange-rate differences, financial items	0	-75
Remuneration for guarantee commitments	41	–
Other income	7	–
Commitment fees	-20	-18
Other financial expenses	-21	-24
Expected credit losses on financial assets	–	–
<b>Total</b>	<b>7</b>	<b>-117</b>
<b>Total recognised in net financing items</b>	<b>-372</b>	<b>-409</b>
<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	263	10
Loss from the change in value of derivatives that do not qualify for hedge accounting	-172	-364
<b>Total</b>	<b>91</b>	<b>-354</b>
<b>Total recognised in profit/loss</b>	<b>-281</b>	<b>-763</b>

2017 was recognised using previous accounting policies:

Group	2017
<b>Net financial items</b>	
<i>Interest income, loans and accounts receivable</i>	
Interest income	2
<b>Total</b>	<b>2</b>
<i>Other financial income</i>	
Remuneration for guarantee commitments	27
Other financial income	12
<b>Total</b>	<b>39</b>
<i>Interest expense, other financial liabilities</i>	
Interest expense	-343
<b>Total</b>	<b>-343</b>
<i>Other financial expenses</i>	
Commitment fees	-22
Other financial expenses*	-20
<b>Total</b>	<b>-42</b>
<b>Total</b>	<b>-345</b>

\* Other financial expenses also include origination fees for loans

All interest income and expenses are attributable to financial assets and liabilities not measured at fair value through profit or loss.

Parent Company	2017
<b>Interest income and similar profit items</b>	

Parent Company	2017
Interest income, Group companies	161
Interest income, other	0
<b>Total</b>	<b>161</b>

Parent Company	2017
<b>Interest expense and similar loss items</b>	
Interest expense, Group companies	0
Interest expense, other	-338
Exchange-rate differences	-30
Other	-25
<b>Total</b>	<b>-393</b>

All interest income and expenses are attributable to financial assets and liabilities not measured at fair value through profit or loss.

## Note 11 Value changes

### Investment properties

The value changes attributable to investment properties amounted to SEK 2,060 million (1,682). The value changes were SEK -28 million (-79) in realised changes and SEK 2,088 million (1,761) in unrealised changes. The realised value change was mainly attributable to sales of properties in 2018.

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 and Education. However, reductions were made in all categories and segments. The unrealised value changes were also due to revised estimates of net operating income as a result of new leaseings, terminated leases and renegotiations. The property yield on the entire property portfolio, excluding development properties, was 4.9 per cent (5.2).

Unrealised value changes, SEK million	2018	2017
Property management and development-related value change	988	518
General market value change	409	517
<b>Subtotal Sweden</b>	<b>1,397</b>	<b>1,035</b>
Property management and development-related value change	53	65
General market value change	638	661
<b>Subtotal Foreign</b>	<b>691</b>	<b>726</b>
<b>Total unrealised value changes</b>	<b>2,088</b>	<b>1,761</b>

### 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 6,350 million (8,250) and the foreign exchange derivatives portfolio was SEK 0 million (640). The negative value of the interest-rate derivatives was SEK 281 million (537) and the negative value of the foreign exchange derivatives was SEK 0 million (7).

Changes in the value of financial instruments had a positive impact of SEK 91 million (-135) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 81 million (144) on profit, of which the unrealised value change was SEK 256 million (186). At the same time, a previously recognised loss of SEK -175 million (-42) was realised in connection with Hemsö's early termination of an interest-rate derivative. The unrealised change in the value of financial instruments was largely due to the shorter duration of the interest-rate derivatives portfolio.

The foreign exchange derivatives obtained during the year had a negative impact of SEK 10 million (-9) on profit. At period-end, the average duration of the interest-rate derivatives was 3.4 years (4.0). At year-end, the 10-year swap rate was 1.1 per cent (1.2).

## Note 12 Tax

	Group		Parent Company	
	2018	2017	2018	2017
<b>Recognised profit before tax</b>	<b>3,594</b>	<b>3,131</b>		
Current tax	-35	-63	-	-32
Deferred tax	-466	-477	58	4
Tax attributable to prior years	-1			
<b>Total tax in the income statement</b>	<b>-502</b>	<b>-540</b>	<b>58</b>	<b>-28</b>
	Group		Parent Company	
	2018	2017	2018	2017
<b>Tax expense analysis</b>				
Recognised profit before tax	3,594	3,131	427	136
Reversal of profit from associated companies	-11	-1	-	-
Profit before tax excluding profit or loss from associated companies	3,583	3,130	427	136
Expected tax expense at Swedish rate	-788	-689	-94	-30
Difference in foreign tax rates	61	39	-	-
Tax attributable to prior years	-1			
Effect of changed tax rate**	174	-	-2	-
<b>Tax effect of</b>				
Impairment of capitalised tax-loss carryforwards	-7	-	-	-
Utilisation of uncapitalised tax-loss carryforwards	2	5	-	3
Non-taxable sales	39	100	49	37
Impairment of participations	-	-	-13	-41
Non-deductible expenses	-2	-1	-	-
Other tax adjustments	21	4	-2	3
Dividends	-	-	119	-
Income from limited partnership	-	-	1	-
<b>Recognised tax expense</b>	<b>-502</b>	<b>-540</b>	<b>58</b>	<b>-28</b>
<i>Effective tax rate</i>	-14%	-17%	14%	-21%

Expected tax expense at current rate refers to the tax payable if tax was estimated on the recognised result without tax adjustments. The Group's tax expense accounts for 14 per cent (17) of consolidated profit before tax. Tax expense is calculated using the current tax rate, which is 22 per cent in Sweden, 20 per cent in Finland and 16 per cent in Germany.

	Group		Parent Company	
	2018	2017	2018	2017
<b>Deferred tax recognised in the income statement</b>				
Derivatives*	-57	-39	62	-
Investment properties	-583	-438	-2	4
Untaxed reserves	9	-8	-	-
Tax deficit	-9	8	-	-
Effect of changed tax rate**	174	-	-2	-
<b>Total deferred tax recognised in the income statement</b>	<b>-466</b>	<b>-477</b>	<b>58</b>	<b>4</b>

	Group		Parent Company	
	2018	2017	2018	2017
<b>Deferred tax recognised in the balance sheet</b>				
Derivatives*	-58	-120	-58	-
Investment properties	3,116	2,701	25	25
Untaxed reserves	24	33	-	-
Tax deficit	-15	-23	-	-
<b>Total deferred tax recognised in the balance sheet</b>	<b>3,067</b>	<b>2,591</b>	<b>-33</b>	<b>25</b>

\* The derivatives were recognised at 31 Dec 2017 in the Group. At 1 Jan 2018, the derivatives were transferred to the Parent Company

\*\*Effect of the changed tax rate in Sweden, from 22.0 per cent to 20.6 per cent

Deferred tax assets related to losses utilised after more than 12 months amounted to SEK 13 million (18) in the Group, and SEK - (-) in the Parent Company. Deferred tax liabilities utilised after more than 12 months amounted to SEK 3,140 million (2,734) in the Group, and SEK 25 million (25) in the Parent Company. Non-recognised receivables on losses amounted to SEK 20 million (9), of which losses corresponding to a tax receivable of SEK 15 M (7) have an unlimited life. Of the recognised closing losses, an amount of SEK 7 million (16) has an unlimited life.

## Note 13 Capitalised development expenditure

	Group		Parent Company	
	2018	2017	2018	2017
Accumulated cost, opening balance	8	5	8	5
Acquisitions	-	3	-	3
Reclassified	-3	-	-3	-
<b>Total</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>8</b>
Accumulated amortisation, opening balance	-3	-2	-3	-2
Amortisation for the year	-1	-1	-1	-1
<b>Total</b>	<b>-4</b>	<b>-3</b>	<b>-4</b>	<b>-3</b>
<b>Market value, closing balance</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>5</b>



## Note 14 Investment properties

Group	31 Dec 2018	31 Dec 2017
Market value, opening balance	38,883	33,629
Acquisitions	3,135	2,668
Investments in new construction, extension and refurbishment	2,660	2,190
Divestments	-867	-1,587
Disposals	-44	-6
Exchange-rate fluctuations	381	228
Unrealised value changes	2,088	1,761
<b>Market value, closing balance</b>	<b>46,236</b>	<b>38,883</b>
of which recognised in profit for the year	2,060	1,682

At 31 December 2018, the estimated market value, corresponding to the carrying amount, totalled SEK 46,236 million (38,883). Total value change amounted to SEK 7,353 million (5,254), corresponding to 18.9 per cent (15.7). The value change compared with a comparable portfolio represents an increase of 6.0 per cent (5.6). 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 five properties in Germany for SEK 460 million that will not be transferred until the fourth quarter of 2019 and one property for SEK 2,062 million in Finland that will be transferred in the first quarter of 2019. In Sweden, Hemsö acquired three properties for SEK 65 million that will be transferred in 2019. Hemsö divested four properties in Sweden for a total amount of SEK 291 million, of which one will be transferred in the first quarter of 2019, one in the third quarter of 2019, one in the fourth quarter of 2020, and the last property in the second quarter of 2021. Hemsö also has an obligation to complete ongoing development projects, in which the remaining investment is SEK 3,848 million (3,687).

### 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 lease agreements, terminated leases 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 2018, 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 individual 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 2018, SEK million

	Property value, SEK million	No. of properties	Rental value, SEK million	Occupancy rate, %	Leasable area, tsqm	Long-term valuation yield, %	Long-term valuation yield, average, %
Nursing home	2,952	19	178	98.7	104	4.15-5.75	4.56
Education	4,943	43	279	99.6	137	4.00-6.50	4.99
Health care	5,574	20	259	93.8	124	3.80-7.25	5.32
Justice system	1,289	1	81	97.0	35	5.00-5.00	5.00
<b>Sweden East</b>	<b>14,758</b>	<b>83</b>	<b>797</b>	<b>98.1</b>	<b>400</b>	<b>3.80-7.25</b>	<b>4.97</b>
Nursing home	607	7	42	96.1	33	4.20-7.25	4.94
Education	1,429	12	99	98.4	88	5.10-7.50	5.89
Health care	1,577	33	152	92.3	119	4.75-8.50	6.55
Justice system	224	3	20	99.9	15	5.50-5.75	5.62
<b>Sweden West</b>	<b>3,837</b>	<b>55</b>	<b>313</b>	<b>94.4</b>	<b>255</b>	<b>4.20-8.50</b>	<b>6.20</b>
Nursing home	5,353	52	309	99.2	246	4.25-6.10	4.99
Education	3,194	26	158	99.2	109	4.85-8.50	5.58
Health care	215	4	18	99.3	11	5.50-6.00	5.78
Justice system	1,504	4	103	99.3	56	4.65-5.90	5.43
<b>Sweden Central/North</b>	<b>10,266</b>	<b>86</b>	<b>588</b>	<b>99.2</b>	<b>422</b>	<b>4.25-8.50</b>	<b>5.21</b>
Nursing home	1,912	26	124	99.8	83	4.40-6.00	4.89
Education	2,477	17	170	97.1	109	3.40-7.25	5.44
Health care	121	3	10	97.0	7	5.15-6.25	5.72
Justice system	273	3	22	100.0	10	4.90-5.80	5.35
<b>Sweden South</b>	<b>4,783</b>	<b>49</b>	<b>326</b>	<b>98.7</b>	<b>209</b>	<b>3.40-7.25</b>	<b>5.17</b>
Nursing home	5,728	43	321	99.9	221	4.40-6.35	4.96
Education	1,240	4	62	100.0	22	4.55-5.25	4.91
Justice system	272	4	16	100.0	23	4.10-5.70	4.83
<b>Germany</b>	<b>7,240</b>	<b>51</b>	<b>399</b>	<b>99.9</b>	<b>266</b>	<b>4.10-6.35</b>	<b>4.95</b>
Nursing home	2,402	29	135	96.1	73	4.90-7.00	5.52
Education	2,473	8	153	99.1	90	4.00-5.75	4.92
Health care	358	3	26	100.0	12	5.50-7.20	6.10
Justice system	119	1	15	100.0	5	6.30-6.30	6.30
<b>Finland</b>	<b>5,352</b>	<b>41</b>	<b>329</b>	<b>97.1</b>	<b>180</b>	<b>4.00-7.20</b>	<b>5.48</b>
Nursing home	18,954	176	1,109	99.6	760	4.15-7.25	5.01
Education	15,756	110	921	98.6	555	3.40-8.50	5.26
Health care	7,845	63	465	95.1	273	3.80-8.50	6.05
Justice system	3,681	16	257	97.4	144	4.10-6.30	5.32
<b>Total</b>	<b>46,236</b>	<b>365</b>	<b>2,752</b>	<b>98.3</b>	<b>1,732</b>	<b>3.40-8.50</b>	<b>5.28</b>

## 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 is individual for each property and 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 lease 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. The average property yield of Hemsö's internal valuations, excluding development properties, is 4.9 per cent (5.2).

### Cash flow assumptions

When assessing the future earnings capacity of each property, the existing lease portfolio has been analysed. The current lease 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 individual assessments of market rent and the long-term vacancy rate for each property.

The operating costs of the properties are assessed on the basis of historical costs. Costs for site leaseholds and property tax are assigned using actual costs, while maintenance costs are assessed on the basis of a building's age, maintenance status and intended use.

#### Average cash flow assumptions on 31 December 2018, year 1

Rental value, SEK/sqm	1,589
Operating and maintenance costs, SEK/sqm	-351
Vacancy rate, %	1.7%

### 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 43,924-48,548 million (36,939-40,827). 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%	+/- 2,312
Yield requirement	+/- 0.1 percentage point	-1,027/+1,075

### External valuation

To quality-assure the internal valuation, 353 properties, comprising 50 properties in Germany and 40 in Finland, and corresponding to 95 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 112 of the 353 properties, including a physical inspection. A desktop valuation was performed on the remaining properties. During the year, 16 properties were acquired in Sweden, eight in Germany and five in Finland. External valuations had not been performed on seven of the acquisitions in Sweden, and five development projects in early stages, by the end of the 2018 financial year.

According to the external valuations, the estimated market value totalled SEK 44,787 million. Hemsö's valuation of the same properties amounted to SEK 43,800 million. This represents a net deviation of SEK 987 million, corresponding to a deviation of 2.25 per cent. The deviation was mainly attributable to the assessment of risk in ongoing development projects and lies within the approved uncertainty range of +/- 5 per cent.

## Note 15 Equipment

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Accumulated cost, opening balance	9	9	7	7
Acquisitions	1	–	0	–
Divestments	–	–	–	–
<b>Total</b>	<b>10</b>	<b>9</b>	<b>7</b>	<b>7</b>
Accumulated depreciation, opening balance	–8	–8	–6	–6
Depreciation for the year	0	–	0	–
<b>Total</b>	<b>–8</b>	<b>–8</b>	<b>–6</b>	<b>–6</b>
<b>Market value, closing balance</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>

## 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 Subsidiary	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2018
				Direct	Indirect	
Hemsö Vårdfastigheter AB	556657-9958	Stockholm	Sweden	100.0		675
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		1
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		23
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 Öst B AB	556610-9103	Stockholm	Sweden	100.0		58
Hemsö Cullberg Holding AB	556932-8080	Stockholm	Sweden		100.0	–
Hemsö Båthöjden AB	559079-7642	Stockholm	Sweden		100.0	–
Hemsö Nackavillan AB	559079-7600	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	21
Förvaltningsbolaget Hanen 4 KB	969601-3862	Stockholm	Sweden	10.0	90.0	23
Bokbacken Fastigheter Fiskebäck KB	916850-4570	Stockholm	Sweden	10.0	90.0	43
Bokbacken Fastigheter Solskiftet KB	916434-5549	Stockholm	Sweden	10.0	90.0	41
KB S:t Jörgen Äldreboende	969673-1430	Stockholm	Sweden	10.0	90.0	21
FB Fair Fyrtiotre KB	916630-7455	Stockholm	Sweden	1.0	99.0	32
Bjölåhemmet KB	916849-3212	Stockholm	Sweden	1.0	99.0	16
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		–
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 Norrahammar AB	559132-9783	Stockholm	Sweden		100.0	–
Hemsö Jägaren AB	559132-9684	Stockholm	Sweden		100.0	–
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 Häradsövdingen AB	556761-9035	Stockholm	Sweden	100.0		5
Hemsö Tegen AB	556761-8938	Stockholm	Sweden	100.0		288
Fastigheten 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 Benzellius 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 Brämregården 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	Subsidiary	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2018
					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	889,976,152	Hamar	Norway		50.0	–
	Hemsö Huginerva AB	559002-6570	Stockholm	Sweden	100.0		96
	Hemsö Arttäv 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		5
	Hemsö Borstahusen Fastigheter AB	559017-4586	Stockholm	Sweden	100.0		1
	Hemsö Motala Munken AB	559001-0434	Stockholm	Sweden	100.0		33
	Hemsö Kungshamn Fastigheter AB	556805-3085	Stockholm	Sweden	100.0		25
	Fastighetsutveckling Lindholmen AB	559011-5233	Stockholm	Sweden	100.0		67
	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 Träkolet AB	556652-7049	Stockholm	Sweden	100.0		167
	Hemsö Grillen AB	559027-1994	Stockholm	Sweden	100.0		–
	Hemsö Krusmyntan AB	556963-0246	Stockholm	Sweden	100.0		17
	Hemsö Kopparormen AB	556762-2195	Stockholm	Sweden	100.0		15
	Hemsö Hantverkaren AB	556929-7889	Stockholm	Sweden	100.0		68
	Hemsö Holding AB	556920-8050	Stockholm	Sweden	100.0		–
	Hemsö Höbalen 1 AB	556673-5188	Stockholm	Sweden	100.0		–
	Hemsö Finland AB	556948-0139	Stockholm	Sweden	100.0		7
	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 Koiravedenkatu 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 Arpentie 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 Kununkaanlaakson 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 Keskivöentie AB	556986-5495	Stockholm	Sweden		100.0	–
	Hemsö Keskivöentie OY	2650175-1	Helsinki	Finland		100.0	–
	Kiinteistö OY Helsingin Keskivöentie 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 Pohjoinen 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	–
	Koy Kangasalan Herttuatar	2713658-1	Helsinki	Finland		100.0	–
	Kiinteistö OY Tampereen Tilkonmäenkatu 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 Elämäntuokarikat	1704871-3	Helsinki	Finland		100.0	–
	Kiinteistö OY Rettinginpuisto 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 Punitokatu	2755679-7	Helsinki	Finland		100.0	–
	Kiinteistö OY Espoon Suotie 4	2758356-8	Helsinki	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	–
	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	–
	Hemsö Beteiligungs GmbH	HRB 170669	Munich	Germany		100.0	–



Note 16, cont.

Parent Company Subsidiary	Corp. Reg. No.	Reg. office	Country	Participation, %		Carrying amount 31 Dec 2018
				Direct	Indirect	
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	–
<b>Total</b>						<b>6,233</b>

Parent Company	31 Dec 2018	31 Dec 2017
Accumulated cost, opening balance	7,594	7,288
Acquisitions	–	351
Profit from participations in limited partnerships after dividend	28	23
Shareholder contributions	64	180
Divestments	-124	-248
<b>Total</b>	<b>7,562</b>	<b>7,594</b>
Accumulated impairment, opening balance	-1,270	-1,082
Impairment for the year	-59	-188
<b>Total</b>	<b>-1,329</b>	<b>-1,270</b>
<b>Total</b>	<b>6,233</b>	<b>6,324</b>

During the year, Hemsö divested its holdings in the joint venture Vitartes AB and acquired 50 per cent of the shares and votes in Vitartes' former subsidiaries Scandinavian Life Science AB, Corp. Reg. No. 556761-5082 and Scandinavian Life Science Två AB, Corp. Reg. No. 559015-3531. The remaining 50 per cent is owned by SveaNor JV Holding AB, Corp. Reg. No. 559017-8397. The Vitartes 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.

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 2018	31 Dec 2017
Opening balance	101	–
Settlement of share in profit	11	1
Capital contribution	–	100
<b>Closing balance</b>	<b>112</b>	<b>101</b>

Carrying amount at period-end. 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 2018
				Direct	Indirect	
Lanthen Samhällsfastigheter AB	559000-6036	Stockholm	Sweden		50.0	112
<b>Total</b>						<b>112</b>

## Note 18 Accounts receivable

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Rent receivable	10	6	–	–
Accounts receivable	19	70	0	2
Reserve for doubtful receivables	-5	-3	–	–
<b>Total</b>	<b>24</b>	<b>73</b>	<b>0</b>	<b>2</b>

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 5 million (3), corresponding to 21 per cent (4) 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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
<b>Group</b>												
Accounts receivable	13	62	0	1	0	–	1	–	2	–	16	63
Rent receivable	3	3	6	5	0	1	0	2	4	2	13	13
<b>Total</b>	<b>16</b>	<b>65</b>	<b>6</b>	<b>6</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>2</b>	<b>29</b>	<b>76</b>
<b>Parent Company</b>												
Accounts receivable	–	2	–	–	–	–	–	–	–	–	–	2
<b>Total</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>

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 2018	31 Dec 2017
<b>Current assets</b>		
Payment due within 1 year	445	480
<b>Non-current assets</b>		
Payment due 1-5 years	135	49
<b>Total</b>	<b>580</b>	<b>529</b>

## Note 21 Tax allocation reserves

Parent Company	31 Dec 2018	31 Dec 2017
Tax allocation reserve, set aside for taxation in 2018	34	48
Tax allocation reserve, set aside for taxation in 2017	–	–
Tax allocation reserve, set aside for taxation in 2016	–	–
Tax allocation reserve, set aside for taxation in 2015	–	–
Tax allocation reserve, set aside for taxation in 2014	–	–
Tax allocation reserve, set aside for taxation in 2013	–	–
Tax allocation reserve, set aside for taxation in 2012	–	–
Tax allocation reserve, set aside for taxation in 2011	–	–
<b>Total</b>	<b>34</b>	<b>48</b>

## Note 20 Guidelines for management of capital

### Summary of financial policy

Financing risk	Outcome, 31 December 2018
Loan-to-value ratio	Maximum 70% 63.3%
Loan maturity	At least 2 years 7.9 years
Debt-coverage ratio	At least 110% 165%
Secured loans	Max. 20% 0.0%
<b>Interest-rate risk</b>	
Interest-coverage ratio	At least 2.0 (rolling 12-month period) 4.9 ggr
Fixed-rate period	Hemsö's average fixed-rate period should range from 3-8 years 5.9 years
Fixed-rate maturity	Max. 40% of fixed-rate periods should mature within 12 months. 33%
<b>Counterparty risk</b>	
Financial instruments	Bank with a minimum credit rating of A- (S&P) fulfilled
<b>Currency risk</b>	
Currency exposure	Max. 20% (in SEK) of the Group's equity without currency hedging. 11.5%

The Group's capital structure primarily consists of interest-bearing liabilities and equity attributable to Parent Company shareholders. Equity comprises share capital, other capital contributions and retained earnings. At 31 December 2018, 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 2018	Carrying amount 31 Dec 2017
<b>Statement of financial position</b>		
Interest-bearing liabilities	–	–
Loans from minority interests	–	–
Bond loans	23,679	20,317
Commercial papers	4,449	4,038
Bank loans	1,600	1,220
<b>Total</b>	<b>29,728</b>	<b>25,575</b>
Amount, opening balance	25,575	22,483
Borrowings	8,463	8,470
Loan repayment	-5,123	-4,565
Commercial papers	411	-1,000
Exchange-rate differences	402	187
<b>Liabilities, closing balance</b>	<b>29,728</b>	<b>25,575</b>

At period-end, Hemsö's external debt portfolio amounted to SEK 29,728 million (25,575). The external debt portfolio comprised secured bank loans of SEK 0 million (1,220), an outstanding commercial paper of SEK 4,449 million (4,038) and unsecured bond loans of SEK 23,679 million (20,317). Available liquidity amounted to SEK 13,150 million (11,854), of which bank deposits SEK 450 million (1,134), SEK 12,700 million (10,720) in undrawn credit facilities. 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 (1.5).

## Note 22, cont.

Liabilities	Group		Parent Company	
	2018	2017	2018	2017
Interest-bearing loans due within one year of the closing date	7,994	6,691	7,994	6,691
Other non-interest-bearing liabilities due within 1 year of the closing date	–	–	–	–
Interest-bearing loans due within 1-5 years of the closing date	8,149	9,726	8,149	8,506
Interest-bearing loans due later than 5 years after the closing date	13,585	9,158	13,585	9,158
<b>Total excluding deferred tax liabilities and interest-rate derivatives</b>	<b>29,728</b>	<b>25,575</b>	<b>29,728</b>	<b>24,355</b>

### Loan maturity and fixed-rate period

Maturity year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2019	3,545	3,545	14.0	9,744	32.8
2020	11,300	3,300	13.1	1,349	4.5
2021	4,804	2,604	10.3	2,250	7.6
2022	945	945	3.7	200	0.7
2023	3,300	800	3.2	1,500	5.0
2024	500	500	2.0	2,000	6.7
2025	0	0	0.0	0	0.0
2026	5,914	5,914	23.4	5,114	17.2
2027	0	0	0.0	0	0.0
2028	100	100	0.4	0	0.0
2029	3,279	3,279	13.0	3,279	11.0
2030	482	482	1.9	482	1.6
2031	0	0	0.0	0	0.0
2032	860	860	3.4	860	2.9
2033	1,370	1,370	5.4	1,370	4.6
2034-	1,580	1,580	6.3	1,580	5.3
<b>Total</b>	<b>37,979</b>	<b>25,279</b>	<b>100.0</b>	<b>29,728</b>	<b>100.0</b>
Commercial papers		4,449			
<b>Total</b>		<b>29,728</b>			

### Maturity structure, derivative instruments

Maturity year	Interest, %	SEK million	Interest at maturity Share, %
2019	-0.20	1,150	18.1
2020	-0.48	400	6.3
2021	0.95	1,000	15.7
2022	0.00	0	0.0
2023	1.51	2,300	36.2
2024	2.82	1,500	23.6
<b>Total</b>	<b>1.30</b>	<b>6,350</b>	<b>100.0</b>

### Sensitivity analysis, interest-rate fluctuations

	Effect on net financial items (12 months), SEK million
The loan portfolio's average interest rate, +/-1 percentage point	+/- 297
Short-term market rate (≤ 3 months), +1 percentage point	-84
Short-term market rate (≤ 3 months), -1 percentage point	69

## 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 well-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 financial items.

### 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 41 (36) properties in Finland and 51 (43) properties in Germany, entailing EUR exposure. The properties are financed with equity, intra-Group loans and external loans. On 31 December 2018, external interest-bearing liabilities in EUR corresponded to SEK 11,075 million (8,717).

At the same date, the market value of the properties in Finland and Germany was SEK 12,592 million (8,663). Hemsö's bank deposits in EUR amounted to a corresponding value of SEK 0 million. Net exposure on 31 December 2018, defined as property assets and cash less interest-bearing liabilities in EUR was restated to SEK 1,517 million, representing 11.5 per cent of the Group's equity.

Since Hemsö applies IAS 21, most of the company's exchange-rate effects are recognised directly in equity. Hemsö's EUR bonds of EUR 1,083.5 million under the EMTN programme were hedged against net investments in foreign subsidiaries. Only a small portion of the exchange-rate effects are recognised in profit or loss.

A 10-per cent value change would have an impact of +/- SEK 33 million on profit from property management.

### 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 2018, the Group's holdings of 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 2018.

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*	–	2,006	2,341	<b>4,347</b>

\*Translated to SEK million at the closing rate.

Effects of hedge accounting on financial position and results – Reconciliation of translation reserve	Translation reserve	
	2018	2017
<b>Opening carrying amount</b>	<b>104</b>	<b>73</b>
Currency translation effects from net investments in foreign operations	138	80
Revaluation of debt in foreign currency identified as hedging instruments	-116	-49
<b>Total additional items recognised in other comprehensive income</b>	<b>22</b>	<b>31</b>
<b>Closing carrying amount, entirely attributable to continuous hedging</b>	<b>126</b>	<b>104</b>

\*Translated to SEK million at the closing rate.

### 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.

The hedge ratio is 1:1 for all of the Group's hedges.

The Group did not recognise any ineffectiveness during the period.

### 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 financial items in the income statement.

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, with exception for the company's bonds. 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 recognised 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 accounts receivable category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 606 million (553). Other financial liabilities consist of bond loans, commercial papers, liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 30,826 million (26,747). The fair value of Hemsö's bonds was SEK 23,100 million, compared with their carrying amount of SEK 23,680 million. Financial assets and liabilities measured at fair value through other comprehensive income consisted of derivatives and amounted to SEK 281 million (544).

### Parent Company

The loans and accounts receivable category consists of other non-current receivables, accounts receivable and other receivables and amounted to SEK 27,042 million (20,628). Other financial liabilities consist of liabilities to credit institutions, accounts payable and other liabilities and amounted to SEK 30,184 million (24,519).

## Note 24 Pledged assets

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Property mortgages	4,487	4,330	–	–
Participations in Group companies	–	–	–	–
Receivables from subsidiaries	–	–	4,312	2,604
<b>Total</b>	<b>4,487</b>	<b>4,330</b>	<b>4,312</b>	<b>2,604</b>

The assets are mainly pledged for bank loans. 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 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Liability as partner in unlimited/limited partnerships	–	–	10	120
Guarantees on behalf of Group companies	–	–	166	3,599
<b>Total</b>	<b>–</b>	<b>–</b>	<b>176</b>	<b>3,719</b>

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. Expenses may arise, for example, in the form of advisory costs related to negotiations. The assessment of any future amounts in relation to these disputes is not possible at present.

## Note 26 Supplemental disclosures of cash flow information

Group	2018	2017
No funds other than cash and bank balances are included in the cash and cash equivalents item		
<b>Cash flows</b>		
Interest received	2	2
Interest paid	372	310
<b>Acquisition of subsidiaries</b>		
<i>Acquired assets and liabilities</i>		
Investment properties	823	763
Financial receivables	–	3
Operating receivables	1	0
<b>Total assets</b>	<b>824</b>	<b>766</b>
Deferred tax liabilities	–	–
Operating liabilities	0	88
<b>Total liabilities</b>	<b>0</b>	<b>88</b>
Proceeds paid, shares	-511	-564
Proceeds paid, repayment of loans	-317	-119
Additional: Cash and cash equivalents in the acquired operations	4	5
<b>Effect on cash and cash equivalents – acquisition of properties via companies</b>	<b>-824</b>	<b>-678</b>
Effect on cash and cash equivalents – direct acquisition of properties	-2,311	-4,179
<b>Acquisition of properties</b>	<b>-3,135</b>	<b>-4,857</b>
<b>Divestment of subsidiaries</b>		
<i>Divested assets and liabilities</i>		
Investment properties	816	1,587
Financial receivables	0	–
Operating receivables	57	5
<b>Total assets</b>	<b>873</b>	<b>1,592</b>
Deferred tax liabilities	4	3
Operating liabilities	21	50
<b>Total liabilities</b>	<b>25</b>	<b>53</b>
Purchase price received, shares	481	780
Proceeds received, repayment of loan	407	690
Less: Cash and cash equivalents in the divested operation	-68	0
<b>Effect on cash and cash equivalents – divestment of properties via companies</b>	<b>820</b>	<b>1,470</b>
Effect on cash and cash equivalents – direct divestment of properties	51	0
<b>Divestment of properties</b>	<b>871</b>	<b>1,470</b>
<b>Group</b>	<b>2018</b>	<b>2017</b>
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment	2	2
Exchange differences, unrealised	27	-134
Capital gains/losses on divestment of properties	-11	82
Other	20	-2
<b>Total</b>	<b>38</b>	<b>-52</b>

## Note 26, cont.

### Group

Specification of changes in liabilities attributable to financing activities	31 Dec 2017	Items affecting cash flow		Items not affecting cash flow	
		New loans	Loan repayment	Exchange-rate fluctuations	31 Dec 2018
Non-current interest-bearing liabilities	18,884	3,851	-1,393	394	21,736
Current interest-bearing liabilities	6,691	4,611	-3,318	8	7,992
<b>Total interest-bearing liabilities</b>	<b>25,575</b>	<b>8,462</b>	<b>-4,711</b>	<b>402</b>	<b>29,728</b>

### Parent Company

No funds other than cash and bank balances are included in the cash and cash equivalents item

#### Cash flows

	2018	2017
Interest received	82	161
Interest paid	393	334

### Parent Company

	2018	2017
<b>Adjustment for non-cash items</b>		
Depreciation/amortisation and impairment	61	190
Loss from divestment of participations	-223	-168
Loss from participations in unlimited/limited partnerships	-28	-23
Other items	74	29
<b>Total</b>	<b>-116</b>	<b>28</b>

### Parent Company

Specification of changes in liabilities attributable to financing activities	31 Dec 2017	Items affecting cash flow		Items not affecting cash flow	
		New loans	Loan repayment	Exchange-rate fluctuations	31 Dec 2018
Non-current interest-bearing liabilities	17,663	3,851	–	394	21,908
Current interest-bearing liabilities	6,691	4,611	-3,490	8	7,820
<b>Total interest-bearing liabilities</b>	<b>24,354</b>	<b>8,462</b>	<b>-3,490</b>	<b>402</b>	<b>29,728</b>

## Note 27 Related-party transactions

### Parent Company

During the year, dividends totalling SEK 539 million (0) 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 2018, dividends totalling SEK 657 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 4,000 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 87.

### 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 88–89.

### Subsidiaries

Holdings are presented in Note 16.

### Associated companies

Holdings are presented in Note 17. Hemsö Holding issued two loans totalling SEK 71 million to the associated company Lanthem Samhällsfastigheter AB. The loan runs until 31 August 2022, with a 90-day STIBOR rate + 2 percentage points. The Group's profit from participations in associated companies amounted to SEK 11 million.

## Note 28 Accrued expenses and deferred income

	Group		Parent Company	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Prepaid rental income	411	429	–	–
Accrued interest expense	172	146	119	114
Accrued personnel costs	17	15	15	12
Accrued project costs	–	–	–	–
Other items	139	216	3	5
<b>Total</b>	<b>739</b>	<b>806</b>	<b>137</b>	<b>131</b>

## Note 29 Supplementary information on financial assets and liabilities

### Derivative instruments in the consolidated and Parent Company balance sheet

Recognised as financial assets	2018	2017
Interest-rate derivatives	8	1
Foreign exchange derivatives	0	–
<b>Total</b>	<b>8</b>	<b>1</b>

Recognised as financial liabilities	2018	2017
Interest-rate derivatives	289	538
Foreign exchange derivatives	0	7
<b>Total</b>	<b>289</b>	<b>545</b>

<b>Net (debt) derivative instruments</b>	<b>281</b>	<b>544</b>
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### 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 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
<b>Financial assets</b>					
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
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1,056</b>	<b>1,064</b>	<b>1,064</b>
<b>Financial liabilities</b>					
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
<b>Total</b>	<b>281</b>	<b>–</b>	<b>30,826</b>	<b>31,115</b>	<b>30,536</b>

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.

### Classification of the Group's financial instruments 2017

	Derivatives that do not qualify for hedge accounting 2017	Items subject to fair value hedging 2017	Loans and accounts receivable 2017	Total carrying amount 2017
<b>Financial assets</b>				
Cash and cash equivalents	–	–	1,134	1,134
Derivative instruments	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1,134</b>	<b>1,134</b>
<b>Financial liabilities</b>				
Bond loans	–	–	20,317	20,317
Bank loans	–	–	1,220	1,220
Commercial papers	–	–	4,038	4,038
Derivative instruments	544	–	–	544
Shareholder loans	–	–	–	–
Loans from minority interests	–	–	–	–
<b>Total</b>	<b>544</b>	<b>0</b>	<b>25,575</b>	<b>26,119</b>

### 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

After year-end, Hemsö’s shareholders provided a shareholder contribution of SEK 1,000 million.

Hemsö issued SEK-denominated bonds of SEK 3,500 million and EUR-denominated bonds of EUR 215 million.

In February, Hemsö acquired a property portfolio with eight nursing home and health care properties in Turku in Finland, and acquired a 34.8 per cent shareholding in Turku Technology Properties (TTP). The investment amount was EUR 180 million.

### Note 31 Proposed appropriation of profits

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 2018, which were presented to the Annual General Meeting on 29 April 2019 for adoption, 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).

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

Share premium reserve	2,500,000,000
Retained earnings	87,192,986
Profit for the year	484,989,405
<b>Total</b>	<b>3,072,182,391</b>

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

To shareholders	721,500,000
To be carried forward	2,350,682,391
<b>Total</b>	<b>3,072,182,391</b>





## 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, 28 March 2019

**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 28 March 2019.  
Ernst & Young AB

**Mikael Ikonen**  
Authorised Public Accountant

## Auditor's report

To the general meeting of the shareholders of Hemsö Fastigheter AB (publ) 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 Fastigheter AB (publ) except for the corporate governance statement on pages 83-86 and other information on pages 87-89 of this document for the year 2018.

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 2018 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 2018 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 83-89. 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 are those matters that, in our professional judgement, were of most significance in the 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

At 31 December 2018, the fair value of the Group's properties was SEK 46,236 million, and value changes amounted to SEK 2,060 million. Unrealised value changes amounted to SEK 2,088 million, and realised value changes to a negative amount of SEK 28 million. Valuation of the property holding and special considerations and judgements in this regard are described in Notes 2 and 14.

Hemsö uses internal valuations prepared quarterly to determine the property value. In Q4 an external valuation is also made. The valuations are yield-based, according to the discounted cash flow model, which means that expected future cash flows are forecast. The valuation yield for the properties is determined on the basis of each property's unique risk and transactions made in the market. Changes to the unobservable inputs used in the valuations are analysed by 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.

##### How our audit addressed this key audit matter

In our audit, we have evaluated and tested the process used by management for property valuation by, for example, evaluating the externally engaged experts, the valuation technique and the inputs used. We have also made comparisons with known market information. With the support of our valuation specialists, we have examined the company's property valuation technique. With the support of our valuation specialists, we have also examined the reasonableness of the assumptions made, such as valuation yields, vacancy rates, rental income and operating costs. We have assessed whether the information disclosed in the annual accounts is appropriate.

#### Information other than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts, which can be found on pages 1-65, 124-141. 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 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 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 intend to liquidate the company, to cease operations, or have 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 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 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 year 2018 and the proposed appropriations of the company's profit or loss.



We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) 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 organisation 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 fulfil 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.
- 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess 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 83-86 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 Standards 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, Jakobsbergsgatan 24, 103 99 Stockholm, was appointed auditor of Hemsö Fastighets AB (publ) by the general meeting of the shareholders on the 26 April 2018 and has been the company's auditor since the 24 April 2012.

Stockholm, 29 March 2019  
Ernst & Young AB

Mikael Ikonen  
Authorised Public Accountant

## List of properties

### East

			Area, sqm							
Nursing home	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
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
Mensätra 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
Logfyrkanten 3	Signalistgatan 3	Solna	3,218	0	0	0	0	0	0	3,218
Hallen 4	Lövgatan 39-43	Solna	4,244	355	1,095	0	144	0	0	5,838
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
Flyghöjden 2	Skarpnäcks Torg 1	Stockholm	2,880	0	0	0	0	0	0	2,880
Blåvalen 1	Tallhöjdsvägen 1-3	Södertälje	4,734	0	2,240	0	204	0	0	7,178
Södertälje Hantverkaren 2	Hantverkarsvägen 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	6,808	0	53	0	787	19,611
Åkerby 13	Kemistvägen 8	Täby	564	0	0	0	1,260	0	83	1,907
Hammarby 8:60	Hasselgatan 80 A-E	Uppl. 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
<b>Total East Nursing homes</b>			<b>89,921</b>	<b>355</b>	<b>10,468</b>	<b>0</b>	<b>1,961</b>	<b>0</b>	<b>870</b>	<b>103,575</b>

			Area, sqm							
Education	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
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	0	0	0	0	0	0	0
Medicinaren 23	Hälsövägen 11	Huddinge	0	15,921	300	0	0	0	422	16,643
Medicinaren 14	Diagnosvägen 8	Huddinge	0	1,003	965	0	168	0	0	2,136
Älta 14:97	Almvägen 2	Nacka	0	6,630	0	0	0	0	0	6,630
Mensätra 1:19	Boo Kyrkväg 3	Nacka	0	4,036	0	0	0	0	0	4,036
Mensätra 1:168	Boo Kyrkväg 7	Nacka	0	0	0	0	0	135	0	135
Älta 14:101	Almvägen 4	Nacka	0	0	0	0	0	0	3,395	3,395
Sicklaön 351:1	Skogsstigen 40	Nacka	0	3,509	0	0	0	0	0	3,509
Erstavik 27:1	Fisksättravägen 31	Nacka	0	775	0	0	0	0	0	775
Älta 35:149	Anemonvägen 13	Nacka	0	736	0	0	0	0	0	736
Erstavik 26:607	Krabbvägen 1	Nacka	0	764	0	0	0	0	0	764
Sicklaön 207:7	Bävervägen 4	Nacka	0	919	0	0	0	0	0	919
Mensätra 1:84	Gustavsviksvägen 10	Nacka	0	613	0	0	0	0	0	613
Mensätra 2:92	Sandholmsvägen 2	Nacka	0	775	0	0	0	0	0	775
Lännersta 1:1231	Sunnebovägen 2	Nacka	0	563	0	0	0	0	0	563
Älta 75:16	Ulvsvägen 17	Nacka	0	418	0	0	0	0	0	418
Tattby 2:24	Samskolevägen 2-6	Nacka	0	758	0	0	0	0	0	758
Mensätra 2:91	Björkholmsvägen 235	Nacka	0	771	0	0	0	0	0	771
Sicklaön 39:4	Helgesons väg 10	Nacka	0	2,575	0	0	0	0	0	2,575
Märsta 1:242	Idrottsvägen 19B	Sigtuna	0	882	0	0	0	0	0	882
Sigtuna 2:227	Skolbacken 61	Sigtuna	0	1,629	0	0	0	0	0	1,629
Sollentuna Träbjälken 16	Sofielundsvägen 12	Sollentuna	0	2,590	0	0	0	0	0	2,590
Sollentuna Sjöberg 7:4	Lomvägen 100-102	Sollentuna	0	600	0	0	0	0	0	600
Sollentuna Träkolet 16	Turebergsvägen 3	Sollentuna	0	2,925	3,257	0	5,152	0	826	12,160
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	7,216	0	0	0	0	0	7,216
Lojsta 1	Beckomborgsvägen, Hus 12	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
Lau 1	Beckomborgsvägen, Hus 11	Stockholm	0	2,410	0	0	0	0	0	2,410
Gunnebo 15	Salagatan 42	Stockholm	0	4,206	0	0	0	0	0	4,206
Sandbacken Mindre 42	Sandbacksgatan 10	Stockholm	0	8,000	0	0	0	0	16	8,016
Piloten 2	Gondolgatan 16	Stockholm	0	3,471	0	0	0	0	0	3,471
Sproge 1	Beckomborgsvägen 314	Stockholm	0	1,470	0	0	0	0	0	1,470
Ponnyn 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
Vilunda 19:2	Industrivägen 20 B	Uppl. Väsby	0	14,904	0	0	0	0	0	14,904
Odenslunda 1:592	Söderviksvägen 1	Uppl. Väsby	0	5,915	0	0	0	0	0	5,915
Edsby 1:3	Eds Kyrkväg 6, 8	Uppl. Väsby	0	630	0	0	0	0	0	630
Vilunda 6:55	Drabantvägen 3-5	Uppl. 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
<b>Total East Education</b>			<b>0</b>	<b>122,321</b>	<b>4,522</b>	<b>0</b>	<b>5,320</b>	<b>135</b>	<b>4,659</b>	<b>136,957</b>

## List of properties

			Area, sqm							
Health care	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Banslätt 1	Römossevägen 25	Botkyrka	0	2,230	4,390	0	1,446	0	553	8,619
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
Vendelsö 3:1716	Skomakarvägen 20	Haninge	0	0	1,525	0	0	0	0	1,525
Ribby 1:451	Klockargatan 13-27	Haninge	319	1,856	2,747	0	90	0	1,939	6,951
Medicinaren 25	Hälsovägen 11	Huddinge	0	3,258	15,233	0	0	0	554	19,045
Medicinaren 19	Hälsovägen 7-9	Huddinge	0	0	29,588	0	5,380	0	4,119	39,087
Illern 9	Stuvsta Torg 4-6, 10-14	Huddinge	0	0	2,985	0	140	0	141	3,266
Kallhäll 1:32	Kopparvägen 2B	Järfälla	0	118	1,171	0	285	0	568	2,142
Erstavik 26:31	Fidravägen 6	Nacka	262	0	0	0	0	0	0	262
Sicklaön 162:5	Storängsvägen 6-8	Nacka	324	0	0	0	0	0	0	324
Vaktmästaren 4	Hemvägen 8	Norrtälje	0	0	0	0	0	0	1,200	1,200
Patienten 1	Testvägen 1	Solna	0	0	0	0	0	0	0	0
Princeton 1	Testvägen 1	Stockholm	0	0	0	0	0	0	0	0
Jullovet 1	Annebodavägen 4-6	Stockholm	0	0	1,333	0	0	0	0	1,333
Akka 8	Tranebergsplan 1-3	Stockholm	0	0	3,965	0	0	0	0	3,965
Träbron 1	Bergtallsvägen 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
<b>Total East Health care</b>			<b>3,998</b>	<b>10,666</b>	<b>88,510</b>	<b>0</b>	<b>10,121</b>	<b>0</b>	<b>10,401</b>	<b>123,696</b>

			Area, sqm							
Justice system	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Tegen 6	Sundbybergsvägen 7-15	Solna	0	278	0	26,617	5,850	0	2,717	35,462
<b>Total East Justice system</b>			<b>0</b>	<b>278</b>	<b>0</b>	<b>26,617</b>	<b>5,850</b>	<b>0</b>	<b>2,717</b>	<b>35,462</b>
<b>Total East</b>			<b>93,919</b>	<b>133,620</b>	<b>103,500</b>	<b>26,617</b>	<b>23,252</b>	<b>135</b>	<b>18,647</b>	<b>399,690</b>

## West

			Area, sqm							
Nursing home	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Rud 5:2	Positivgatan 15	Gothenburg	6,027	0	0	0	0	0	0	6,027
Krokslätt 147:2	Fridkullagatan 18 G	Gothenburg	3,088	0	0	0	150	0	0	3,238
Fiskebäck 8:7	Hällefjordregatan 20	Gothenburg	6,444	0	0	0	0	1,341	0	7,785
Backa 243:52	St Jörgens väg 22	Gothenburg	4,441	0	0	0	0	605	0	5,046
Näset 130:1	Bjölavägen 1	Gothenburg	3,701	0	0	0	0	0	0	3,701
Höbalen 1	Vetekornsgatan 22	Möln dal	2,682	0	0	0	0	0	0	2,682
Sörbyn 17:1	Törnrosgratan 8-22	Vänersborg	3,363	0	925	0	155	0	109	4,552
<b>Total West Nursing homes</b>			<b>29,746</b>	<b>0</b>	<b>925</b>	<b>0</b>	<b>305</b>	<b>1,946</b>	<b>109</b>	<b>33,031</b>

			Area, sqm							
Education	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Samariten 11	Klinikvägen 48	Borås	0	11,660	0	0	0	0	0	11,660
Krokslätt 35:14	Ebbe Lieberathsgatan 19	Gothenburg	0	3,921	0	0	2,447	0	475	6,843
Backa 245:1	Sankt Jörgens Väg 14-20	Gothenburg	0	6,548	0	0	228	0	228	7,004
Göteborg Sandarna 26:2	Karl Johansgatan 158	Gothenburg	0	0	0	0	0	0	0	0
Göteborg Lindholmen 1:12	Karlavagnsgatan 9	Gothenburg	0	0	0	0	785	110	792	1,687
Bångsbo 1:29	Bångsbovägen 13	Kungsbacka	0	3,910	0	0	0	0	0	3,910
Ärlan 1	Vikingagatan 6	Kungälv	0	3,107	0	0	0	0	0	3,107
Komariken 1:1 del av	Vikingagatan 6	Kungälv	0	0	0	0	0	0	0	0
Dona 1:38	Rinkenäsgratan 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	7,193	1,902	9,516	36,064
<b>Total West Education</b>			<b>0</b>	<b>55,099</b>	<b>945</b>	<b>0</b>	<b>18,580</b>	<b>2,012</b>	<b>11,231</b>	<b>87,867</b>

## List of properties

Health care	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Apelsinen 1	Säterigatan 122	Alingsås	0	850	2,024	0	0	0	284	3,158
Ångaboskolan 2	Sundsbergsvägen 7	Alingsås	0	0	1,488	0	0	0	0	1,488
Stenhuggaren 1	Kindsgatan 1	Borås	0	0	1,393	0	53	0	0	1,446
Fonden 49	Sörmarksgatan 199-205	Borås	1,134	0	1,778	0	93	0	1,289	4,294
Sik 1:183	Tärnavägen 6	Borås	0	319	2,216	0	0	0	20	2,555
Rydboholm 1:477	Hagkällvägen 2	Borås	0	0	2,161	0	0	0	0	2,161
Milstolpen 8	Smörhulegatan 2	Borås	0	0	2,335	0	225	0	0	2,560
Sandhults-Rydet 1:256	Strandvägen 11	Borås	0	0	1,623	0	0	0	0	1,623
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
Vårdträdet 7	Hävdevägen 31	Jönköping	0	0	1,646	0	0	0	0	1,646
Norrahammar 28:108	Postgatan 1-9	Jönköping	0	0	2,617	0	0	0	0	2,617
Hälsan 3	Fabriksgatan 17-19	Jönköping	0	0	5,780	0	0	0	0	5,780
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
Kullen 18	Järnvägsgatan 8	Lilla Edet	0	0	4,394	0	4,627	0	236	9,257
Slätten 15:7	Lasarettsgatan 1	Lysekil	5,325	102	8,869	0	284	0	1,223	15,803
Murmeldjuret 4	Fredåsgatan 13	Mölnådal	0	0	6,432	0	387	0	295	7,114
Klockstapeln 4	Knoppaliden 3	Skövde	688	0	0	0	0	0	0	688
Sotenäs Gravarne 3:139	Hvitfeldtsgatan 23	Sotenäs	0	0	2,511	0	0	0	0	2,511
Stenung 2:238	Södra vägen 18	Stenungsund	175	0	0	0	0	0	0	175
Tändstickan 1	Västra Drottningvägen 11	Tidaholm	0	220	3,622	0	487	0	60	4,389
Skår 1:69	Syster Ebbas väg 1	Tjörn	0	0	1,910	0	12	0	0	1,922
Kuratorn 3	Lasarettsvägen 2	Trollhättan	0	0	808	0	0	0	0	808
Gladan 1	Slättbergsvägen 56	Trollhättan	0	0	1,402	0	0	0	0	1,402
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
Svalan 7	Nygatan 7	Ulricehamn	2,014	0	4,920	0	134	0	258	7,326
Grävlingen 28	Belfragegatan 2	Vänersborg	0	1,076	736	0	872	0	255	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
Eken 6	Södra Långgatan 3A	Ämål	2,892	0	4,132	0	98	0	215	7,337
<b>Total West Health care</b>			<b>13,418</b>	<b>5,347</b>	<b>86,355</b>	<b>0</b>	<b>8,324</b>	<b>129</b>	<b>5,297</b>	<b>118,870</b>
<b>Total Sweden West</b>			<b>40,869</b>	<b>61,290</b>	<b>86,306</b>	<b>0</b>	<b>18,084</b>	<b>4,087</b>	<b>20,577</b>	<b>231,213</b>

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Brämaregården 37:1	Vågmästaregatan 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	Mölnådal	0	0	0	5,115	3,065	0	90	8,270
<b>Total West Justice system</b>			<b>949</b>	<b>0</b>	<b>395</b>	<b>10,351</b>	<b>3,065</b>	<b>0</b>	<b>90</b>	<b>14,850</b>
<b>Total West</b>			<b>44,113</b>	<b>60,446</b>	<b>88,620</b>	<b>10,351</b>	<b>30,274</b>	<b>4,087</b>	<b>16,727</b>	<b>254,618</b>



## List of properties

### Central/North

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Boden 56:51	Idrottsgatan 6	Boden	0	0	0	0	0	0	0	0
Enköping Romberga 23:54	Frejas allé 2	Enköping	4,100	0	0	0	0	0	0	4,100
Hemse Blåkråkan 15	Parkgatan 16-18	Gotland	2,310	0	0	0	0	0	0	2,310
Klinte Åvalle 2:27	Skolgatan 7-9	Gotland	2,802	0	0	0	0	1,056	43	3,901
Visby Pjäsen 11	Lännavägen 21-43	Gotland	1,113	0	0	0	0	308	0	1,421
Bunge Stucks 1:297	Strandvägen 51	Gotland	3,031	0	0	0	0	0	0	3,031
Othem Kiläkern 2	Apoteksgatan 3	Gotland	5,552	0	0	0	0	0	0	5,552
Hemse Fasanen 10	Hagagatan 30	Gotland	11,678	0	322	0	0	0	0	12,000
Roma Kloster 1:37	Björkstigen 10	Gotland	3,519	0	0	0	0	0	0	3,519
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	11,671	0	2,540	0	0	0	0	14,211
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
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
Vetebullen 2	Kärna Centrum 1	Linköping	2,145	0	0	0	0	0	0	2,145
Lillgårdsskolan 11	Ridhusgatan 2A	Linköping	1,510	0	0	0	0	157	11	1,678
Valbyrån 5	Kärnavägen 3-11	Linköping	2,656	0	0	0	0	94	0	2,750
Alvik 2:26 (part of)	Danelvägen 11	Luleå	1,578	0	0	0	0	0	0	1,578
Bergnäset 2:665	Stengatan 123	Luleå	2,129	0	0	0	0	0	0	2,129
Kallkällan 13	Lingonstigen 253	Luleå	3,906	0	0	0	0	0	0	3,906
Anoraken 1	Krondalsvägen 47	Luleå	0	0	0	0	0	0	0	0
Stadsön 1:124	Älvsborgsvägen 20	Luleå	4,572	0	0	0	0	0	0	4,572
Motala Munken 5	Båtmansgatan	Motala	3,388	0	0	0	290	0	0	3,678
Sandbyhov 30	Sandbyhovsgatan 21	Norrköping	22,401	1,550	4,973	0	1,199	0	286	30,409
Diadem 3	Gamla Övägen 27	Norrköping	4,025	0	0	0	0	0	0	4,025
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
Gångjärnet 1	Plåtslagaregatan 8	Norrköping	5,386	0	0	0	0	0	0	5,386
Skörden 3	Axvägen 7- 9	Sundsvall	8,026	0	0	0	0	0	0	8,026
Dragarbrunn 9:4	S:t Olofsgatan 44 B	Uppsala	4,020	0	0	0	0	0	0	4,020
Rickoberga 9:14	Geijersgatan 61	Uppsala	3,200	0	0	0	0	0	0	3,200
Kvarngärdet 14:5	Torkelsgatan 42	Uppsala	3,585	0	0	0	0	0	0	3,585
Valsåtra 3:10	Bernadottevägen 1P	Uppsala	6,065	0	0	0	0	0	0	6,065
Luthagen 81:1	Norrandsgatan 2	Uppsala	2,740	0	0	0	0	0	0	2,740
Wenströmska skolan 1 (part of)	Vallbyleden 13	Västerås	0	0	0	0	0	0	1,477	1,477
Lövågen 32	Pilfinksgatan 2	Västerås	4,589	0	0	0	0	0	0	4,589
Vedbo 61	Hörntorpsvägen 20	Västerås	7,479	4,000	0	0	0	0	0	11,479
Hanen 4	Hagalidsvägen 2	Västerås	2,740	0	0	0	0	0	0	2,740
Skogsduvan 1	Skogsduvevägen 11	Västerås	1,107	0	0	0	0	0	0	1,107
Ångsklockan 1	Vårloksgatan 6	Västerås	3,813	0	0	0	0	0	0	3,813
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
Skjutfältet 9	Hästhovsgatan 27	Västerås	5,914	0	0	0	0	0	0	5,914
Birka 1	Fornidsgratan 4	Västerås	3,335	0	0	0	0	0	0	3,335
Östra Daggrosen 1	Daggrosgratan 1	Västerås	3,507	0	0	0	0	0	0	3,507
<b>Total Central/North Nursing homes</b>			<b>225,916</b>	<b>5,550</b>	<b>8,442</b>	<b>0</b>	<b>2,255</b>	<b>1,615</b>	<b>2,497</b>	<b>246,275</b>

## List of properties

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Tjärna Hage 2	Mats Knuts väg 19	Borlänge	0	0	0	0	0	0	0	0
Nyfors 1:24	Tunavallsgränden 5	Eskilstuna	0	1,427	0	0	0	0	0	1,427
Eskilstuna Verkmästaren 6	Hamngatan 17	Eskilstuna	0	0	0	0	0	0	0	0
Eskilstuna Verkmästaren 7	Hamngatan 15	Eskilstuna	0	0	0	0	0	0	0	0
Nyponkärnan 1	Kvinnebyvägen 91	Linköping	0	970	0	0	0	0	0	970
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
Laddstaken 2	Knektgatan 1A-B	Linköping	0	750	0	0	0	0	0	750
Isskåpet 1	Tröskaregatan 73- 75	Linköping	0	2,735	0	0	0	0	0	2,735
Gällstad 1:291	Sävsångarevägen 61	Linköping	0	661	0	0	0	0	0	661
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
Rystads-Gärstad 8:41	Gurkvägen 2-4	Linköping	0	661	0	0	0	0	0	661
Nässelodlingen 1	Nybrovägen 1	Linköping	0	4,252	0	0	0	0	0	4,252
Järven 5	Bergslagsgatan 11	Norrköping	0	3,011	0	0	0	0	1,500	4,511
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
Borgaren 18	Stora torget 3	Nyköping	0	10,657	0	0	568	0	1,072	12,297
Umeå Hugin 3	Nygatan 47	Umeå	0	7,730	0	0	0	0	0	7,730
Gustavsborg 2	Vasagatan 44	Västerås	0	18,062	0	0	0	0	0	18,062
Rosenhill 1	Gurksaltargatan 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
Kristiansborgsskolan 2	Vasagatan 56	Västerås	0	5,334	0	0	0	0	0	5,334
Västerås 1:250	Ångkraftsvägen 1 A-C	Västerås	0	3,412	0	0	0	0	0	3,412
Barkaröby 15:308	Lövängsgatan 2	Västerås	0	1,570	0	0	0	0	0	1,570
Medora 168:115	Clamparvägen 1A	Älvkarleby	0	2,500	0	0	0	0	0	2,500
<b>Total Central/North Education</b>			<b>0</b>	<b>105,564</b>	<b>0</b>	<b>0</b>	<b>568</b>	<b>340</b>	<b>2,572</b>	<b>109,044</b>

Health care	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	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
Sävja 56:1	Västgötarestan 60	Uppsala	0	956	1,198	0	842	0	187	3,183
Gränby 12:6	Gränby Bilgata 2	Uppsala	0	265	2,479	0	0	0	15	2,759
<b>Total Central/North Health care</b>			<b>2,295</b>	<b>1,221</b>	<b>4,852</b>	<b>0</b>	<b>2,853</b>	<b>0</b>	<b>443</b>	<b>11,664</b>

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	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	1,047	0	26	12,549
Stigbygeln 5	Ridvägen 10	Umeå	0	0	0	21,274	855	0	0	22,129
<b>Total Central/North Justice system</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>53,691</b>	<b>1,902</b>	<b>0</b>	<b>31</b>	<b>55,624</b>
<b>Total Central/North</b>			<b>228,211</b>	<b>112,335</b>	<b>13,294</b>	<b>53,691</b>	<b>7,578</b>	<b>1,955</b>	<b>5,543</b>	<b>422,607</b>

## South

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing-homes	Educa-tion	Health care	Justice system	Office	Resi-dential	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
Norra Sjukhuset 1	Skansvägen 5	Lund	8,991	1,431	0	0	1,029	0	2,715	14,166
Styrkan 23	Spånehusvägen 91	Malmö	978	0	0	0	0	0	0	978
Byrådirektören 4	von Troils väg 2-8	Malmö	5,820	2,666	1,400	0	902	4,720	411	15,919
Virket 8	Sigtunagatan 13	Malmö	2,455	0	0	0	0	1,779	319	4,553
Styckmästaren 8	Jöns Risbergsgatan 4	Malmö	1,211	0	0	0	0	177	0	1,388
Anten 3	Eddagatan 1	Malmö	3,040	0	0	0	0	0	0	3,040
Torsten 12	Major Nilssonsgatan 13	Malmö	2,400	0	0	0	0	0	0	2,400
Solskiftet 1	Oshögavägen 2	Malmö	6,825	0	0	0	0	0	0	6,825
Nicktistel 2	Ernst Jakobssons gata 7	Malmö	2,250	0	0	0	0	0	0	2,250
Storskarven 9	Brunandsvägen 32	Malmö	442	0	0	0	0	0	0	442
Storskarven 12	Norra vägen 7	Malmö	1,900	0	0	0	0	0	0	1,900
Storskarven 13	Norra vägen 1	Malmö	2,313	0	0	0	0	0	0	2,313
Sädesärlan 6	Linnégatan 18	Malmö	0	0	472	0	0	0	305	777

## List of properties

			Area, sqm							
Nursing home	Address	Municipality	Nursing-homes	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Nattskärren 7	Järnvägsgatan 29	Malmö	1,918	0	0	0	0	0	0	1,918
Stengodset 1	Stengodsvägen 4	Malmö	1,850	0	0	0	0	0	0	1,850
Slätvaren 40 och 51	Sarvgränd 2C	Malmö	450	0	0	0	0	0	0	450
Koljan 10	Tegnérsgatan 68	Malmö	355	0	0	0	0	0	0	355
Cykeln 12	Palmgatan 17	Malmö	2,980	0	0	0	0	0	0	2,980
Limhamn 152:371	-	Malmö	0	0	0	0	0	0	0	0
Stanstorp 5:368	Vikhems bygata	Staffanstorp	0	0	0	0	0	0	0	0
Herkules 29	Corfitz-beck-friisgatan 2	Trelleborg	0	0	0	0	0	0	0	0
Solvändan 3	Åbovägen 22	Växjö	3,329	0	0	0	0	0	0	3,329
Lekamensgården 2	Pär Lagerkvists väg 15	Växjö	5,188	0	0	0	0	0	0	5,188
Tonsättaren 2	Schottisgatan 2-6	Ystad	2,892	0	65	0	0	0	0	2,957
<b>Total South Nursing homes</b>			<b>64,714</b>	<b>4,097</b>	<b>1,937</b>	<b>0</b>	<b>1,931</b>	<b>6,676</b>	<b>3,750</b>	<b>83,105</b>

			Area, sqm							
Education	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Intendenten 2	Finjagatan 18	Hässleholm	0	2,290	0	0	0	0	0	2,290
Intendenten 1	Wendesvägen 5-7	Hässleholm	0	1,580	0	0	0	0	0	1,580
Darehallen 1	Löjtnant Granlunds Väg 4	Hässleholm	0	0	0	0	0	0	700	700
Stafvre 11	Lasarettboulevardern 22	Kristianstad	0	2,530	0	0	0	0	0	2,530
Landskrona Borstahusen 1:9	Löpargatan	Landskrona	0	5,700	0	0	0	0	0	5,700
Landskrona Borstahusen 1:8	Löpargatan	Landskrona	0	0	0	0	0	0	2,245	2,245
Klostergården 2:9	S:t Lars väg 1-38, 70-90	Lund	3,680	29,314	7,018	0	4,498	349	6,175	51,034
Predikanten 2	Landgillevägen 55	Lund	0	750	0	0	0	0	0	750
Benzelius 1	Dag Hammarskjölds Väg 2	Lund	0	4,666	0	0	1,070	0	703	6,439
Spillepengsmarken 7	Strömgatan 13	Malmö	0	4,670	0	0	0	0	0	4,670
Gullriset 4	Monicavägen 18-22	Malmö	0	648	0	0	0	0	0	648
Stora Uppåkra 12:303	Stora Uppåkravägen	Staffanstorp	0	7,694	0	0	0	0	0	7,694
Stora Uppåkra 12:302	Parkallén 4	Staffanstorp	0	0	0	0	0	0	0	0
Hjärup 4:290	Heimdallsvägen 2	Staffanstorp	0	652	0	0	0	0	0	652
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
Ystad Malmö 5	Nils Åhlins väg 17	Ystad	0	904	0	0	16	0	0	920
<b>Total South Education</b>			<b>3,680</b>	<b>72,497</b>	<b>7,018</b>	<b>0</b>	<b>9,702</b>	<b>4,496</b>	<b>10,821</b>	<b>108,214</b>

			Area, sqm							
Health care	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	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
<b>Total South Health care</b>			<b>0</b>	<b>0</b>	<b>7,066</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,066</b>

			Area, sqm							
Justice system	Address	Municipality	Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	Total
Häradshövdingen 2	Byggmästaregatan 2	Lund	0	0	0	3,475	0	0	0	3,475
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
<b>Total South Justice system</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>10,402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,402</b>
<b>Total South</b>			<b>68,394</b>	<b>76,594</b>	<b>16,021</b>	<b>10,402</b>	<b>11,633</b>	<b>11,172</b>	<b>14,571</b>	<b>208,787</b>

## List of properties

### Germany

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	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
Barsfel, Mühlenweg	Mühlenweg 11	Barsfel	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	1,140	0	0	0	0	0	0	1,140
Bochum, Vincenzstrasse	Vincenzstrasse 1	Bochum	4,719	0	0	0	0	0	87	4,806
Nittenau, Rheinallee	Rheinallee 78	Bonn	4,363	0	0	0	0	0	0	4,363
Bremen, Hemmstrasse	Hemmstrasse 345- Findorff	Bremen	1,809	0	762	0	0	0	0	2,571
Bremen, Gnesener Strasse	Gnesener Strasse 6-Gröelingen	Bremen	2,621	0	0	0	0	0	0	2,621
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	Darmstadt	7,516	0	0	0	0	0	0	7,516
Darmstadt, Kasinostrasse	Kasinostrasse 37	Darmstadt	6,074	0	0	0	0	0	0	6,074
Dinslaken, Kurt-Schumacher-Str.	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, Karl-Lehr-Strasse	Karl-Lehr-Strasse 159	Duisburg	4,148	0	0	0	0	0	0	4,148
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
Elsenfeld, Bahnhofstrasse	Bahnhofstrasse 12	Elsenfeld	4,450	0	0	0	0	0	0	4,450
Emden, Am Wykhoffweg	Rotdorning 1	Emden	3,351	0	0	0	0	0	0	3,351
Lichtenstein, Martin-Götze-Str.	Martin-Götze-Strasse 14	Glauchau	5,993	0	0	0	0	0	0	5,993
Hadamar, Hammelburg	Hammelburg 18	Hadamar	6,432	0	0	0	0	0	0	6,432
Heusenstamm, Herderstrasse I	Herdestrasse 85	Heusenstamm	6,280	0	0	0	0	0	0	6,280
Hünxe, Bensumskamp	Bensumskamp 27	Hünxe	3,800	0	0	0	0	0	0	3,800
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, Langforthor Str.	Langforthor 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
Liederbach, Am Wehr	Im Grossen Garten	Liederbach	4,800	0	0	0	0	0	0	4,800
Mülheim a.d. Ruhr, Am Halbach	Saarnenstrasse 415	Mülheim an der Ruhr	5,098	0	0	0	0	0	0	5,098
Bonn, 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
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	Chatilloner 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
<b>Total Germany Nursing homes</b>			<b>219,137</b>	<b>0</b>	<b>762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,277</b>	<b>221,176</b>

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Dortmund, Rheinsche Strasse	Rheinsche 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
<b>Total Germany Education</b>			<b>0</b>	<b>22,063</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,063</b>

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	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
Homberg, August-Vilmar-Strasse	August-Vilmar-Strasse 20	Homberg	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
<b>Total Germany Justice system</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>22,642</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,642</b>
<b>Total Germany</b>			<b>219,137</b>	<b>22,063</b>	<b>762</b>	<b>22,642</b>	<b>0</b>	<b>0</b>	<b>1,277</b>	<b>265,881</b>



## List of properties

### Finland

Nursing home	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Kiltakallionrinne 1	Kiltakallionrinne 1	Espoo	1,729	0	0	0	0	0	0	1,729
Kattilantanhua 6	Kattilantanhua 6	Espoo	2,061	0	0	0	0	0	0	2,061
Kivennavantie 15	Kivennavantie 15	Espoo	2,770	0	0	0	0	0	0	2,770
Kappalaisenkujja 3	Kappalaisenkujja 3	Espoo	1,487	0	0	0	0	0	2	1,489
Puistokatu A	Puistokatu A	Espoo	4,601	0	0	0	0	2,554	339	7,493
Puistokatu B	Puistokatu B	Espoo	0	0	0	0	0	0	0	0
Kuparitie 2	Kuparitie 2	Helsinki	1,901	0	1,180	0	0	0	0	3,081
Haahkapolku 3	Haahkapolku 3	Helsinki	1,043	313	0	0	0	1,833	793	3,982
Keskiyöntie 6-8	Keskiyöntie 6	Helsinki	1,675	0	0	0	0	0	0	1,675
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
Harjunsalontie 2	Harjunsalontie 2	Kangasala	2,040	0	0	0	0	0	0	2,040
Metsolantie 1	Metsolantie 1	Kerava	1,963	0	999	0	0	0	395	3,357
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 and 5	Viertolantie 3 and 5	Nurmijärvi	2,345	0	0	0	0	0	0	2,345
Haapavendentie 20	Haapavendentie 20	Savonlinna	1,437	0	0	0	0	0	0	1,437
Lastenlinnantie	Lastenlinnantie	Pälkäne	1,573	0	0	0	0	0	0	1,573
Tilkonmäenkatu 2	Tilkonmäenkatu 2	Tampere	1,130	0	0	0	0	0	0	1,130
Meesakatu 4	Meesakatu 4	Tampere	3,436	0	0	0	0	0	0	3,436
Mielikintie 8	Mielikintie 8	Oulu	8,345	0	0	0	0	1,030	0	9,375
Perintökuja 14	Perintökuja 14	Vantaa	0	0	0	0	0	0	0	0
Huvilatie 2	Huvilatie 2	Vaasa	2,800	0	0	0	0	0	0	2,800
Asentajankatu 2	Asentajankatu 2	Turku	2,543	0	0	0	0	0	0	2,543
Viipurintie 48	Viipurintie 48	Turku	1,200	0	0	0	0	0	0	1,200
Pirttivuorenkuja 7	Pirttivuorenkuja 7	Turku	0	0	0	0	0	0	0	0
<b>Total Finland Nursing homes</b>			<b>63,718</b>	<b>313</b>	<b>2,179</b>	<b>0</b>	<b>0</b>	<b>5,417</b>	<b>1,529</b>	<b>73,155</b>

Education	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Suotie 4	Suotie 4	Espoo	0	1,142	0	0	0	0	0	1,142
Arkadiankatu 24	Arkadiankatu 24	Helsinki	0	6,197	0	0	0	0	0	6,197
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	4,624	23,176
Strandgatan 2 905-2-3-30, 31	Strandgatan 2 905-2-3-30, 31	Vaasa	0	15,347	0	0	2,435	0	788	18,570
Turku University of Applied Sciences 853-21-2-26	Joukahainengatan 3 A	Turku	0	16,282	0	0	0	0	0	16,282
<b>Total Finland Education</b>			<b>0</b>	<b>82,287</b>	<b>0</b>	<b>0</b>	<b>2,435</b>	<b>0</b>	<b>5,412</b>	<b>90,134</b>

Health care	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	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
Louhelantie 10	Louhelantie 10	Vantaa	0	0	4,939	0	0	0	0	4,939
<b>Total Finland Health care</b>			<b>0</b>	<b>0</b>	<b>11,949</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,949</b>

Justice system	Address	Municipality	Area, sqm							Total
			Nursing home	Educa-tion	Health care	Justice system	Office	Resi-dential	Other	
Arvi Kariston katu 5	Arvi Kariston katu 5	Hämeenlinna	0	0	0	4,715	0	0	0	4,715
<b>Total Finland Legal Sector</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>4,715</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,715</b>
<b>Total Finland</b>			<b>63,718</b>	<b>82,600</b>	<b>14,128</b>	<b>4,715</b>	<b>2,435</b>	<b>5,417</b>	<b>6,941</b>	<b>179,953</b>

<b>Total Foreign</b>			<b>282,855</b>	<b>104,663</b>	<b>14,890</b>	<b>27,357</b>	<b>2,435</b>	<b>5,417</b>	<b>8,218</b>	<b>445,834</b>
<b>Total Sweden</b>			<b>434,636</b>	<b>382,995</b>	<b>221,435</b>	<b>101,061</b>	<b>72,737</b>	<b>17,350</b>	<b>55,488</b>	<b>1,285,702</b>
<b>Total portfolio</b>			<b>717,491</b>	<b>487,658</b>	<b>236,325</b>	<b>128,418</b>	<b>75,172</b>	<b>22,766</b>	<b>63,706</b>	<b>1,731,536</b>

# 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 2018. The contact person for the report and its contents is the Interim Head of Sustainability, Andreas Widingshoff (andreas.widingshoff@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 Percentage of total employees covered by collective bargaining agreements

All employees in Hemsö Fastigheter AB and Hemsö Development AB are covered by collective bargaining agreements. Virtartes, Hemsö in Finland and Germany comply with local legislation.

### 102-13 Memberships of associations 2018

Organisation	Role and purpose
Almega	Almega helps service companies develop positive relationships between employer and employees.
Future by Lund	Innovation platform for sustainable urban development.
Royal Institute of Technology's Property Academy	Funding for research related to property management.
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.
Mälardalen University, KPI2030 research project	Hemsö participates via the Forum for sustainable properties as part of the KPI2030 research project.
Berlin City Mission	Hemsö sponsors the organisation's initiatives to support the homeless, "kältebus."
Forum Vårdbyggnad	Association for development, research and education in the physical environment for health care and care services.

### 201-1 Direct economic value generated and distributed

	SEK million 2017	SEK million 2018	Share, %
<b>Direct economic value generated</b>			
Income (rents and other income)	2,370	2,617	
<b>Economic value distributed</b>			
Employee salaries and benefits, social security contributions	-129	-154	6
Payments to providers of capital	-345	-345	14
Dividends to the owners	-556	-657	25
Payments to suppliers	-549	-594	23
Tax	-66	-71	3
<b>Economic value retained</b>	<b>725</b>	<b>770</b>	<b>29</b>

### 401-1 New employee hires and employee turnover

Employee turnover, %	2018	2017
Total	17.1	22.0
Men	16.8	18.2
Women	13.5	12.1

The number of new employees in 2018 was 22 (23).

### 302-1 Energy consumption within the organisation\*

	Total energy consumption, MWh
<b>Direct energy consumption per primary source</b>	<b>3,089</b>
Heating oil	0.8
Natural gas	2,969
Diesel	102
Petrol	17
<b>Indirect energy consumption per primary source</b>	<b>234,407</b>
Indirect energy consumption per primary source	234,407
Renewable electricity	93,754
District heating	136,965
District cooling	3,688
<b>Total MWh</b>	<b>237,496</b>

### Greenhouse gas emissions\*\*

	Gross emissions, tCO <sub>2</sub> e	
305-1	Direct emissions from own vehicles and fuel consumption (Scope 1)	884
305-2	Indirect emissions from purchased electricity, heating and cooling (Scope 2)	10,405
305-3	Other indirect emissions from business travel and the production of energy carriers (Scope 3)	2,134
<b>Total emissions</b>	<b>13,423</b>	

\*Energy consumption and emissions include data for Sweden and Finland.

\*\*Greenhouse gas emissions are reported in accordance with the GreenHouse Gas Protocol (GHG Protocol)

### 103-1 - 103-2 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 accounting and reporting, 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. 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.

### 307-1, 419-1 Non-compliance with laws and regulations

During the year, Hemsö was not subject to legal action due to non-compliance with laws or regulations.

### 405-1 Breakdown of Board and employees according to age group and gender

	Percentage of men/women, %	< 29 years	30–49 years	> 50 years
<b>2018</b>				
Board	67/33	0	33	67
Management	75/25	0	100	0
All employees	51/49	10	70	20
<b>2017</b>				
Board	67/33	0	33	67
Management	75/25	0	100	0
All employees	50/50	9	72	23

\* Including the jointly owned company Virtartes

## GRI Content Index

General standard disclosures		Page	Comments
102-1	Name of the organisation		Hemso Fastighets AB
102-2	Activities, brands, products, and services	1	
102-3	Location of headquarters		Stockholm
102-4	Location of operations	1	
102-5	Ownership and legal form	83	
102-6	Markets served	1	
102-7	Scale of the organisation	2, 66	
102-8	Information on employees and other workers	68	
102-9	Supply chain	42	
102-10	Significant changes to the organisation		No major changes in 2018
102-11	Precautionary Principle or approach		Hemso 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	64, 65	
102-13	Memberships of associations	132	
102-14	Statement from the CEO/Chairman	6-7	
102-16	Values, principles, standards, and norms of behaviour	1, 63	
102-18	Governance structure	83-86	
102-40	List of stakeholder groups	www.hemso.se	
102-41	Collective bargaining agreements	132	
102-42	Identifying and selecting stakeholders	www.hemso.se	
102-43	Approach to stakeholder engagement	35-39,59 www.hemso.se	
102-44	Key topics and concerns raised	www.hemso.se	
102-45	Entities included in/not covered by the organisation's consolidated financial statements or equivalent documents		Employee-related data covers Sweden, Germany and Finland. The GRI report is largely based on Hemso's Swedish operations, which includes most of Hemso's properties. The aim is to gradually include more data for Germany and Finland.
102-46	Defining report content and topic Boundaries	64	
102-46	Material topics	64, 133-135	
102-48	Restatements of information		No data was restated.
102-49	Changes in reporting		The materiality analysis was updated.
102-50	Reporting period		1 Jan 2018-31 Dec 2018
102-51	Date of most recent report		29 Mar 2018
102-52	Reporting cycle		Calendar year
102-53	Contact point for questions regarding the report	132	
102-54	Claims of reporting in accordance with the GRI Standards Core/Comprehensive	132	
102-55	GRI Content Index	132	
102-56	External assurance	132	
<b>Material aspects, management approach and indicators</b>			
<b>Economic performance</b>			
103-1, 103-3, 103-3	Management Approach	14	
201-1	Direct economic value generated and distributed	132	
<b>Compliance</b>			
103-1, 103-3, 103-3	Management Approach	132	
307-1, 419-1	Non-compliance with laws and regulations	132	
<b>Anti-corruption</b>			
103-1, 103-2, 103-3	Management Approach	63	
205-2	Communication and training about anti-corruption policies and procedures	63-64	
205-3	Confirmed incidents of corruption and actions taken	64	

<b>Materials and chemicals</b>			
103-1, 103-2, 103-3	Management Approach	56	
301-1	Materials used by weight or volume		The possibility of measuring materials used in projects will be investigated in 2019.
Hemsö-1	Materials in new construction that meet Hemsö's environmental and health requirements	56	
<b>Energy</b>			
103-1, 103-2, 103-3	Management Approach	14, 40	
302-1	Energy consumption within the organisation	132	
302-4	Reduction of energy consumption	40	
CRE1	Building energy use intensity	40	
<b>Emissions</b>			
103-1, 103-2, 103-3	Management Approach	40	
305-1	Direct (Scope 1) GHG emissions	132	
305-2	Energy indirect (Scope 2) GHG emissions	132	
305-3	Other indirect (Scope 3) GHG emissions	132	
305-4	GHG emissions intensity	40	
<b>Effluents and Waste</b>			
103-1, 103-2, 103-3	Management Approach	42-43	
306-2	Waste by type and disposal method	42	Waste volumes will be monitored in new agreements for waste management in property management. Waste volumes will also be monitored in development projects as of 2019.
<b>Employment</b>			
103-1, 103-2, 103-3	Management Approach	58-59	
401-1	New employee hires and employee turnover	132	
<b>Occupational health and safety</b>			
103-1, 103-2, 103-3	Management Approach	60	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism	60	Partially reported.
<b>Training and education</b>			
103-1, 103-2, 103-3	Management Approach	58-59	
404-1	Average hours of training per year per employee	59	Hemsö measures the percentage of employees who are satisfied with the skills-development opportunities available to them.
404-3	Percentage of employees receiving regular performance and career development reviews	59	
<b>Diversity and equal opportunity</b>			
103-1, 103-2, 103-3	Management Approach	59-60	
405-1	Diversity of governance bodies and employees	60, 132	
405-2	Ratio of basic salary and remuneration of women to men	60	
<b>Supplier social assessment</b>			
103-1, 103-2, 103-3	Management Approach	42	
308-1 414-1	New suppliers that were screened using social criteria	42	



#### 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	42
Hemsö-2	Reported accidents and incidents in Hemsö's properties during the reporting period	42

#### Product and service labelling

103-1, 103-2, 103-3	Management Approach	64
CRE8	Sustainability certifications and ranking of the property portfolio	40

#### Customer satisfaction

103-1, 103-2, 103-3	Management Approach	38-39
Hemsö 3	Results of customer satisfaction surveys	39

## Sustainability Report

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Hemsö has chosen to prepare its statutory Sustainability Report as a separate report to the legally required Annual Report. Sustainability is an integral part of Hemsö's operations and permeates both its business model and strategic direction. The pages of Hemsö's Annual Report referred to below present Hemsö's activities and performance in the areas of environment, social conditions and employees, respect for human rights and anti-corruption. This information comprises Hemsö's statutory Sustainability Report.

For a description of Hemsö's strategy and business model, refer to pages 9-13 of the Annual Report. Hemsö's material sustainability topics were identified by performing a materiality assessment that is continuously validated through an open dialogue with the most important stakeholder groups. Hemsö's material sustainability topics are summarised on page 64. Governance, management and performance indicators for the material sustainability topics are described in the following sections: Property management on pages 38-43, Human rights on page 42, Development on pages 50-57, Environment and Sustainable business on page 63-65, Anti-corruption on pages 63-64 and 80, Social sustainability on page 65, Employees on pages 58-62 and 79, and in Hemsö's 2018 Sustainability Report on page 132. Risks for the environment and climate are described on page 79.

Hemsö reports its 2018 sustainability activities in accordance with the Core option of the GRI standards. For additional information on the location of the various sustainability-related disclosures, refer to the GRI Content Index on pages 133-135.

## Auditor's opinion on the Sustainability Report

To the Annual General Meeting of Hemsö Fastighets AB, Corp. Reg. No. 556779-8169

### Assignment and delegation of responsibilities

The Board of Directors is responsible for the 2018 Sustainability Report, as defined by the Board on this page, and that it has been prepared in accordance with the Swedish Annual Accounts Act.

### Review focus and scope

Our review was performed in accordance with FAR's auditing standard RevR 12, Auditor's opinion on the Sustainability Report. This means that our review of the Sustainability Report has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing and the auditing standards generally accepted in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

### Opinion

A sustainability report was prepared.

Stockholm, 29 March 2019

Ernst & Young AB

Mikael Ikonen

Authorised Public Accountant

## Key ratio calculations

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide useful supplemental information for investors and company management since they enable evaluation of the company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies. Amounts in SEK million.

<b>Return on equity</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Profit for the period	3,092	2,591
Average equity	11,997	9,734
<b>Return on equity, %</b>	<b>25.8</b>	<b>26.6</b>
<b>Property yield</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Net operating income according to income statement	1,950	1,788
Adjusted for 12-month holding period	82	27
Adjusted for development properties	-137	-104
<b>Adjusted net operating income</b>	<b>1,895</b>	<b>1,711</b>
Market value of properties	46,236	38,883
Adjusted for development properties	-7,700	-6,220
<b>Adjusted market value</b>	<b>38,536</b>	<b>32,663</b>
<b>Property yield, %</b>	<b>4.9</b>	<b>5.2</b>
<b>Total yield</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Net operating income	1,950	1,788
Change in value, properties	2,060	1,682
<b>Total</b>	<b>4,010</b>	<b>3,470</b>
Opening property value	38,883	33,629
Closing property value	46,236	38,883
Adjustment of value change for the year	-2,060	-1,682
<b>Adjusted average property value</b>	<b>41,530</b>	<b>35,415</b>
<b>Total yield, %</b>	<b>9.7</b>	<b>9.8</b>
<b>Profit from property management</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Profit before tax	3,594	3,131
Reversal		
<i>Change in value, properties</i>	-2,060	-1,682
<i>Value changes, derivatives</i>	-91	-135
<b>Profit from property management</b>	<b>1,443</b>	<b>1,314</b>
<b>Return on profit from property management</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Profit from property management x 90%	1,299	1,183
Average equity	11,997	9,734
<b>Return on profit from property management, %</b>	<b>10.8</b>	<b>12.1</b>
<b>Interest-coverage ratio</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Operating profit	1,815	1,659
Net financial items	-372	-345
<b>Interest-coverage ratio</b>	<b>4.9</b>	<b>4.8</b>
<b>Operating cash flow</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Profit from property management	1,443	1,314
Loss from participations in associated companies	-11	-2
Depreciation	2	2
Tax paid	-51	-42
<b>Operating cash flow</b>	<b>1,383</b>	<b>1,272</b>

<b>Loan-to-value ratio</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Interest-bearing liabilities	29,278	25,575
Less cash and cash equivalents	-450	-1,134
Net debt	29,278	24,441
Market value of investment properties	46,236	38,883
<b>Loan-to-value ratio, %</b>	<b>63.3</b>	<b>62.9</b>

<b>Debt-coverage ratio</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Cash and cash equivalents	450	1,134
Undrawn committed credit facilities*	12,700	10,000
Available liquidity	13,150	11,134
Short-term loans	7,994	6,691
<b>Debt-coverage ratio, %</b>	<b>165</b>	<b>166</b>

\*Excluding undrawn construction credit

<b>Share of secured debt</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Secured debt outstanding	0	1,220
Market value of investment properties	46,236	38,883
<b>Share of secured debt, %</b>	<b>0.0</b>	<b>3.1</b>

<b>Operating margin</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
Operating profit	1,815	1,659
Property income	2,618	2,375
<b>Operating margin, %</b>	<b>69.3</b>	<b>69.9</b>

<b>Equity/assets ratio</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Equity	13,199	10,795
Assets	47,406	40,677
<b>Equity/assets ratio, %</b>	<b>27.8</b>	<b>26.5</b>

<b>Net asset value</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Equity	13,199	10,795
Shareholder loans	0	0
Derivatives	281	544
Deferred tax	3,067	2,591
<b>Net asset value</b>	<b>16,547</b>	<b>13,930</b>

<b>Adjusted equity/assets ratio</b>	<b>31 Dec 2018</b>	<b>31 Dec 2017</b>
Net asset value	16,547	13,930
Assets	47,406	40,677
<b>Adjusted equity/assets ratio, %</b>	<b>34.9</b>	<b>34.2</b>

## Definitions

### Financial definitions

#### Share of secured debt

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

#### Return on profit from property management

Profit from property management less 10 per cent standard tax, in relation to average equity. Average equity calculated as the total of the opening and closing balance, divided by two.

#### Return on equity

Profit after tax for the period in relation to average equity (12-month rolling period). Average equity calculated as the total of the opening and closing balance, divided by two.

#### Loan-to-value ratio

Interest-bearing net debt as a percentage of the market value of the properties.

#### Property yield

Net operating income for the past 12 months, adjusted for the holding period and currency of the properties during the period in relation to the market value of the properties at period-end.

#### Available liquidity

Cash and cash equivalents and short-term investments, plus undrawn committed credit facilities.

#### Profit from property management

Profit before value changes and tax.

#### 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.

#### Adjusted equity/assets ratio

Net asset value in relation to total assets.

#### Loan maturity

The average of the remaining term of interest-bearing liabilities, taking committed credit facilities into account.

#### Short-term borrowings

Loan maturities within 12 months.

#### MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

#### Operating cash flow

Profit from property management after reversal of depreciation and the proportion of associated companies' profit less tax paid.

#### Interest-coverage ratio

Net operating income less administrative expenses in relation to net financial items.

#### Operating margin

Operating profit in relation to property income.

#### Operating profit

Net operating income plus profit from associated companies less central administrative expenses.

#### Debt-coverage ratio

Available liquidity excluding undrawn construction credit in relation to short-term borrowings.

#### Equity/assets ratio

Equity in relation to total assets.

#### Net asset value

Equity plus deferred tax and derivatives.

#### 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

#### Net operating income

Rental income less operating and maintenance costs, property tax and leasehold fees.

#### Economic occupancy rate

Contracted annual rental income in relation to rental value.

#### Rental income

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

#### Lease duration

The weighted average remaining lease term excluding garage/parking, storage and housing rented to private individuals.

#### Rental value

Contracted annual rental income plus vacancy rent.

#### Comparable portfolio

The properties owned throughout the entire period and entire comparative period and not classified as development properties during these periods.

#### Contracted annual rent

Contracted annual rental income less discounts and rental losses.

#### Net investments

Total of purchasing, including stamp duty and other direct transaction costs and investments in projects, less the selling price of properties sold and the selling price of properties sold via companies and direct transaction costs.

#### Development property

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

#### Public property

A property that is predominantly used for taxpayer-funded operations and is dedicated to public services. Secure housing facilities are also included in the public properties concept.

#### Large cities

The definition of metropolitan areas 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.

#### Leasable area

The areas of the properties for which tenants can be debited rent at period-end.

#### Rent based on vacancy rate

Rental value of vacancy rent as a percentage of total rental value.

#### Vacancy rent

Estimated market rent for vacant premises in "as-is" condition.

#### NOI-margin

Net operating income in relation to the sum of property income and other income.





## Reporting – Sustainable bonds

Hemsö is the first issuer of sustainable 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 sustainable bond. The issue amount was SEK 1,000 million. The proceeds were used exclusively for sustainable investing and properties. Hemsö's sustainable 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. In 2018, the sustainability bonds framework was updated and can be found on [hemso.se](http://hemso.se).

The proceeds from Hemsö's first sustainable 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 housing for unaccompanied refugee children.

The bond is traded on the Nasdaq Stockholm Sustainable Bond list. – a market segment for sustainable bonds with specific eligibility criteria for issuers.

### Qualified projects

According to Hemsö's framework for sustainable bonds, 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.

The complete framework is available at [hemso.se](http://hemso.se)

### 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-positioned to issue sustainable bonds that support both environmental and social initiatives. Sustainalytics verifies that the investment categories included in



Medicinaren 23 and 25, Huddinge

the framework will contribute to greater sustainability.

Read Sustainability's second opinion on [hemso.se](https://hemso.se)

### Some examples of financed projects

#### Grenverket – Social investment in the outdoor environment

Grenverket in Lund comprises facilities for education, health care and care services, as well as office premises, 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 facades.
- 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 674.6 million. To safeguard the overall Silver rating, a wide range of measures has 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 Swedish 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 has 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.



Medicinaren 23 and 25, Huddinge

### Environmental certification (category 1 and 2)

Category	Property/project	Amount, SEK million	Project, description	kWh/year	kWh/m <sup>2</sup>	tCO <sub>2</sub> /year	kgCO <sub>2</sub> /m <sup>2</sup>
Category 1	Technology and Health (Medicinaren 23)**	674.6	SGBC-certified, Silver rating	1,462,613	70.2	30.05	1.48
Category 1	Grenverket (Klostergården 2:9, byggnad 90)	300.0	SGBC-certified, Silver rating	1,740,998	88.3	19.53	0.99
<b>Total</b>		<b>974,6*</b>					

### Social investments (category 4)

Category	Property/project	Amount, SEK million	Project, description	No. of places	Area/person/ m <sup>2</sup>	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	25+8-12	46	0.1
Category 4c	Grenverket	15.0	Design of outdoor environment based on environmental psychology research	n/a	n/a	n/a
<b>Total</b>		<b>25.4*</b>				

\* 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/m<sup>2</sup>.

### A selection of the research studies used for Grenverket's outdoor environment design:

Grahn, P. Stigsdotter, U. & Berggren-Barring, 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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