



Significant events during the third quarter

- » Hemsö acquired Odinsskolan, a historic school building in central Gothenburg. The building has a lettable area of 4,000 square metres and the investment amount was SEK 170 million.
- » Hemsö's owners contributed SEK 1 billion in equity to strengthen the capital structure and finance Hemsö's investments in new sustainable schools and nursing homes.
- » Hemsö secured a rental agreement with the City of Helsinki for two upper-secondary schools with an arts focus in Helsinki. The rental agreement has a 15-year term, and the lettable area is 5,000 sqm.

Summary, January–September 2023

- » Rental income increased 20 per cent to SEK 3,598 million (3,005).
- » Profit from property management amounted to SEK 1,785 million (1,798).
- » Changes in the value of properties amounted to SEK -3,626 million (2,721).
- » Changes in the value of financial instruments amounted to SEK -139 million (201).
- » Loss after tax for the period amounted to SEK -1,648 million (3,970).
- » The market value of the properties amounted to SEK 84,369 million (85,004).
- » During the period, SEK 2,019 million (2,838) was invested in the existing property portfolio.
- » During the period, 6 properties (26) were acquired for SEK 141 million (1,923) and 1 property (1) was divested for SEK 18 million (3).

Hemsö in summary

	Jan–Sep 2023	Jan–Sep 2022	Oct 2022–Sep 2023	Jan–Dec 2022
Rental income, SEK million	3,598	3,005	4,666	4,073
Profit from property management, SEK million	1,785	1,798	2,296	2,309
Profit/loss after tax, SEK million	-1,648	3,970	-3,054	2,563
Operating cash flow, SEK million	1,712	1,667	2,206	2,160
Loan-to-value ratio at period-end, %	59.2	54.8	59.2	56.7
Interest-coverage ratio, times ¹⁾	3.1	5.5	3.1	4.7
Market value of properties at period-end, SEK million	84,369	85,004	84,369	84,879
NOI margin, %	75.4	74.8	74.5	74.0
Economic occupancy rate at period-end, %	97.7	97.9	97.7	97.9
Rental duration at period-end, years	9.5	9.8	9.5	9.6
Lettable area at period-end, tsqm	2,452	2,339	2,452	2,400

¹⁾ In Q1 2023, Hemsö updated the definition of Interest-coverage ratio, which now excludes profit from participations in joint ventures and includes dividends received from joint ventures. Interest-coverage ratios for prior quarters have been restated in accordance with the new definition. Refer to Definitions on page 28 and Key ratio calculations on pages 29–30.



CEO statement

Hemsö is presenting a stable and eventful third quarter. We acquired Odinsskolan, a historic school building in central Gothenburg, expanded and extended our rental agreement with Internationella Engelska Skolan in Hässleholm by 20 years, and secured a 15-year rental agreement with the City of Helsinki for two upper-secondary schools with an arts focus. Tenant demand is still very high in all segments, from both private and public-sector tenants. This is evident from both signed agreements and ongoing tenant dialogues.

We inaugurated two of our completed development projects, the Stavsborgsskolan elementary school with Nacka Municipality as the tenant, and the Lundellska upper secondary school with Uppsala Municipality as the tenant. In addition, we commenced several constructions, including Ektorps skola (a preschool and elementary school), with Nacka Municipality as the tenant. The school, with places for 900 students will include a full-sized sports centre and a multi sport facility.

Long-term process

Hemsö reports a stable cash flow. Profit from property management for the nine-month period 2023 is in line with the preceding year and operating cash flow rose 3 per cent. Rental income rose 20 per cent and net operating income rose 21 per cent. In the comparable portfolio, net operating income rose 12 per

cent. Vacancies remain low and the NOI margin rose to 75.4 per cent.

Despite a challenging period with increased interest costs since 2022, I note that Hemsö's profit from property management has increased by 61 per cent the last five years. It is important to have a long-term perspective.

The strong support of our owners is important for our long-term strategy. To strengthen the capital structure and finance investments in new sustainable schools and nursing homes, the Board and our owners decided to contribute an additional SEK 1 billion in equity in September. That gives us a solid foundation for our future progress.

Making a difference

Sustainability is a key element of our business strategy. We are working actively to ensure that our properties contribute to society, and to reduce our carbon footprint. There is still a major need for new social infrastructure. To date this year, we have contributed 2,830 new school places and 514 new nursing home beds. In conversations with politicians, public officials and private operators, we repeatedly receive confirmation that Hemsö is needed and that the business model works.

At this year's Almedal Week in Sweden, I discussed the importance of good education in areas with social challenges with an expert

panel. I brought up our work with Campus Tensta as an example. The panel included Carin Götblad, Head of the Swedish Police Authority's National Operations Department (NOA) and Ahmed Abdirahman, founder of Järva Week and CEO of The Global Village Foundation. Complex issues like security, criminality and social exclusion were discussed. We all agreed that schools have an important role to play in helping children and young people to make positive life choices.

The discussion during the Almedal Week is one of the many examples that are strengthening my view that Hemsö's employees, together with the public sector, private operators and non-profit organisations, are making a difference in both the long and the short term. I am looking forward to continuing to develop and manage properties with a strong long-term vision and focus on environmental and social sustainability.

Nils Styf, CEO

This is Hemsö

- Hemsö is Sweden's leading owner of public properties.
- The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.
- Hemsö owns properties in Sweden, Germany and Finland.
- Our vision is to strengthen the backbone of society. We are achieving this through sustainable development, ownership and management of public properties.
- The operations are characterised by long-term rental agreements and stable tenants.
- The Third Swedish National Pension Fund is our majority owner.
- The total value of Hemsö's property portfolio is SEK 84.4 billion.
- Hemsö has a credit rating of A+ from Fitch Ratings and A- from Standard & Poor's.

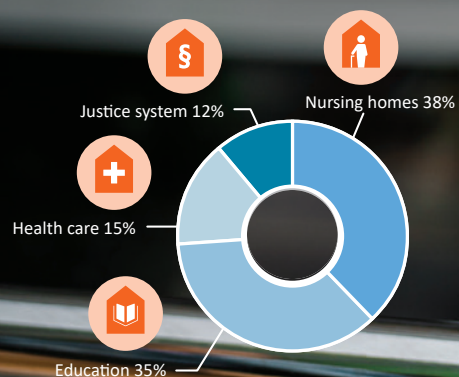
Vision

We strengthen the backbone of society

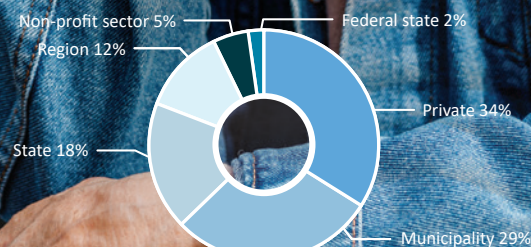
Business concept

To sustainably own, manage and develop public properties

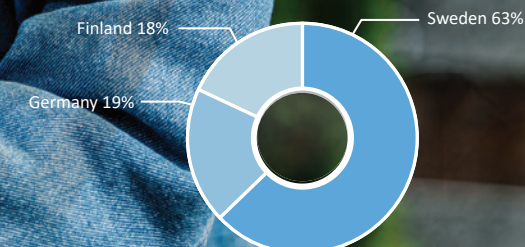
Contracted rent per property category



Contracted rent per customer category



Market value of properties



Income, costs and profit

Profit/loss and cash flow items refer to the January–September period of 2023, and are compared with the year-earlier period. Balance sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year. Key ratio calculations are defined on pages 29–30.

Rental income

Rental income increased 20 per cent to SEK 3,598 million (3,005), which is attributable to completed development projects, indexation and a positive exchange rate effect. Rental income rose 18 per cent in Sweden, 15 per cent in Germany and 27 per cent in Finland.

Rental income in the comparable portfolio rose SEK 324 million. Exchange rate changes

had a positive impact of SEK 100 million on rental income. At period-end, contracted annual rent increased to SEK 4,868 million (4,222) before rent reductions of SEK 47 million (40).

SEK 3,598 million

Rental income

Economic vacancies amounted to SEK 117 million (92). The economic occupancy rate declined and was 97.7 per cent (97.9) at period-end.

Rental agreements amounting to annual rent of SEK 51 million will be subject to renegotiation in 2023, corresponding to 1 per cent of Hemsö's contracted rental income. The rental duration was 9.5 years (9.8).

Property costs

Property costs amounted to SEK 894 million (761), up SEK 133 million. Cost rose due to a larger property portfolio and higher operating costs, primarily the result of higher energy prices. Maintenance costs increased SEK 27 million year-on-year.

In the comparable portfolio, property costs rose SEK 82 million, or 12 per cent. Costs increased SEK 18 million due to exchange rate changes.

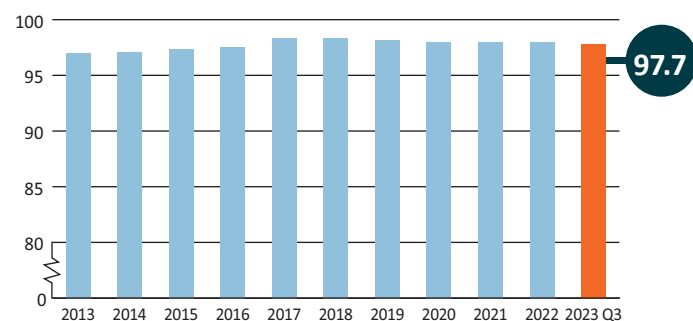
Vacancy changes

SEK million	Jan–Sep 2023
Opening vacancy	98
Terminated rental agreements	43
Adjusted for vacancy rents	-2
New rental agreements	-23
Acquired	0
Divested	0
Exchange rate changes	1
Closing vacancy	117

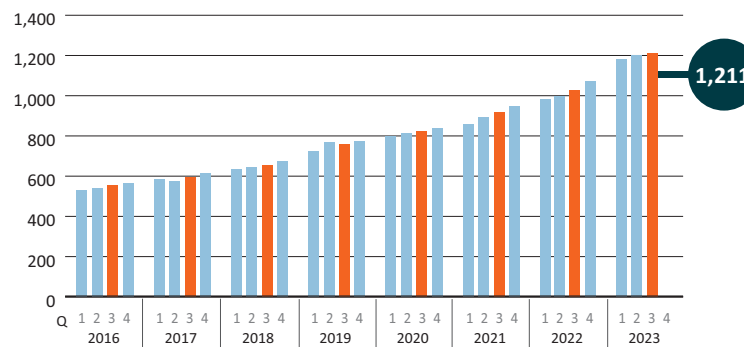
Rental maturity

Year	Annual rent, SEK million	Share, %
2023	51	1
2024	329	7
2025	285	6
2026	300	6
2027	321	7
2028	361	7
2029	215	4
2030	298	6
2031	332	7
2032	187	4
>2032	2,189	45
Total	4,868	100

Economic occupancy rate, %



Rental income, SEK million



Net operating income

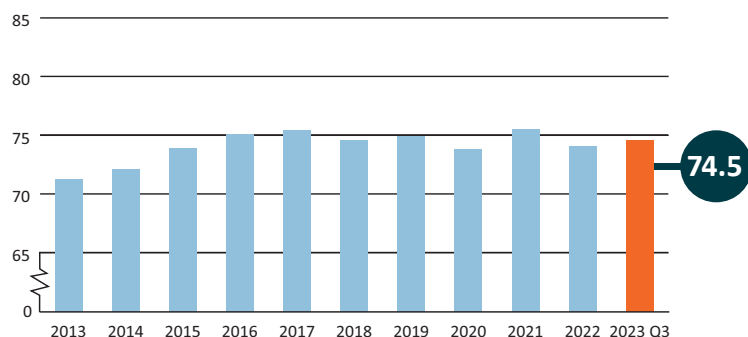
Net operating income rose 21 per cent to SEK 2,735 million (2,261). The increase was mainly attributable to completed development projects and indexation. The NOI margin increased to 75.4 per cent (74.8). The property yield of the property portfolio, excluding development properties, was 4.5 per cent (3.9).

In the comparable portfolio, net operating income rose 12 per cent to SEK 2,397 million (2,142). The increase was mainly attributable to rising rental income due to indexation, and a positive impact from exchange rate changes.

Administration

Administrative expenses for the period rose year-on-year to SEK 153 million (119). The increase was mainly attributable to higher personnel costs due to more employees, and increased consultancy costs.

NOI margin, rolling 12-month period, %



SEK 2,735 million

Net operating income

Net interest income/expense

Net interest expense amounted to SEK -854 million (-395). The change in net interest expense was attributable to higher market rates and margin requirements for new loans, and an increase in interest-bearing liabilities.

The average interest rate was 2.4 per cent (1.5), primarily an effect of higher market rates. The fixed-rate period was 5.0 years (5.7) and interest-bearing liabilities increased to SEK 52,029 million (48,792).

Net interest income/expense

SEK million	Jan–Sep 2023	Jan–Sep 2022
Interest income	24	14
Interest expense	-808	-351
Other financial expenses	-41	-35
Ground leases and leasehold properties	-29	-23
Net interest income/expense	-854	-395

Comparable portfolio

	30 Sep 2023	30 Sep 2022	Change
No. of properties	382	382	–
Market value of properties, SEK million	69,523	72,173	-3.7
Property yield, %	4.5	4.0	0.5

SEK million	Jan–Sep 2023	Jan–Sep 2022	Change, %
Rental income	3,146	2,822	11.5
Other income	29	16	77.6
Operating costs	-544	-480	13.2
Maintenance costs	-172	-154	12.0
Other property costs	-62	-62	0.4
Net operating income	2,397	2,142	11.9

Profit from property management

Profit from property management decreased marginally to SEK 1,785 million (1,798). Profit from property management was positively impacted by an increase of SEK 474 million in net operating income, but adversely impacted by an increase of SEK 457 million in interest expense. Exchange-rate changes had a positive impact of SEK 67 million on profit from property management.

Change in value of investment properties

Change in the value of investment properties for the period was SEK -3,626 million (2,721), of which SEK -3,610 million (2,752) pertained to unrealised value changes. This corresponds to a value change of -4.3 per cent (3.6).

Value change attributable to property management and development projects was SEK 1,617 million (1,873), or 1.9 per cent (2.5).

The high current rate of inflation had a positive impact on value change from property management. Value change related to market factors was SEK -5,226 million (879), representing a change of -6.2 per cent (1.2), due to an upward adjustment of valuation yields.

During autumn 2023, a buy-and-hold approach continued to characterise transaction markets in Sweden, Germany and Finland, although there are signs of recovery in individual property segments such as newly developed housing. For public properties, very few transactions have been completed since summer 2022 but for the property transactions that were noted, the yield requirements are clearly higher now. Two examples from Sweden, both of which were communicated in June 2023, are Vectura's sale of 22 properties (mainly nursing homes) and Estea's sale of one nursing home in Halmstad. Overall, yield requirements are estimated to have

increased across all of Hemsö's segments and countries compared with the first half of 2022 in particular, but also with the beginning of 2023. Uncertainty is higher than normal, however.

The weighted yield used in the valuation of Hemsö's property portfolio was 4.8 per cent (4.2). The valuation yield was 4.8 per cent (4.1) in Sweden, 4.3 per cent (4.1) in Germany and 5.3 per cent (4.9) in Finland.

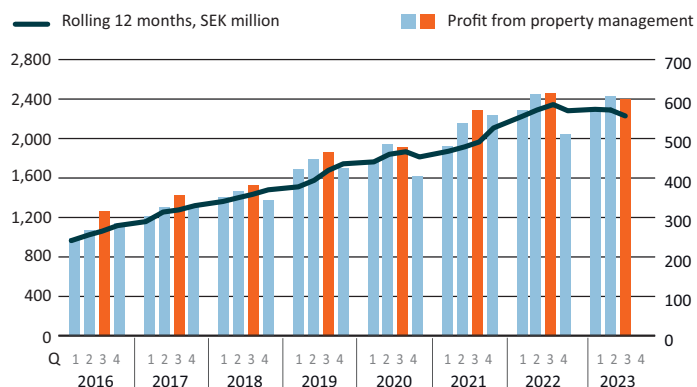
Property valuation

Hemsö measures the fair value of its investment properties in accordance with IAS 40. The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13.

The market value of all properties is determined by an independent valuation institute at least once per year. The market value of each property is determined quarterly by Hemsö with the support of external valuations. This quarter, 97 per cent of the Swedish portfolio was valued externally by Cushman & Wakefield.

In Germany and Finland, all properties were valued internally this quarter. In the second quarter of 2023, 48 per cent of the portfolio was valued by CBRE and 74 per cent by JLL. In total, 84 per cent of Hemsö's portfolio was valued externally during the period. At period-end, the fair value of properties was SEK 84,369 million (85,004).

Profit from property management, SEK million



Unrealised value changes, properties, Jan–Sep 2023

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	1,495	-72	193	1,617
– Market factors	-4,929	-98	-199	-5,226
Total unrealised value changes	-3,433	-170	-6	-3,610

Change in value of property portfolio

	SEK million	No.
Market value, opening balance	84,879	480
Acquisitions	141	6
Investments in new construction, extension and re-developments	2,019	–
Divestments	-18	-1
Disposals	-14	–
Exchange rate changes	971	–
Unrealised value changes	-3,610	–
Carrying amount at period-end	84,369	485

Change in value of financial instruments

Changes in the value of financial instruments had an impact of SEK -139 million (201) on profit. Changes in the value of interest-rate derivatives had an impact of SEK 24 million (27) on profit. Derivatives attributable to currency risk management had an impact of SEK -163 million (174) on profit.

Tax

Recognised tax for the period amounted to SEK 332 million (-900), of which current tax accounted for SEK -175 million (-131) and deferred tax for SEK 507 million (-769). Deferred tax mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. Deferred tax assets were netted against deferred tax liabilities on the balance sheet. At period-end, deferred tax liabilities amounted to SEK 6,337 million (7,120).

Earnings

Loss after tax for the period totalled SEK -1,648 million (3,970). The decline was mainly attributable to negative changes in the value of investment properties. The total return was -2.6 per cent (10.9).

Cash flow

Hemsö's operating cash flow rose 3 per cent to SEK 1,712 million (1,667). The increase was mainly attributable to higher dividends from joint ventures and lower tax paid. Cash flow from operating activities before chang-

es in working capital was SEK 1,720 million (1,669). The change in working capital was SEK -611 million (377). Investing activities had a negative impact of SEK -2,161 million (-4,972) on cash flow, while borrowings, loan repayments, shareholder contributions received and dividends had a positive impact of SEK 1,566 million (3,458) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK 514 million (532).

Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties in the proper-

SEK -1,648 million

Loss after tax

ty-owning subsidiaries. Parent Company sales amounted to SEK 94 million (88) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -181 million (-159), mainly attributable to higher marketing costs but also to higher costs for consultants due to ongoing digiti-

sation projects. Financial items amounted to income of SEK 41 million (-105). Financial items include interest income of SEK 755 million (514), interest expense of SEK -974 million (-406), profit of SEK 311 million (432) from participations in Group companies, and exchange rate effects of SEK -51 million (-646). Impairment on derivatives amounted to SEK -216 million (-29) and loss for the period totalled SEK -192 million (-76).

Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of properties	
	Jan–Sep 2023	Jan–Sep 2022	Jan–Sep 2023	Jan–Sep 2022	30 Sep 2023	30 Sep 2022
Sweden East	848	710	643	531	22,496	23,223
Sweden Central	446	374	308	252	9,217	10,023
Sweden North	562	496	416	371	13,237	13,490
Sweden South	377	305	256	203	8,387	8,905
Germany	598	518	528	457	15,862	14,961
Finland	767	602	586	446	15,169	14,403
Total	3,598	3,005	2,735	2,261	84,369	85,004

Segment identification is based on internal reporting. The CEO primarily uses net operating income per segment for performance analysis. Administrative expenses, financial income and expenses, and income tax are managed at Group level.

Property portfolio

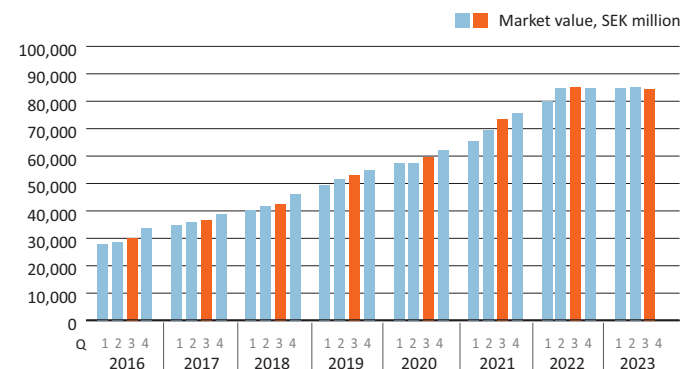
Of the market value of properties of SEK 84,369 million (85,004), 63 per cent (65) was attributable to Sweden, 19 per cent (18) to Germany and 18 per cent (17) to Finland. The largest share of the market value of properties, 82 per cent, was attributable to properties located in metropolitan areas and large cities in Sweden, Germany and Finland.

Hemsö divides the property portfolio into four categories. Nursing homes is the largest category and accounts for 38 per cent of the market value of properties, followed by Education at 36 per cent. Health care accounts for 15 per cent and the Justice system for 11 per cent. At 30 September 2023, Hemsö's property portfolio comprised 485 properties (468) with a total lettable area of 2,452 tsqm (2,339).

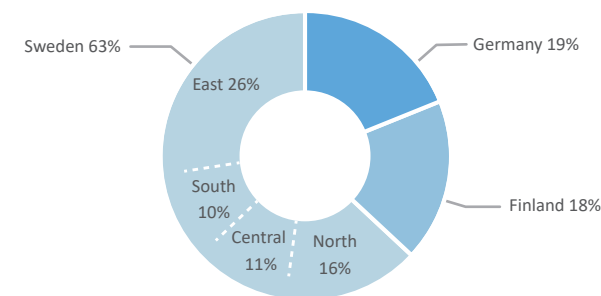
Investments

Investments pertain to investments in new developments and existing properties. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 2,019 million (2,838) was invested, of which SEK 1,391 million (2,250) pertained to new construction, extension and re-developments and SEK 628 million (588) to improvements and new lettings.

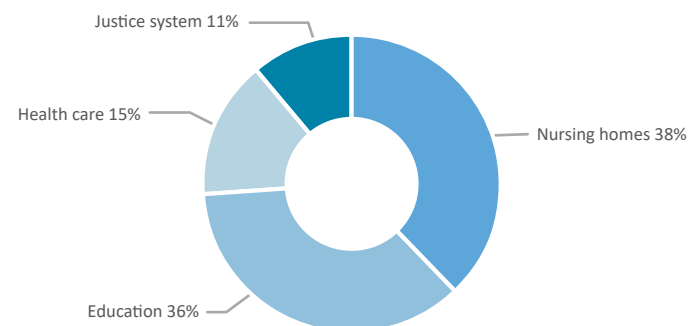
Market value of properties, SEK million



Market value of properties per segment



Market value of properties per property category



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	240	154	64	27	485
Lettable area, tsqm	1,068	826	326	230	2,452
Rental duration, years	8.9	11.6	7.8	7.6	9.5
Market value of properties, SEK million	32,269	30,320	12,334	9,446	84,369
Rental income, SEK million	1,354	1,229	576	439	3,598
Net operating income, SEK million	1,033	953	404	346	2,735
Economic occupancy rate, %	98.5	97.6	96.3	97.0	97.7
Property yield, %	4.4	4.5	4.4	4.9	4.5

Tenants

Hemsö's business model is based on long-term rental agreements with public-sector tenants, or with private operators that are taxpayer-funded. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2022, the CPI was 11 per cent. In Finland and Germany, annual inflation was 9 per cent in 2022. In Finland and Germany, rents are adjusted periodically. Hemsö's rental agreements has indexation clauses where the rent is adjusted with an average of 98 per cent in Sweden, 78 per cent in Germany and 100 per cent in Finland of each country's consumer price index (CPI).

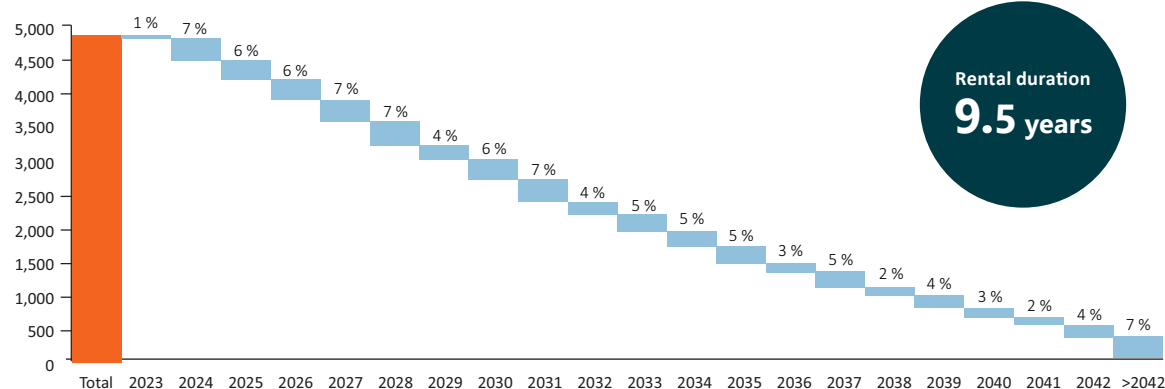
Of Hemsö's total rental income, 95 per cent was derived from taxpayer-funded services. The proportion of contracted annual rent with public-sector tenants was 61 per cent. Contracted annual rent was 29 per cent with municipal operators, 18 per cent with state operators, 2 per cent with federal state operators and 12 per cent with regional operators. Private opera-

tors accounted for 34 per cent of the annual rent, and non-profit organisations for 5 per cent.

The largest tenants were the Swedish Police, Region Stockholm, AcadeMedia, the Wellbeing Services County of Southwest Finland and Attendo, which jointly accounted for 20 per cent of rental income. Of Hemsö's 20 largest tenants, 12 were public-sector operators.

In Sweden, most privately run education, health care and elderly care operations are taxpayer-funded via school, health-care and care voucher schemes. In Finland, private operators receive funding through a system similar to Swedish schemes. In Germany, nursing home operations are funded through the public health insurance scheme and fees paid by the residents. When the residents are unable to pay their own expenses, funding is provided through municipal contributions.

Rental maturity, annual rent, SEK million



Rental duration
9.5 years

Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. rental agreements
Swedish Police	State	241	5.0	35
Region Stockholm	Region	222	4.6	66
Academedia	Private	192	4.0	24
Wellbeing Services County of Southwest Finland (Fin)	Region	160	3.3	17
Attendo	Private	154	3.2	76
Ministry of Justice (Fin)	State	145	3.0	14
City of Västerås	Municipality	120	2.5	22
Mälardalen University	State	118	2.5	3
AWO (GER)	Non-profit	112	2.3	12
City of Lahti (FIN)	Municipality	96	2.0	4
Internationella Engelska Skolan	Private	88	1.8	11
Alloheim (GER)	Private	88	1.8	10
Ambea	Private	83	1.7	10
Norrköping Municipality	Municipality	81	1.7	15
Karolinska Institute	State	72	1.5	4
HEWAG (GER)	Private	71	1.5	9
North Rhine-Westphalia (GER)	Federal state	67	1.4	1
Västra Götaland Region	Region	65	1.4	60
Uppsala Municipality	Municipality	60	1.3	22
Mehiläinen (FIN)	Private	59	1.2	9
Total		2,295	47.6	424

Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish state	551	11
Swedish regions	340	7
Swedish municipalities	1,117	23
Finnish state	274	6
Finnish regions	228	5
Finnish municipalities	243	5
German state	57	1
German federal states	87	2
German municipalities	54	1
Total	2,949	61

Public-sector tenant
Private-sector tenant

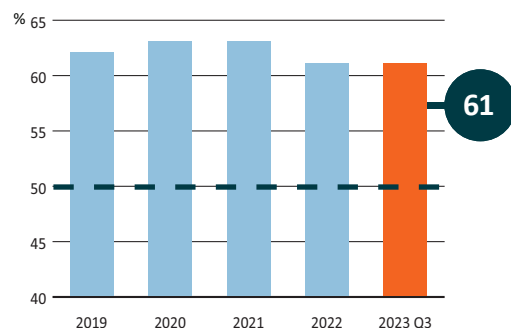
(FIN) = Finland
(GER) = Germany

Property frameworks

Hemsö has four property frameworks in order to clarify the company's strategy. The aim of these frameworks is to ensure a low level of risk in the property portfolio and that Hemsö's cash flow remains stable over time.

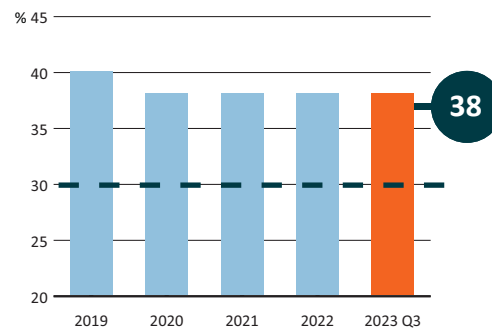
Public-sector tenants

– At least 50 per cent of rental income



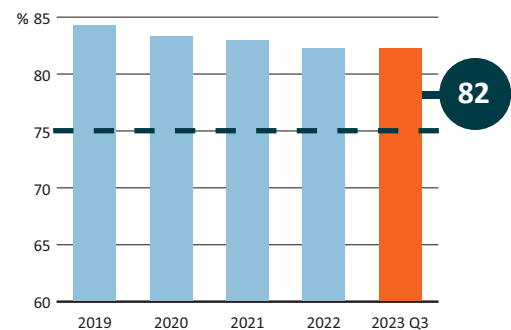
Nursing homes

– At least 30 per cent of rental income



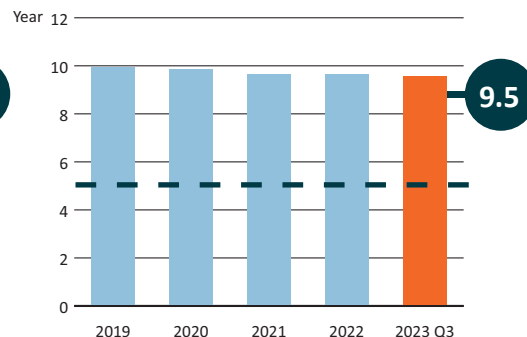
Metropolitan areas and large cities

– At least 75 per cent of rental income



Rental duration

– At least 5 years



Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis. It is important to note that this should not be compared with a forecast for the next 12 months as this does not include, for example, any assessments regarding future vacancies, rental trends, changes in property costs or future property transfers/exits. Rental income is based on annual rental value less vacant premises and rent reductions. Other income and property costs are based on actual results over the past 12 months adjusted for the holding period. Administrative expenses are based on the actual outcome over the past 12 months. Net interest income/expense has been

calculated on the basis of interest-bearing assets and liabilities at the closing date. Interest expenses are based on the Group's average interest rate plus amortised origination fees and other estimated financial income and expenses. Share of profit from participations in joint ventures does not include changes in value and tax, i.e. profit from property management, and is calculated using the same assumptions as for Hemsö with consideration for the size of the share. For the calculation of earning capacity, a conversion rate of 11.49 (10.64) has been used for EUR.

Earning capacity

SEK million	1 Oct 2023	1 Oct 2022	Change, %
Rental income	4,821	4,181	15
Other income	37	24	54
Property costs	-1,196	-1,015	18
Net operating income	3,662	3,191	15
Central administrative expenses	-217	-165	32
Profit/loss from property management, joint ventures	80	106	-24
Net interest expense	-1,273	-771	65
Profit/loss from property management	2,251	2,361	-5

Development projects

Ongoing development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. Hemsö's ongoing development projects exceeding SEK 100 million comprised a total investment of SEK 3,347 million, of which the remaining investment amount was SEK 2,374 million. The total volume of ongoing new construction and re-development projects amounted to SEK 4,460 million, of which the remaining investment amount was SEK 2,814 million.



Hemsö is developing a new preschool and elementary school in Ektorp, Nacka

Hemsö's ongoing new construction and re-development projects exceeding SEK 100 million

Development projects	Municipality	Category	Rental duration	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Kristiansborg	Västerås	Education	20	9 900	498	309	26	100	2024
Herkules hotell & kommunhus	Trelleborg	Other	21	10 300	446	387	28	100	2026
Ektorp school	Nacka	Education	25	9 900	399	360	26	100	2025
Novum ^{1) 2)}	Huddinge	Health care	n/a	39 400	390	86	n/a	n/a	2024
Campus Tensta ¹⁾	Stockholm	Education	7	16 800	351	276	29	32	2024-2026
Ängegårde nursing home	Kungälv	Nursing home	15	8 400	320	315	19	100	2025
Vänersborg district court	Vänersborg	Justice system	15	7 000	305	279	18	100	2026
Campus Polacksbacken, Uppsala Municipality ^{1) 3)}	Uppsala	Education	10	16 200	268	57	38	100	2024
Tempelriddarorden	Stockholm	Nursing home	15	5 900	239	181	15	100	2025
Körsbärsparken preschool	Helsinki	Education	25	1 900	132	125	7	100	2025
Total				125 700	3 347	2 374	206		

Public-sector tenant

Private-sector tenant

¹⁾ Re-development. ²⁾ Investment in maintenance, modernisation and energy efficiency of the property.

³⁾ Phase 1 has been completed, phase 2 will be completed in Q3 2024.




Fridhem
preschool in
Kungälv



Kristiansborgs-
badet in Västerås
has now been
re-developed

Major completed development projects, 2023

Com- pleted	Development projects	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate ¹⁾ , %
Q1	Norrskén	Östersund	Nursing home	Miljöbyggnad	6,100	250	20	14	100
Q1	Kleinmachnow	Potsdam- Mittelmark	Nursing home	–	7,600	222	20	11	100
Q1	Hoivamme V6	Nurmijärvi	Nursing home	BREEAM	1,600	73	15	4	100
Q2	Stavsborgsskolan	Nacka	Education	Miljöbyggnad	13,000	305	25	33	100
Q2	Gyllegården ²⁾	Borlänge	Nursing home	Miljöbyggnad	7,700	301	20	17	77
Q2	Büttelborn	Groß-Gerau	Nursing home	–	6,200	217	25	12	100
Q2	Paavola Campus	Lahti	Education	–	6,500	182	20	18	100
Q2	Växthuset sports centre	Lund	Education	Miljöbyggnad	4,700	122	10	8	100
Q2	Raksila fire and rescue station	Oulu	Justice system	BREEAM	2,300	108	25	7	100
Q2	Ljungs-Hälle preschool	Uddevalla	Education	Nordic Swan	1,500	59	20	4	100
Q2	Hoivamme H3	Tusby	Nursing home	BREEAM	1,200	58	15	3	100
Q2	Hoivamme N43	Högfors	Nursing home	BREEAM	1,200	52	17	3	100
Q2	Kornknarren preschool	Västerås	Education	Miljöbyggnad	1,100	51	15	3	100
Q3	Kristiansborgsbadet	Västerås	Education	–	7,500	160	13	4	100
Q3	Fridhem preschool	Kungälv	Education	Nordic Swan	1,600	67	15	4	100
Total					69,800	2,228	21	143	

 Public-sector tenant

 Private-sector tenant

¹⁾ Occupancy rate upon completion. ²⁾ The vacancy is attributable to co-housing units. Letting is in progress.

Sustainability

Hemsö contributes to social value by creating and managing school places and nursing home beds in environments that are customised for the activities taking place in the buildings. We also help Swedish pension funds to grow since most of our profits are returned to Swedish pensioners through our majority owner, the Third Swedish National Pension Fund.

Climate

Hemsö's target is net zero value chain emissions (Scopes 1, 2 and 3) by 2040. By building with care and focusing on the life cycle of a property, we are striving to achieve circular construction.

Sub-stage 1 of Campus Polacksbacken in Uppsala was completed and in August, the municipal Lundellska school moved into its new premises. This development project has been an ambitious re-use project with the aim of being the school completed with the

lowest carbon footprint in Sweden. Re-use permeated the entire process, and by reusing and renovating, the climate impact is 85 per cent lower compared to building a completely new school. We are proud of this project because it demonstrates the major value generated by re-development and re-use.

Together with the IVL Swedish Environmental Research Institute, Hemsö is studying biodiversity in Campus Tensta. Using environmental DNA (eDNA), we will study the number of species on Campus Tensta to compare the effects after the upgrade of Pilparken and on the land around the properties. The project will continue for several years in order to measure the long-term results.

Our target is to certify all new developments. At the end of the third quarter, 21 per cent of the property portfolio had been certified, based on area. The decrease was due to the expiration of several certifications in the

existing portfolio. They are currently being re-certified.

Hemsö's role in society

We contribute to the maintenance and development of social infrastructure. This year to date, we've completed development projects with a total of 514 new nursing home beds and 2,830 new school places.

Hemsö was a partner to the Frihamnsdagarna democracy festival in Gothenburg. We participated together with Folkuniversitetet and Amerikanska Gymnasiet, our tenants in the Capella project.

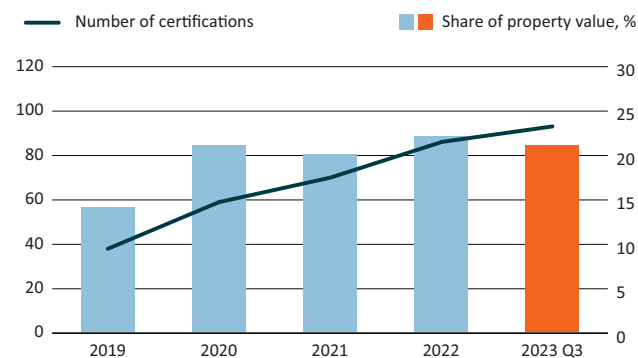
Hemsö is a new member of the German Sustainable Building Council (DGNB), Europe's largest network for sustainable building. DGNB has developed the German certification scheme that Hemsö applies. Hemsö will contribute its expertise to further develop the certification criteria for nursing homes.



Recycled art – materials from the former Stavsborgsskolan have been given a new life

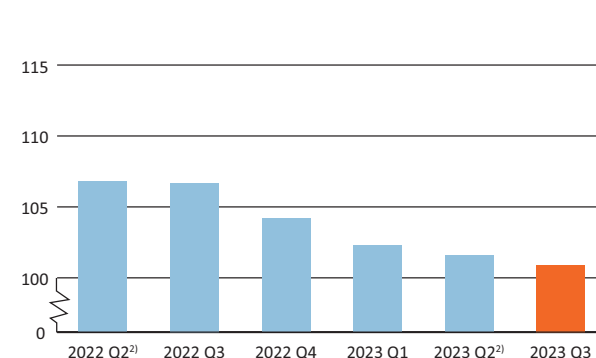
In September, the New Stavsborgsskolan was inaugurated in Älta, Nacka. Hemsö hosted the opening of an exhibition of the school's artwork. The recycled art has been produced by Torstensson Art & Design, with the help of the school's students.

Environmentally certified properties ¹⁾



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

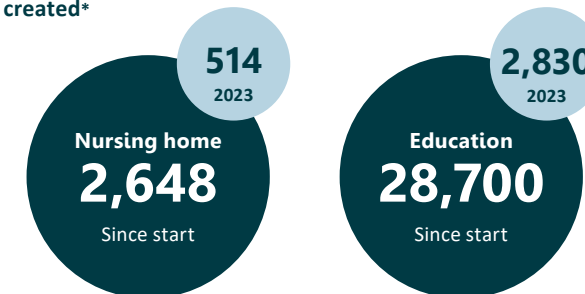
Energy use, kWh/m², rolling 12-month period ¹⁾



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

²⁾ Pertains to the June–May period.

Beds/school places created*



*The totals pertain to the number of beds/places that Hemsö has added through completed development projects between 2009 and the third quarter of 2023.

Joint ventures

At 30 September 2023, Hemsö owned participations in the following joint ventures: Turku Technology Properties Oy (TTP), Lanthem Samhällsfastigheter AB (Lanthem) and HemTag Fastigheter AB (HemTag). These companies are reported in Hemsö's consolidated financial statements using the equity method. The participation in TTP is recognised at SEK

1,517 million (1,528), the participation in Lanthem at SEK 200 million (218) and the participation in HemTag at SEK 10 million (2). Total participations in joint ventures amounted to SEK 1,726 million (1,748). Total investments in joint ventures amounted to SEK 1,734 million (1,748), which also includes loans of SEK 10 million to Lanthem.

Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö owns 52 per cent of the shares in the company and is therefore the largest shareholder. The City of Turku owns 38 per cent of the company and Turku University of Applied Sciences owns 10 per cent. TTP is run as a joint venture and is not consolidated in the Hemsö Group.

TTP is focused on public properties and its property portfolio is concentrated to central Turku. The company combines education, research and private enterprise in a dynamic cluster of tenant firms known as Science Park. At 30 September 2023, 61 per cent of rental income was derived from public-sector tenants and the rental duration was seven years.



TTP	30 Sep 2023	30 Sep 2022
Participation, %	52	52
Rental value, SEK million	478	391
No. of properties	28	26
Economic occupancy rate, %	96	96
Market value of properties, SEK million	5,716	5,253
Rental duration, years	7	8
Share of public-sector tenants, %	61	65

Profit from joint ventures, Jan–Sep 2023

SEK million	TTP	Lanthem	HemTag	Total
Profit/loss from property management	54	4	-2	56
Value changes, investment properties	–	6	–	6
Tax	-3	-2	–	-6
Profit/loss recognised	51	7	-2	56

Lanthem

In 2017, Hemsö entered into a partnership with Lantmännen Fastigheter AB by forming a joint venture, Lanthem Samhällsfastigheter AB. The partnership is based on Lantmännen's land bank. Most of the properties lie adjacent to ports, or centrally in one of Hemsö's prioritised locations.

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



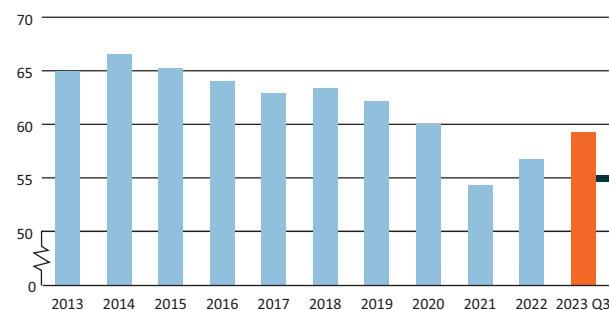
Lanthem	30 Sep 2023	30 Sep 2022
Participation, %	50	50
Rental value, SEK million	49	35
No. of properties	6	5
Economic occupancy rate, %	100	100
Market value of properties, SEK million	894	752
Rental duration, years	11	12
Share of public-sector tenants, %	44	48

Financing

The aim of Hemsö's financing activities is to ensure a stable capital structure and the highest possible net interest income within predetermined risk constraints. Hemsö's loan-to-value ratio should not exceed 60 per cent over time, and the interest-coverage ratio should be at least 3.0 times. At period-end, the loan-to-value ratio was 59.2 per cent (54.8) and the interest-coverage ratio was 3.1 times (5.5). In Q1 2023, Hemsö updated the definition of the interest coverage ratio, which now excludes earnings from participations in joint ventures and includes dividends paid from joint ventures. The key ratio is adjusted to better reflect the cash flow of the Group.

Hemsö issues bonds mainly in the Swedish and European capital markets, and commercial papers in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks, the Council of Europe Development Bank (CEB) and the Third Swedish National Pension Fund.

Loan-to-value ratio, %



At period-end, Hemsö had undrawn committed credit facilities of SEK 13,755 million (13,500). Cash and cash equivalents amounted to SEK 1,041 million (1,214). Available liquidity therefore totalled SEK 14,796 million (14,714). The debt-coverage ratio was 153 per cent (188).

Hemsö has a credit rating of A+ from Fitch Ratings, and A- from Standard & Poor's.

Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 52,029 million (48,792). The increase was attributable to net investment for the year.

During the period, Hemsö issued bonds in SEK, NOK and JPY corresponding to a nominal value of SEK 3,294 million, with maturities ranging from two to seven years. Hemsö also raised a four-year secured bank loan of SEK 1,000 million.

Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Out-look	Date
Fitch Ratings	A+	F1+	Stable	29 Mar 2023
Standard & Poor's	A-	A-2	Stable	8 Sep 2023

Sources of funding, SEK million

	30 Sep 2023	30 Sep 2022
Bonds, SEK	14,973	15,135
Bonds, EUR	20,049	19,034
Bonds, AUD, JPY, NOK, USD	4,918	4,511
Total bonds	39,940	38,680
Commercial papers, SEK	5,195	4,432
European Investment Bank, SEK, EUR	4,232	4,061
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	862	819
Secured bank loans, SEK	1,000	–
Total interest-bearing liabilities	52,029	48,792

Sustainable finance, SEK million

	30 Sep 2023	30 Sep 2022
Sustainability bonds	10,722	7,660
European Investment Bank	4,232	4,061
Nordic Investment Bank	800	800
Total sustainable finance	15,754	12,520

Capital structure, SEK million

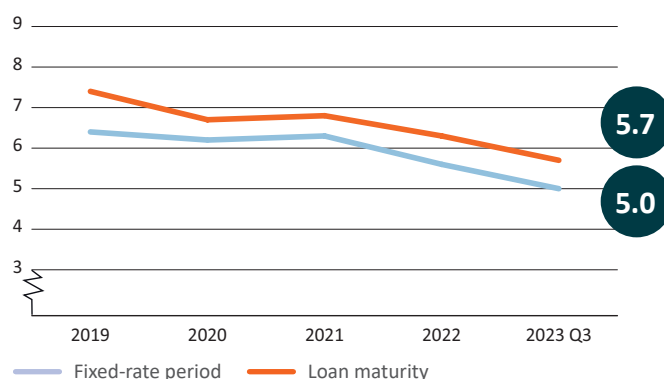
	30 Sep 2023	30 Sep 2022
Non-current interest bearing liabilities	42,361	40,952
Current interest bearing liabilities	9,668	7,840
Cash and cash equivalents	-1,041	-1,214
Net debt	50,988	47,578
Investment properties (market value)	84,369	85,004
Investments in joint ventures	1,734	1,748
Total	86,102	86,753
Loan-to-value ratio	59.2%	54.8%
Share of secured debt	1.2%	0.0%

Hemsö uses derivatives to hedge the company's currency and interest-rate risk. At period-end, the nominal value of the interest-rate derivatives was SEK 875 million (0). The value of derivatives used to manage currency risk corresponded to SEK 8,327 million (7,868).

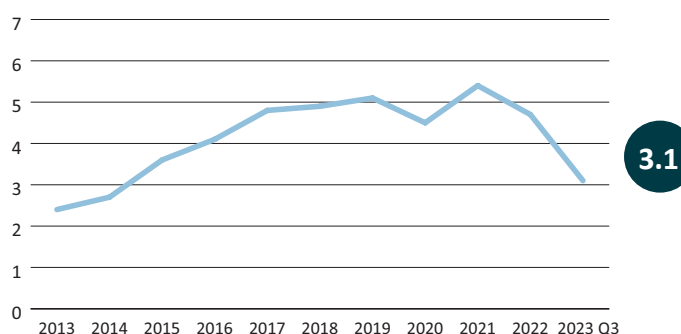
Currency exposure amounted to 2.5 per cent (1.8) of equity.

At period-end, the average loan maturity was 5.7 years (6.5). The average fixed-rate period was 5.0 years (5.7). The average interest rate was 2.4 per cent (1.5).

Loan maturity and fixed-rate period, years



Interest-coverage ratio, times



Hemsö acquired Odins-skolan, a historic school building in central Gothenburg

Committed credit facilities and underwriting commitments, SEK million

	30 Sep 2023	30 Sep 2022
Banks	7,500	7,500
Third Swedish National Pension Fund	6,000	6,000
Council of Europe Development Bank (CEB)	255	–
Total committed credit facilities	13,755	13,500
Cash and cash equivalents	1,041	1,214
Available liquidity	14,796	14,714
Short-term borrowings	9,668	7,840
Debt-coverage ratio, %	153%	188%

Currency exposure, SEK million

	30 Sep 2023	30 Sep 2022
Properties, EUR	31,031	29,363
Joint ventures, EUR	1,517	1,528
Cash, EUR	232	645
Assets, EUR	32,780	31,536
Debt, EUR	24,343	23,113
Currency swaps, EUR	7,742	7,868
Exposure, EUR	695	555
Debt AUD, JPY, NOK, SEK, USD	8,327	8,111
Currency swaps AUD, JPY, NOK, SEK, USD	-8,327	-8,111
Exposure AUD, JPY, NOK, SEK, USD	0	0
Currency hedging	–	–
Currency exposure	695	555
Equity	28,294	31,449
Currency exposure, %	2.5%	1.8%

Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Long-term max. 60%	59.2%
Loan maturity	At least 3 years	5.7 years
Debt-coverage ratio	At least 125%	153%
Share of secured debt	Max. 20%	1.2%
Interest-rate risk		
Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	3.1 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.0 years
Fixed-rate maturity	Max. 40% within 12 months	27%
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% of equity	2.5%

Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Loans and committed credit facilities, SEK million	Loans, SEK million	Share, %	SEK million	Share, %
2023	800	800	2	11,016	21
2024	6,986	4,486	9	3,785	7
2025	13,925	5,425	10	3,721	7
2026	8,586	7,586	15	6,313	12
2027	3,100	3,100	6	1,752	3
2028	7,881	6,381	12	6,592	13
2029	4,603	4,603	9	4,664	9
2030	2,544	2,544	5	2,350	5
2031	1,301	1,301	3	1,133	2
>2031	10,862	10,607	20	10,704	21
Total	60,589	46,834	90	52,029	100
Commercial papers		5,195	10		
Total	60,589	52,029	100		



Hemsö participated in the Frihamnsdagarna democracy festival in Gothenburg as a partner



Inauguration of the Lundellska school, Campus Polacksbacken in Uppsala

Quarterly overview

Amounts in SEK million	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Income statement									
Rental income	1,211	1,203	1,183	1,069	1,025	996	983	946	917
Other income	19	6	7	6	6	5	6	7	5
Property costs	-280	-287	-328	-303	-241	-241	-279	-251	-200
Net operating income	951	923	862	771	790	760	711	703	722
Central administrative expenses	-55	-50	-48	-64	-39	-41	-39	-43	-41
Profit/loss from participations in joint ventures	14	22	20	-119	23	96	81	98	0
Operating profit	910	895	834	588	774	815	754	759	681
Net interest expense	-313	-291	-250	-218	-152	-129	-114	-114	-122
Profit after net interest expense	597	604	584	370	622	686	640	644	559
<i>- of which Profit from property management</i>	<i>598</i>	<i>607</i>	<i>580</i>	<i>511</i>	<i>614</i>	<i>612</i>	<i>572</i>	<i>558</i>	<i>570</i>
Value change, properties	-672	-1,699	-1,255	-2,131	-1,780	2,766	1,734	2,679	2,404
Value change, financial instruments	-63	-178	103	50	133	70	-3	70	27
Profit/loss before tax	-138	-1,273	-568	-1,712	-1,024	3,522	2,371	3,394	2,990
Current tax	-33	-102	-40	-59	-39	-53	-40	10	-35
Deferred tax	41	322	145	365	243	-613	-398	-618	-532
Profit/loss for the period	-130	-1,054	-463	-1,406	-820	2,856	1,934	2,785	2,423
Other comprehensive income	-40	93	16	-12	51	94	53	-3	20
Comprehensive income for the period	-171	-961	-448	-1,418	-769	2,950	1,987	2,782	2,443

Quarterly overview, cont.

Amounts in SEK million	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Balance sheet									
Investment properties	84,369	85,071	84,784	84,879	85,004	84,683	79,987	75,737	73,516
Right-of-use assets	984	1,018	943	932	849	843	801	759	724
Participations in joint ventures	1,726	1,737	1,699	1,655	1,748	1,475	1,363	1,271	1,168
Derivatives	–	–	87	247	389	237	309	161	33
Other assets	2,142	1,834	1,368	1,209	1,180	992	865	892	730
Cash and cash equivalents and short-term investments	1,041	1,334	1,009	526	1,214	325	795	687	533
Total assets	90,260	90,993	89,889	89,447	90,383	88,554	84,121	79,508	76,705
Equity	28,294	27,465	29,581	30,028	31,449	32,215	30,337	28,350	25,646
Deferred tax liabilities	6,033	6,059	6,378	6,557	6,942	7,143	6,519	6,082	5,467
Derivatives	170	313	–	–	–	–	–	–	–
Interest-bearing liabilities	52,029	53,645	50,535	49,567	48,792	46,361	44,375	42,498	43,067
Lease liabilities	984	1,018	943	932	849	843	801	759	724
Non-interest-bearing liabilities	2,751	2,494	2,453	2,363	2,352	1,992	2,089	1,819	1,800
Total equity and liabilities	90,260	90,993	89,889	89,447	90,383	88,554	84,121	79,508	76,705
Key ratios	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Financial ratios									
Loan-to-value ratio, %	59.2	60.3	57.3	56.7	54.8	53.4	53.6	54.3	57.0
Interest-coverage ratio, times ¹⁾	3.1	3.5	4.0	4.7	5.5	5.7	5.6	5.4	4.7
Operating cash flow, SEK million	546	615	551	493	562	573	532	536	533
Property-related key ratios									
Property yield, % ¹⁾	4.5	4.4	4.2	4.1	3.9	3.8	4.0	4.0	4.3
Total return, % ¹⁾	-2.6	-4.0	0.9	4.5	10.9	17.2	16.9	15.8	14.8
Economic occupancy rate, %	97.7	97.6	97.9	97.9	97.9	97.6	97.9	97.9	98.0
NOI margin, %	77.3	76.3	72.4	71.8	76.6	75.9	71.8	73.7	78.3
No. of properties	485	484	484	480	468	466	458	441	426
Lettable area, tsqm	2,452	2,438	2,415	2,400	2,339	2,311	2,286	2,218	2,226

¹⁾ Based on rolling 12-month outcome.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022–Sep 2023	Jan–Dec 2022
Rental income	3,598	3,005	1,211	1,025	4,666	4,073
Other income	32	18	19	6	38	23
Operating costs	-630	-533	-178	-154	-831	-734
Maintenance costs	-192	-165	-74	-65	-268	-242
Other property costs	-72	-63	-28	-23	-98	-89
Net operating income	2,735	2,261	951	790	3,506	3,032
Central administrative expenses	-153	-119	-55	-39	-217	-183
Profit/loss from participations in joint ventures	56	200	14	23	-62	82
- of which profit from property management	56	51	15	15	79	74
- of which changes in value	6	195	1	10	-155	35
- of which tax	-6	-46	-2	-2	13	-27
Operating profit	2,639	2,343	910	774	3,227	2,931
Net interest expense	-854	-395	-313	-152	-1,072	-613
Profit after net interest expense	1,785	1,947	597	622	2,155	2,317
- of which Profit from property management ¹⁾	1,785	1,798	598	614	2,296	2,309
Value change, investment properties	-3,626	2,721	-672	-1,780	-5,758	589
Value change, financial instruments	-139	201	-63	133	-89	251
Profit/loss before tax	-1,980	4,869	-138	-1,024	-3,692	3,157
Current tax	-175	-131	-33	-39	-234	-190
Deferred tax	507	-769	41	243	872	-403
Profit/loss for the period	-1,648	3,970	-130	-820	-3,054	2,563

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022–Sep 2023	Jan–Dec 2022
Profit/loss for the period attributable to						
Parent Company shareholders	-1,553	3,823	-106	-768	-2,911	2,466
Non-controlling interests	-94	146	-24	-52	-143	98
Other comprehensive income						
Profit/loss for the period	-1,648	3,970	-130	-820	-3,054	2,563
Translation difference	68	198	-40	51	57	187
Comprehensive income for the period	-1,579	4,168	-171	-769	-2,997	2,750
Comprehensive income for the period attributable to						
Parent Company shareholders	-1,487	4,018	-145	-718	-2,857	2,648
Non-controlling interests	-92	150	-25	-51	-139	103

¹⁾ For the calculation of Profit from property management, refer to Key ratio calculations on page 29.

Group – Condensed statement of financial position

Amounts in SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS			
Investment properties	84,369	85,004	84,879
Right-of-use assets	984	849	932
Participations in joint ventures	1,726	1,748	1,655
Derivatives	–	389	247
Other non-current assets	112	43	44
Total non-current assets	87,191	88,033	87,757
Current receivables	2,029	1,137	1,165
Cash and cash equivalents	1,041	1,214	526
Total current assets	3,070	2,350	1,691
TOTAL ASSETS	90,260	90,383	89,447
EQUITY AND LIABILITIES			
Equity	28,294	31,449	30,028
Deferred tax liabilities	6,033	6,942	6,557
Non-current interest-bearing liabilities	42,361	40,952	41,064
Lease liabilities	984	849	932
Derivatives	170	–	–
Total non-current liabilities	49,548	48,743	48,553
Current interest-bearing liabilities	9,668	7,840	8,503
Other current liabilities	2,751	2,352	2,363
Total current liabilities	12,419	10,192	10,866
TOTAL EQUITY AND LIABILITIES	90,260	90,383	89,447

Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening equity, 1 Jan 2022	1	7,835	206	19,538	769	28,350
Dividends	–	–	–	-1,072	–	-1,072
Contributions from minority interests	–	–	–	–	3	3
Comprehensive income (1 Jan 2022–30 Sep 2022)	–	–	195	3,823	150	4,168
Closing equity, 30 Sep 2022	1	7,835	401	22,290	922	31,449
Opening equity, 1 Oct 2022	1	7,835	401	22,290	922	31,449
Minority interest contributions repaid	–	–	–	–	-3	-3
Comprehensive income (1 Oct 2022–31 Dec 2022)	–	–	-13	-1,358	-47	-1,418
Closing equity, 31 Dec 2022	1	7,835	388	20,932	872	30,028
Opening equity, 1 Jan 2023	1	7,835	388	20,932	872	30,028
Dividends	–	-1,000	–	-155	–	-1,155
Shareholder contributions	–	500	–	–	–	500
Contributions from minority interests	–	–	–	–	500	500
Comprehensive income (1 Jan 2023–30 Sep 2023)	–	–	66	-1,553	-92	-1,579
Closing equity, 30 Sep 2023	1	7,335	454	19,224	1,280	28,294

Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022 – Sep 2023	Jan–Dec 2022
Operating activities						
Profit from property management	1,785	1,798	598	614	2,296	2,309
<i>Adjustment for non-cash items</i>						
- Loss from property management, participations in joint ventures	-56	-51	-15	-15	-79	-74
- Depreciation	14	7	5	-2	24	17
- Exchange differences, unrealised	7	2	6	4	20	15
Dividends from joint ventures	45	20	1	0	45	21
Tax paid	-76	-107	-42	-36	-81	-113
Cash flow before changes in working capital	1,720	1,669	553	565	2,225	2,175
Increase (+)/decrease (-) in working capital	-611	377	-50	248	-654	335
Cash flow from operating activities	1,109	2,047	502	813	1,572	2,510
Investing activities						
Acquisition of properties	-141	-1,923	-7	-497	-1,086	-2,867
Investments in new construction, extension and re-developments	-2,019	-2,838	-621	-878	-2,990	-3,809
Property divestments	17	2	0	–	442	427
Investments in financial assets	-13	-210	-7	-210	-18	-215
Other non-current assets	-4	-2	-1	-1	-5	-3
Cash flow from investing activities	-2,161	-4,972	-637	-1,586	-3,656	-6,467

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022 – Sep 2023	Jan–Dec 2022
Financing activities						
Interest-bearing loans raised	5,822	9,688	–	3,519	6,886	10,752
Repayment of interest-bearing liabilities	-4,049	-5,141	-1,148	-1,831	-4,752	-5,844
Financial instruments realised	-52	-20	–	-2	-52	-20
Shareholder contributions received	500	–	500	–	500	–
Contributions from non-controlling interests	500	3	500	3	497	0
Dividends paid	-1,155	-1,072	–	–	-1,155	-1,072
Cash flow from financing activities	1,566	3,458	-148	1,689	1,923	3,816
Cash flow for the period	514	532	-283	916	-161	-142
Opening cash and cash equivalents	526	687	1,334	325	1,214	687
Exchange rate differences in cash and cash equivalents	1	-6	-10	-27	-12	-19
Cash and cash equivalents at period-end	1,041	1,214	1,041	1,214	1,041	526
Operating cash flow	1,712	1,667	546	562	2,206	2,160

Parent Company – Condensed income statement

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Oct 2022 – Sep 2023	Jan–Dec 2022
Net sales	94	88	124	118
Central administrative expenses	-181	-159	-244	-223
Other operating income	0	0	129	129
Operating profit/loss	-87	-72	9	24
Financial items	41	-105	-46	-192
Impairment/reversal of impaired derivatives	-216	-29	-262	-75
Appropriations	–	–	724	724
Profit/loss before tax	-262	-206	425	481
Recognised tax	70	130	-22	37
Profit/loss for the period	-192	-76	403	518

Parent Company – Condensed balance sheet

Amounts in SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	8	4	5
Equipment	2	3	3
Shares and participations in Group companies	16,709	15,720	16,582
Deferred tax assets	124	25	54
Non-current receivables	16,012	36,183	16,527
Total non-current assets	32,856	51,935	33,170
Current assets			
Current receivables	25,087	2,421	22,592
Cash and cash equivalents	0	0	0
Total current assets	25,087	2,421	22,592
TOTAL ASSETS	57,943	54,355	55,762
EQUITY AND LIABILITIES			
Equity	4,098	4,350	4,944
Untaxed reserves			
Tax allocation reserve	–	43	–
Liabilities			
Deferred tax liabilities	27	29	27
Interest-bearing liabilities	51,994	48,765	49,538
Non-interest-bearing liabilities	1,826	1,169	1,253
Total liabilities	53,846	49,963	50,818
TOTAL EQUITY AND LIABILITIES	57,943	54,355	55,762

Other information

Significant events after period-end

No significant events occurred after period-end.

Employees

At period-end, Hemsö had 167 employees, of whom 75 were women and 92 men. Of these employees, 50 worked with asset and property management and 28 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 139 are employed in Sweden, 16 in Finland and 12 in Germany.

Risks and uncertainties

Hemsö is analysing all of the company's material risks resulting from the ongoing war in Ukraine and is monitoring developments. Hemsö's access to capital remains favourable and the company's long loan maturity and fixed-rate period provide stability. At 30 September 2023, 73 per cent of the loan portfolio was hedged against rising rates and 27 per cent carried variable interest rates, which means that net interest income was impacted by changes in market rates. Access to building materials and delayed deliveries could affect Hemsö's project activities. For

more detailed information, refer to page 73 of the 2022 Annual Report. In addition to the above, no changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 73–80 of the 2022 Annual Report.

Related-party transactions

Hemsö's related-party transactions are set out in Note 26 of Hemsö's 2022 Annual Report.

Joint ventures

Hemsö owns participations in Hemsö Norden KB jointly with the Third Swedish National Pension Fund. This company is included in Hemsö's consolidated financial statements. Hemsö Norden KB currently owns 29 investment properties through a limited partnership.

Hemsö owns 52 per cent of the shares in Turku Technology Properties Oy, which owns 28 public properties in Turku through subsidiaries. The company is run as a joint venture together with other partners and is not included in the consolidated financial statements, since Hemsö does not have a controlling interest. In addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. The compa-

ny is run as a joint venture and is not included in the consolidated financial statements. Lanthem Samhällsfastigheter owns six investment properties through subsidiaries.

In 2021, Hemsö formed a joint venture, HemTag Fastigheter AB, with Tagebad AB. The purpose of the partnership is to develop and manage aquatic centres. The company does not own any properties.

Accounting policies applied

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles were applied as in the 2022 Annual Report, pages 96–99. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have also been prepared in accordance with Swedish law, with application of the Swedish Financial Reporting Board's recommendation RFR, 1 Supplementary Accounting Rules for Groups.

The carrying amount of accounts receivable, other receivables, cash and cash equivalents,

accounts payable and other liabilities is considered a reasonable estimate of fair value. Interest rate derivatives and foreign exchange swaps are measured at fair value on the statement of financial position and classified as Level 2 assets in the fair value hierarchy (IFRS 13).

The Parent Company applies the Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities. All amounts in the interim report, unless otherwise stated, are rounded to the nearest SEK million, which means some totals may not correspond with the sum of tables and calculations. Figures between 0 and 0.5 in the text and tables are reported as 0.

New and revised IFRSs effective on or after 1 January 2023

No new or amended standards or interpretations issued by the IASB have had any effect on this interim report, or the accounting policies applied by Hemsö.

Signing of the report

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

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

Stockholm, 20 October 2023

Kerstin Hessius, Chair of the Board

Maria Björklund, Board member

Staffan Hansén, Board member

David Mindus, Board member

Johanna Skogestig, Board member

Johan Thorell, Board member

Nils Styf, Chief Executive Officer

Auditor's review*

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

Introduction

We have reviewed the condensed interim financial information (the interim report) for Hemsö Fastighets AB at 30 September 2023 and the nine-month period that ended on this date. The Board of Directors and Chief Executive Officer are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report, based on our review.

Focus and scope of the review

We performed our review in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review is made by making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with International Standards on Auditing and the auditing standards generally accepted in Sweden.

These review procedures do not allow us to obtain such an assurance that we become aware of all of the important circumstances that could have been identified if an audit had been carried out. The conclusion expressed on the basis of a review does not therefore have the same assurance as a conclusion based on an audit.

Conclusion

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

Stockholm, as of the date of our electronic signature.

KPMG AB

Peter Dahllöf

Authorised Public Accountant

**This auditor's review report is a translation from the Swedish original.*

Definitions

Financial definitions

Share of secured debt

Interest-bearing secured debt in relation to investment properties (market value).

Loan-to-value ratio

Net debt in relation to investment properties (market value) and investments in joint ventures.

Property yield

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

Available liquidity

Cash and cash equivalents and current investments plus undrawn committed credit facilities.

Profit from property management

Profit after net interest income/expense after reversal of changes in value and tax from participations in joint ventures.

Average interest rate

The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and committed credit facilities on the closing date.

Investments in joint ventures

The share of equity in joint ventures, and loans to joint ventures.

Loan maturity

The weighted average of the remaining term of interest-bearing liabilities, including the maturities of undrawn committed credit facilities.

Short-term borrowings

Loan maturities within 12 months (current interest-bearing liabilities).

EMTN programme

European bond programme.

Net debt

Interest-bearing liabilities less cash and cash equivalents and current investments.

Operating cash flow

Profit from property management after reversal of depreciation and amortisation and profit from property management in joint ventures less tax paid plus dividends from joint ventures.

Interest-coverage ratio

Net operating income less central administrative expenses plus dividends from joint ventures relative to net interest income/expense.

Operating profit

Net operating income plus share of profit from joint ventures and administrative expenses.

Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

Equity ratio

Equity in relation to total assets.

Total return

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

Currency exposure

Net of market value of properties, joint ventures, cash and liabilities in foreign currency less currency hedging as a percentage of equity.

Property-related definitions

Net operating income

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

Economic occupancy rate

Contracted annual rental income in relation to rental value.

Rental income

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

Rental duration

The weighted average remaining rental duration excluding garage/parking, storage and housing units let to private individuals.

Rental value

Contracted annual rental income plus vacancy rent.

Comparable portfolio

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

Contracted annual rent

Contracted annual rental income less rent reductions and rental losses.

Net investments

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

Development property

Property under construction and development rights. A development property also includes a property where a well-defined section of the area has been vacated in order to convert and improve the property.

Public property

A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Assisted living is also included in the public properties concept.

Large cities

The definition of large cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

Lettable area

Those areas of the property for which a tenant 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.

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.

Profit from property management	Jan–Sep 2023	Jan–Sep 2022	Oct 2022–Sep 2023	Oct 2021–Sep 2022
Profit after net interest income/expense	1,785	1,947	2,155	2,592
Reversal				
<i>Changes in value, joint ventures</i>	-6	-195	155	-320
<i>Tax, joint ventures</i>	6	46	-13	84
Profit from property management	1,785	1,798	2,296	2,356

Operating cash flow	Jan–Sep 2023	Jan–Sep 2022	Oct 2022–Sep 2023	Oct 2021–Sep 2022
Profit from property management	1,785	1,798	2,296	2,356
Dividends from joint ventures	45	20	45	20
Tax paid	-76	-107	-81	-123
Reversal				
<i>Loss from property management, participations in joint ventures</i>	-56	-51	-79	-62
<i>Depreciation</i>	14	7	24	12
Operating cash flow	1,712	1,667	2,206	2,203

Interest-coverage ratio	Jan–Sep 2023	Jan–Sep 2022	Oct 2022–Sep 2023	Oct 2021–Sep 2022
Net operating income	2,735	2,261	3,506	3,032
Central administrative expenses	-153	-119	-217	-183
Dividends from joint ventures	45	20	45	21
	2,627	2,162	3,334	2,870
Net interest expense	-854	-395	-1,072	-613
Interest-coverage ratio	3.1	5.5	3.1	4.7

NOI margin	Jan–Sep 2023	Jan–Sep 2022	Oct 2022–Sep 2023	Oct 2021–Sep 2022
Rental income	3,598	3,005	4,666	3,951
Other property income	32	18	38	25
Total property income	3,630	3,023	4,704	3,976
Net operating income	2,735	2,261	3,506	2,964
NOI margin	75.4%	74.8%	74.5%	74.5%

Key ratio calculations, cont.

Share of secured debt	30 Sep 2023	30 Sep 2022
Secured debt outstanding	1,000	–
Investment properties (market value)	84,369	85,004
Share of secured debt	1.2%	0.0%

Loan-to-value ratio	30 Sep 2023	30 Sep 2022
Non-current interest-bearing liabilities	42,361	40,952
Current interest-bearing liabilities	9,668	7,840
Cash and cash equivalents	-1,041	-1,214
Net debt	50,988	47,578
Investment properties (market value)	84,369	85,004
Investments in joint ventures	1,734	1,748
Total	86,102	86,752
Loan-to-value ratio	59.2%	54.8%

Property yield	30 Sep 2023	30 Sep 2022
Net operating income according to income statement	3,506	2,964
Adjusted for 12-month holding period	14	63
Adjusted for development properties	-130	-123
Adjusted net operating income	3,390	2,904
Investment properties (market value)	84,369	85,004
Adjusted for development properties	-9,034	-11,306
Adjusted market value of properties	75,335	73,699
Property yield	4.5%	3.9%

Debt-coverage ratio	30 Sep 2023	30 Sep 2022
Cash and cash equivalents	1,041	1,214
Undrawn committed credit facilities	13,755	13,500
Available liquidity	14,796	14,714
Short-term borrowings	9,668	7,840
Debt-coverage ratio	153%	188%

Equity ratio	30 Sep 2023	30 Sep 2022
Equity	28,294	31,449
Total assets	90,260	90,383
Equity ratio, %	31.3%	34.8%

Total return	Oct 2022–Sep 2023	Oct 2021–Sep 2022
Net operating income	3,506	2,964
Value change, investment properties	-5,758	5,400
Total	-2,252	8,364
Opening value investment properties	85,004	73,516
Closing market value investment properties	84,369	85,004
Adjustment of value change for the period	5,758	-5,400
Adjusted average property value	87,565	76,560
Total return	-2.6%	10.9%

Questions and more information

For more information, please contact:

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

Financial calendar

Year-end report, Jan–Dec 2023	2 Feb 2024
Annual Report 2023	28 Mar 2024
Interim report, Jan–Mar 2024	24 Apr 2024
Annual General Meeting	24 April 2024
Half-year report, Jan–Jun 2024	12 July 2024

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