



# Q2

Half-year report 2023

**HEMSÖ**

## Significant events during the second quarter

- » The Council of Europe Development Bank (CEB) approved an eight-year unsecured loan of EUR 22.2 million for Hemsö's Campus Tensta development project.
- » Hemsö signed a seven-year rental agreement with Järva Gymnasium for a new upper-secondary school for 500 students in Campus Tensta.
- » Kerstin Hessius was elected new Chair of Hemsö's Board at the 2023 Annual General Meeting (AGM). She succeeds Pär Nuder who has held the role since 2013.
- » Hemsö signed a Letter of Intent with Burlöv Municipality and the International English School (IES) to establish an elementary school with places for 600 students and a preschool for 120 children in Burlöv.

## Summary, January–June 2023

- » Rental income increased 21 per cent to SEK 2,386 million (1,980).
- » Profit from property management amounted to SEK 1,187 million (1,184).
- » Changes in the value of properties amounted to SEK -2,954 million (4,500).
- » Changes in the value of financial instruments amounted to SEK -76 million (68).
- » Profit after tax for the period declined to SEK -1,517 million (4,790).
- » The market value of the properties amounted to SEK 85,071 million (84,683).
- » During the period, SEK 1,398 million (1,960) was invested in the existing property portfolio.
- » During the period, five properties (24) were acquired for SEK 134 million (1,426) and 1 property (1) was divested for SEK 18 million (3).

## Hemsö in summary

	Jan–Jun 2023	Jan–Jun 2022	Jul 2022–Jun 2023	Jan–Dec 2022
Rental income, SEK million	2,386	1,980	4,480	4,073
Profit from property management, SEK million	1,187	1,184	2,312	2,309
Profit/loss after tax, SEK million	-1,517	4,790	-3,744	2,563
Operating cash flow, SEK million	1,166	1,105	2,221	2,160
Loan-to-value ratio at period-end, %	60.3	53.4	60.3	56.7
Interest-coverage ratio, times <sup>1)</sup>	3.2	5.8	3.5	4.7
Market value of properties at period-end, SEK million	85,071	84,683	85,071	84,879
NOI margin, %	74.4	73.9	74.3	74.0
Economic occupancy rate at period-end, %	97.6	97.6	97.6	97.9
Rental duration at period-end, years	9.7	9.7	9.7	9.6
Lettable area at period-end, tsqm	2,438	2,311	2,438	2,400

<sup>1)</sup> 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 the definition on page 26 and Key ratio calculations on page 27.





## CEO statement

Hemsö's underlying operations showed a stable trend and we see continued strong tenant demand. Rental income and net operating income rose 21 per cent, but higher interest expenses meant that profit from property management was in line with the preceding year. We continue to see positive growth in operating cash flow, which rose 6 per cent.

### Strong owner in the Third Swedish National Pension Fund

Hemsö has a long-term and strong owner in the Third Swedish National Pension Fund. We have a leading market position, a sustainable business model and a controlled growth rate in a growing market. Hemsö's close collaboration with municipalities in Sweden and Finland in particular is creating opportunities for new investments in social infrastructure.

We evaluate many interesting new investment opportunities, and therefore have a close dialogue with Hemsö's owners as I assess that new larger investments need to be financed with new equity to ensure a stable capital structure in line with the company's Financial Policy. Hemsö's owners have supported the company with equity, as late as 2021, to finance investments and maintain good financial flexibility. Thus, we can continue to develop the business in close cooperation with our tenants, despite a more uncertain

market, as we have continued strong support from our owners.

### Secure partner

Despite the ongoing turbulence in the property industry, Hemsö has continued to start new development projects. It is important for us to be a reliable partner to the public sector during both good and bad times. In 2023, we will commence the construction of several development projects, including 12 schools and nursing homes in Stockholm, Nacka, Västerås, Kungälv in Sweden, Helsinki in Finland and Essen in Germany.

At the end of the quarter, the groundworks commenced for our new municipal elementary and upper-secondary school in Ektorp in Nacka, with places for 900 students. Our aim is that Ektorp School will be the first school to achieve ZeroCO<sub>2</sub>-certification. During the period, we also completed an energy project in Finland in collaboration with the Turku City Hospital. The project is expected to reduce annual CO<sub>2</sub> emissions by more than 300 tonnes, with annual cost savings of TEUR 180.

### Hemsö's heart

Schools are an important place. That is especially clear to me as a parent at the end of the school year, when children break up from school and the summer holidays start. This

is where the foundation for the future is laid. A safe school produces secure children and secure children have better conditions for learning.

Research also shows that school is the second most important factor (after parents) for keeping young people out of gangs. It is gratifying, therefore, that the Council of Europe Development Bank (CEB) has approved a social loan to support Hemsö's unique education project, Campus Tensta, in the Järva area in Stockholm. The Swedish Police have designated Järva as a socially vulnerable area. Hemsö's ambition with Campus Tensta is to provide access to quality education that inspires faith in the future and positive life choices. Hemsö currently has credit facilities with all three EU banks, (the EIB, NIB and CEB), for financing sustainable and social impact investments.

Everything we do at Hemsö stems from the high engagement of my colleagues. Our social mission drives us forward. With our strong owners, innovative development projects and, most of all, our dedicated team, I am convinced we will continue to contribute to positive social development.

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

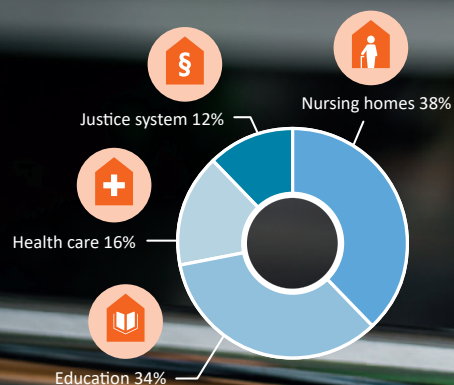
### Vision

We strengthen the backbone of society

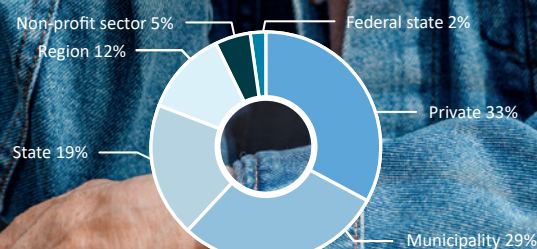
### Business concept

To sustainably own, manage and develop public properties.

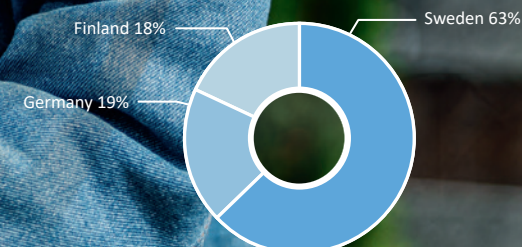
Contracted rent per property category



Contracted rent per customer category



Market value of properties



# Income, costs and profit

Profit/loss and cash flow items refer to the January–June 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 set out on pages 27–28.

## Rental income

Rental income increased 21 per cent to SEK 2,386 million (1,980), which is attributable to completed development projects, acquisitions, indexation and a positive exchange rate effect. Rental income rose 20 per cent in Sweden, 17 per cent in Germany and 27 per cent in Finland.

Rental income in the comparable portfolio rose SEK 228 million. Exchange rate changes

had a positive impact of SEK 60 million on rental income.

## SEK 2,386 million

### Rental income

At period-end, contracted annual rent increased to SEK 4,832 million (4,045) before rent reductions of SEK 81 million (59).

Economic vacancies amounted to SEK 117 million (99). The economic occupancy rate remained unchanged and was 97.6 per cent (97.6) at period-end.

Rental agreements amounting to annual rent of SEK 93 million will be subject to renegotiation in 2023, corresponding to 2 per cent of Hemsö's contracted rental income. The rental duration was 9.7 years (9.7).

## Property costs

Property costs amounted to SEK 614 million (520), up SEK 94 million. Cost rose due to a larger property portfolio and higher operating costs, primarily the result of higher energy prices. Maintenance costs increased SEK 17 million year-on-year.

In the comparable portfolio, property costs rose SEK 62 million, or 13 per cent. Exchange rate fluctuation, increased costs with SEK 12 million.

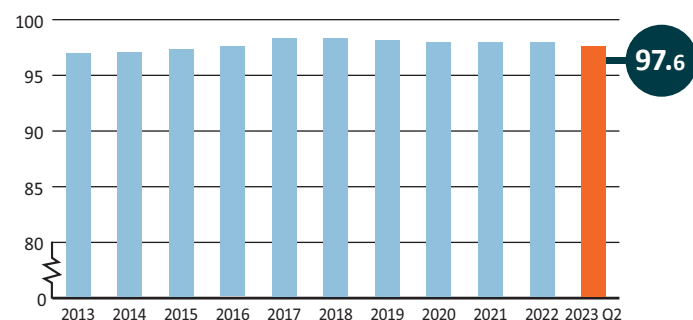
## Vacancy changes

SEK million	Jan–Jun 2023
Opening vacancy	98
Terminated rental agreements	37
Adjusted for vacancy rents	-1
New rental agreements	-18
Acquired	0
Divested	0
Exchange rate changes	2
<b>Closing vacancy</b>	<b>117</b>

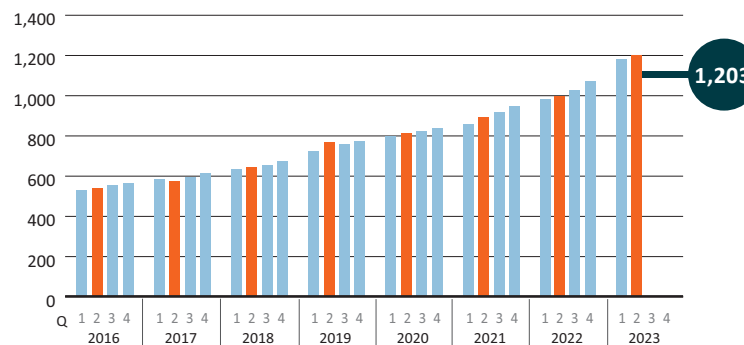
## Rental maturity

Year	Annual rent, SEK million	Share, %
2023	93	2
2024	312	6
2025	289	6
2026	298	6
2027	285	6
2028	356	7
2029	220	5
2030	300	6
2031	335	7
2032	193	4
>2032	2,151	45
<b>Total</b>	<b>4,832</b>	<b>100</b>

## Economic occupancy rate, %



## Rental income, SEK million



### Net operating income

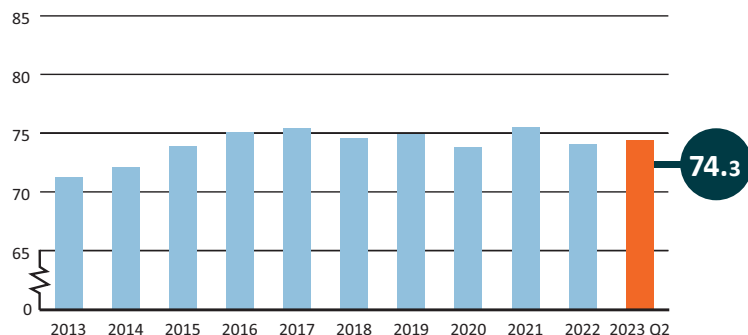
Net operating income rose 21 per cent to SEK 1,785 million (1,471). The increase was mainly attributable to acquisitions, completed development projects and indexation. The NOI margin increased to 74.4 per cent (73.9), mainly due to indexation, acquisitions and a positive exchange rate effect. The property yield of the property portfolio, excluding development properties, was 4.4 per cent (3.8).

In the comparable portfolio, net operating income rose 12 per cent to SEK 1,576 million (1,409). 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 98 million (80). The increase was mainly attributable to higher personnel costs due to more employees, and increased consultancy costs.

### NOI margin, rolling 12-month period, %



## SEK 1,785 million

### Net operating income

### Net interest income/expense

Net interest expense amounted to SEK -541 million (-243). 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 2.3 per cent (1.1), primarily an effect of higher market rates. The fixed-rate period was 5.1 years (5.7) and interest-bearing liabilities increased to SEK 53,645 million (46,361).

### Net interest income/expense

SEK million	Jan–Jun 2023	Jan–Jun 2022
Interest income	13	2
Interest expense	-508	-207
Other financial expenses	-27	-23
Ground leases and leasehold properties	-19	-15
<b>Net interest expense</b>	<b>-541</b>	<b>-243</b>

### Comparable portfolio

	30 Jun 2023	30 Jun 2022	Change
No. of properties	382	382	–
Market value of properties, SEK million	70,419	73,065	-3.6%
Property yield, %	4.4	3.8	0.5

SEK million	Jan–Jun 2023	Jan–Jun 2022	Change, %
Rental income	2,101	1,873	12.2
Other income	11	11	6.9
Operating costs	-392	-343	14.2
Maintenance costs	-107	-90	18.8
Other costs	-38	-41	-9.3
<b>Net operating income</b>	<b>1,576</b>	<b>1,409</b>	<b>11.8</b>

### Profit/loss from property management

Profit from property management was positively impacted by an increase of SEK 314 million in net operating income and negatively impacted by increased interest expense of SEK -298 million. Profit from property management amounted to SEK 1,187 million (1,184). Exchange-rate fluctuations had a positive impact of SEK 40 million on profit from property management.

### Change in value of investment properties

Change in the value of investment properties for the period was SEK -2,954 million (4,500), of which SEK -2,952 million (4,500) pertained to unrealised value changes. This corresponds to a value change of -3.5 per cent (5.9).

Value change attributable to property management and development projects was SEK

632 million (1,166), or 0.7 per cent (1.5). The high current inflation rate had a positive impact on value change from property management. Value change related to market factors was SEK -3,584 million (3,335), representing a change of -4.2 per cent (4.4), due to an upward adjustment of valuation yields.

In the first half of 2023, a buy-and-hold approach continued to characterise transaction markets in Sweden, Germany and Finland. While few transactions were completed, NREP's acquisition of 22 properties (mainly nursing homes) from Vectura for nearly SEK 5 billion stood out as the single largest transaction for nursing homes in Sweden. Overall, yield requirements are estimated to have increased in all 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.

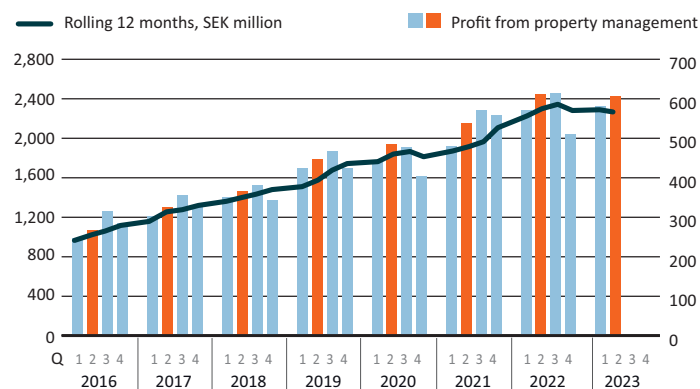
The weighted yield used in the valuation of Hemsö's property portfolio was 4.7 per cent (4.1). The valuation yield was 4.6 per cent (3.9) in Sweden, 4.2 per cent (4.1) in Germany and 5.3 per cent (4.9) in Finland.

### 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, 48 and 74 per cent, respectively, of the portfolio was evaluated externally by CBRE and JLL, respectively. 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 85,071 million (84,683).

### Profit from property management, SEK million



### Unrealised value changes properties, Jan–Jun 2023

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	521	-64	175	<b>632</b>
– Market factors	-3,279	-104	-201	<b>-3,584</b>
<b>Total unrealised value changes</b>	<b>-2,758</b>	<b>-168</b>	<b>-26</b>	<b>-2,952</b>

### Change in value of property portfolio

	SEK million	No.
Market value, opening balance	84,879	480
Acquisitions	134	5
Investments in new construction, extension and re-developments	1,398	–
Divestments	-18	-1
Exchange rate changes	1,631	–
Unrealised value changes	-2,952	–
<b>Carrying amount at period-end</b>	<b>85,071</b>	<b>484</b>



### Change in value of financial instruments

Changes in the value of financial instruments had an impact of SEK -76 million (68) on profit. Changes in the value of interest-rate derivatives had an impact of SEK 17 million (27) on profit. Derivatives attributable to currency risk management had an impact of SEK -93 million (41) on profit.

### Tax

Recognised tax for the period amounted to SEK 325 million (-1,104), of which current tax accounted for SEK -142 million (-92) and deferred tax for SEK 467 million (-1,011). 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 6,208 million (7,153).

### Earnings

Loss after tax for the period totalled SEK -1,517 million (4,790). The decline was mainly attributable to negative changes in the value of investment properties. The total return was -4.0 per cent (17.2).

### Cash flow

Hemsö's operating cash flow rose 6 per cent to SEK 1,166 million (1,105). The increase was mainly attributable to higher dividends from joint ventures and lower tax paid. Cash flow

from operating activities before changes in working capital was SEK 1,167 million (1,104). The change in working capital was SEK -561 million (130). Investing activities had a negative impact of SEK -1,523 million (-3,386) on cash flow, while borrowings, loan repayments and dividends had a positive impact of SEK 1,714 million (1,768) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK 797 million (-384).

### Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the

## SEK -1,517 million

### Loss after tax

Group's properties in the property-owning subsidiaries. Parent Company sales amounted to SEK 61 million (59) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -120 million (-107), mainly attributable to higher consultancy costs due to ongoing

digitisation projects but also to higher costs for temporary employees. Financial items amounted to income of SEK 33 million (204). Financial items include interest income of SEK 464 million (336), interest expense of SEK -611 million (-248), profit of SEK 311 million (438) from participations in Group companies, and exchange rate effects of SEK -130 million (-322). Impairment and reversal of past impairment losses on derivatives amounted to SEK -336 million (0) and loss for the period totalled SEK -252 million (213).

### 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–Jun 2023	Jan–Jun 2022	Jan–Jun 2023	Jan–Jun 2022	30 Jun 2023	30 Jun 2022
Sweden East	568	468	420	346	22,706	23,740
Sweden Central	296	249	199	165	9,245	10,119
Sweden North	368	331	268	243	13,163	13,411
Sweden South	258	200	170	126	8,427	9,057
Germany	394	337	352	303	16,179	14,544
Finland	501	394	376	288	15,352	13,811
<b>Total</b>	<b>2,386</b>	<b>1,980</b>	<b>1,785</b>	<b>1,471</b>	<b>85,071</b>	<b>84,683</b>

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

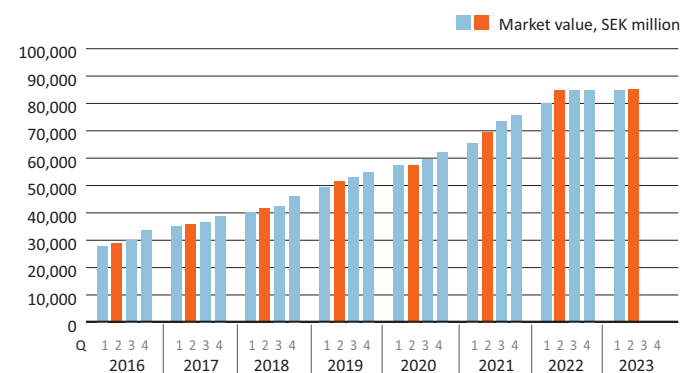
Of the market value of properties of SEK 85,071 million (84,683), 63 per cent (67) was attributable to Sweden, 19 per cent (17) to Germany and 18 per cent (16) to Finland. The largest share of the market value of properties, 82 per cent, was attributable to properties located in metropolitan areas and 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 June 2023, Hemsö's property portfolio comprised 484 properties (466) with a total lettable area of 2,438 tsqm (2,311).

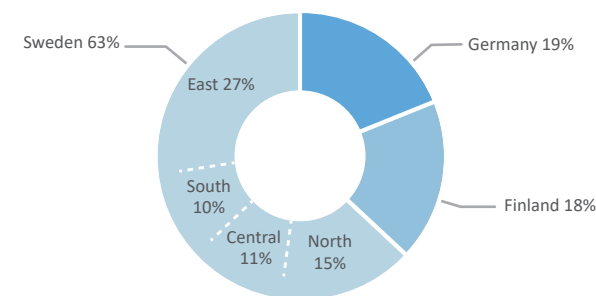
### Investments

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 1,398 million (1,960) was invested, of which SEK 964 million (1,622) pertained to new construction, extension and re-developments and SEK 434 million (339) to improvements and new lettings.

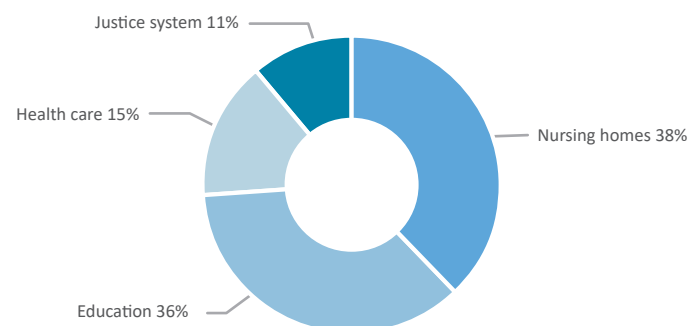
### Market value of properties, SEK million



### 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	153	64	27	484
Lettable area, tsqm	1,065	817	326	231	2,438
Rental duration, years	9.1	11.7	8.0	7.8	9.7
Market value of properties, SEK million	32,632	30,574	12,404	9,461	85,071
Rental income, SEK million	895	815	387	289	2,386
Net operating income, SEK million	678	622	263	222	1,785
Economic occupancy rate, %	98.6	97.5	96.0	97.0	97.6
Property yield, %	4.3	4.4	4.3	4.8	4.4

## Tenants

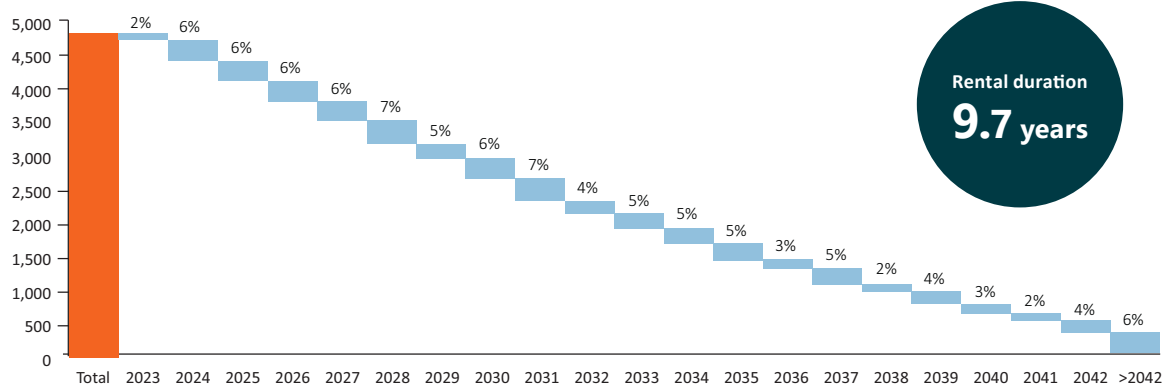
Hemsö's business model is based on long-term rental agreements with public-sector tenants, or with private operators that are taxpayer-funded. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2022, the CPI was 11 per cent. In Finland and Germany, annual inflation was 9 per cent in 2022. In Finland and Germany, rents are adjusted periodically. The CPI inflation was 90 per cent in Sweden, 78 per cent in Germany and 100 per cent in Finland.

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 62 per cent. Contracted annual rent was 29 per cent with municipal operators, 19 per cent with state operators, 2 per cent with federal state operators and 12 per cent with regional operators. Private operators accounted for 33 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, 11 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



## Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. rental agreements
Swedish Police	State	241	5.1	35
Region Stockholm	Region	222	4.7	66
AcadeMedia	Private	185	3.9	22
Wellbeing Services County of Southwest Finland (Fin)	Region	163	3.4	17
Attendo	Private	155	3.3	76
Ministry of Justice (Fin)	State	148	3.1	14
City of Västerås	Municipality	120	2.5	22
Mälardalen University	State	117	2.5	3
AWO (GER)	Non-profit	114	2.4	12
Alloheim (GER)	Private	89	1.9	10
City of Lahti (Fin)	Municipality	87	1.8	4
International English School	Private	87	1.8	11
Ambea	Private	83	1.8	10
Norrköping Municipality	Municipality	81	1.7	15
Karolinska Institute	State	72	1.5	4
HEWAG (GER)	Private	69	1.4	9
North Rhine-Westphalia (GER)	Federal state	69	1.4	1
Västra Götaland Region	Region	63	1.3	60
Mehiläinen (FI)	Private	61	1.3	9
Esperi Care (FI)	Private	60	1.3	16
<b>Total</b>		<b>2,287</b>	<b>48.1</b>	<b>416</b>

## Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish state	550	12
Swedish regions	338	7
Swedish municipalities	1,098	23
Finnish state	280	6
Finnish regions	231	5
Finnish municipalities	238	5
German state	57	1
German states	89	2
German municipalities	55	1
<b>Total</b>	<b>2,935</b>	<b>62</b>

- Public-sector tenant
- Private-sector tenant

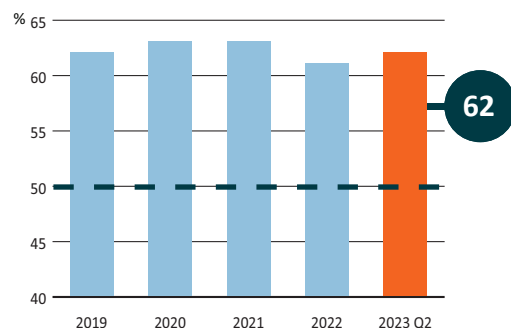
(FI) = Finland  
(GER) = Germany

## 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.

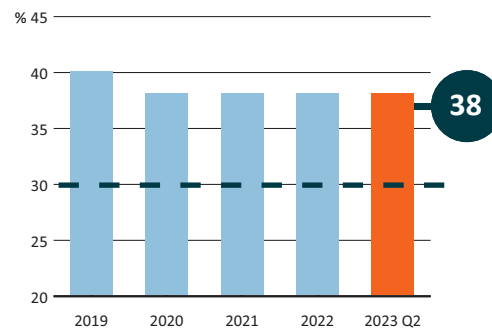
### Public-sector tenants

– At least 50 per cent of rental income



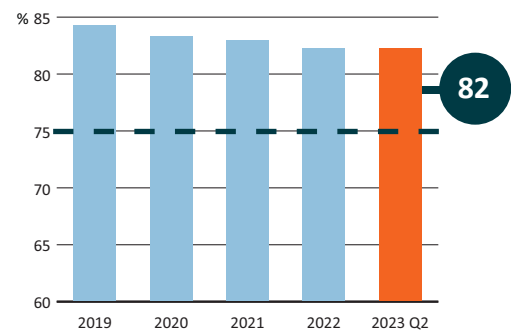
### Nursing homes

– At least 30 per cent of rental income



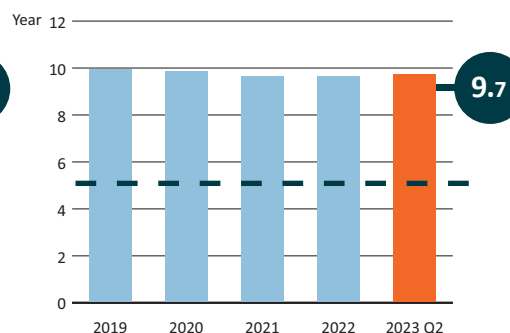
### Metropolitan areas and large cities

– 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. When calculating the earnings capacity as per 1 July 2023, the exchange rate of 11,74 (10,64) has been used to convert to euros.

### Earning capacity

SEK million	1 Jul 2023	1 Jul 2022	Change, %
Rental income	4,752	3,986	19
Other income	24	23	6
Property costs	-1,178	-978	20
<b>Net operating income</b>	<b>3,599</b>	<b>3,031</b>	<b>19</b>
Central administrative expenses	-203	-164	23
Profit from property management, joint ventures	105	90	17
Net interest income/expense	-1,253	-572	119
<b>Profit/loss from property management</b>	<b>2,248</b>	<b>2,384</b>	<b>-6</b>

# 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 3,194 million, of which the remaining investment amount was SEK 2,214 million. The total volume of ongoing new construction and re-development projects amounted to SEK 4,217 million, of which the remaining investment amount was SEK 2,754 million.



Paavola Campus in Lahti, Finland, was completed in the second quarter

## 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	368	25	100	2024
Herkules hotell & kommunhus	Trelleborg	Other	21	9,100	444	400	27	100	2026
Ektorp school	Nacka	Education	25	9,900	399	377	26	100	2025
Novum <sup>1) 2)</sup>	Huddinge	Health care	–	39,400	390	103	–	–	2024
Campus Tensta <sup>1)</sup>	Stockholm	Education	7	16,800	367	221	29	32	2024-2026
Vänersborg District Court	Vänersborg	Justice system	15	7,000	305	287	18	100	2026
Campus Kronåsen, Uppsala Municipality <sup>1)</sup>	Uppsala	Education	10	16,200	268	109	38	100	2023
Tempelriddarorden	Stockholm	Nursing homes	15	5,900	239	209	15	100	2025
Kristiansborgsbadet <sup>1)</sup>	Västerås	Education	13	7,500	150	11	4	100	2023
Körsbärsparken preschool	Helsinki	Education	25	1,900	134	131	8	100	2025
<b>Total</b>				<b>123,600</b>	<b>3,194</b>	<b>2,214</b>	<b>189</b>		

☐ Public-sector tenant ☐ Private-sector tenant <sup>1)</sup> Re-development. <sup>2)</sup> Investment in maintenance, modernisation and energy efficiency of the property.

## Major completed development projects, 2023

Completed	Development projects	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate <sup>1)</sup> , %
Q1	Norrskén	Östersund	Nursing homes	Miljöbyggnad	6,100	250	20	14	100
Q1	Kleinmachnow	Potsdam-Mittelmark	Nursing homes	–	7,600	226	20	11	100
Q1	Hoivamme V6	Nurmijärvi	Nursing homes	BREEAM	1,600	75	15	4	100
Q2	Stavborgsskolan	Nacka	Education	Miljöbyggnad	13,000	312	25	33	100
Q2	Gyllegården <sup>2)</sup>	Borlänge	Nursing homes	Miljöbyggnad	7,700	301	20	17	77
Q2	Büttelborn	Groß-Gerau	Nursing homes	–	6,200	222	25	12	100
Q2	Paavola Campus <sup>3)</sup>	Lahti	Education	–	6,500	185	20	18	100
Q2	Växthuset sports centre	Lund	Education	Miljöbyggnad	4,700	123	10	8	100
Q2	Raksila fire and rescue station	Oulu	Justice system	BREEAM	2,300	110	25	7	100
Q2	Ljungs-Hälle preschool	Uddevalla	Education	Nordic Swan	1,500	60	20	4	100
Q2	Hoivamme H3	Tusby	Nursing homes	BREEAM	1,200	59	15	3	100
Q2	Hoivamme N43	Högfors	Nursing homes	BREEAM	1,200	54	17	3	100
Q2	Kornknarren preschool	Västerås	Education	Miljöbyggnad	1,100	51	15	3	100
<b>Total</b>					<b>60,700</b>	<b>2,030</b>	<b>21</b>	<b>137</b>	

☐ Public-sector tenant ☐ Private-sector tenant <sup>1)</sup> Occupancy rate upon completion. <sup>2)</sup> The vacancy is attributable to co-housing units. Letting is in progress.

<sup>3)</sup> 5 of 5 development projects are completed. The final project will be completed in Q2 2023.



# 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 a focus on the life cycle of a property, we are striving to achieve circular construction.

We work continuously with energy efficiencies, operational optimisation and sustainable sources of energy in the existing portfolio. In Finland, Hemsö completed several major development projects. One comprehensive

energy project with Turku City Hospital was completed in June. The annual reduction of CO<sub>2</sub> emission is estimated to be more than 300 tonnes. The project will also reduce annual costs by 25 per cent, corresponding to TEUR 180.

Hemsö also phased out oil and gas heating in the Kangasala and Lieto fire and rescue stations and installed geothermal heating. This means that the properties now have carbon-neutral heating. The annual emissions reduction is an estimated 285 tonnes, while annual fossil fuel consumption will decrease by 1,350 MWh.

Our target is to certify all new developments. At the end of the second quarter, 22 per cent of the property portfolio was certified, based on area. The decline was due to the expiration of 11 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 1,670 new school places.

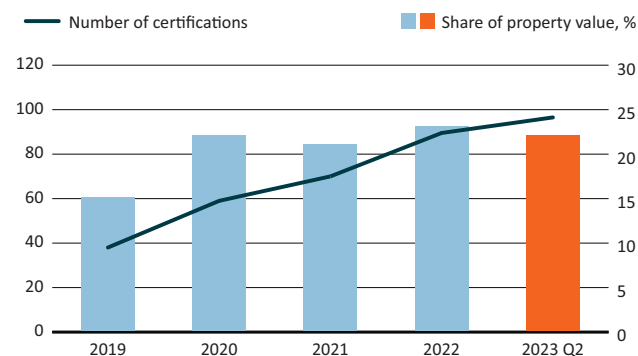
Hemsö develops an educational campus in Tensta, an area which the police define as socially vulnerable. During the quarter, we signed a rental agreement with Järva Gymnasium for a new upper-secondary school with 500 places. The school will open in the autumn school term of 2024. Järva Gymnasium also participated in Järva Week together with Hemsö. The aim was to inform future students about the new upper-secondary school that would soon be opening in Campus Tensta, and to present an example of the added value and results that are created when Hemsö becomes involved in an area.



### In the second quarter of 2023, Hemsö signed a loan agreement with the Council of Europe Development Bank (CEB)

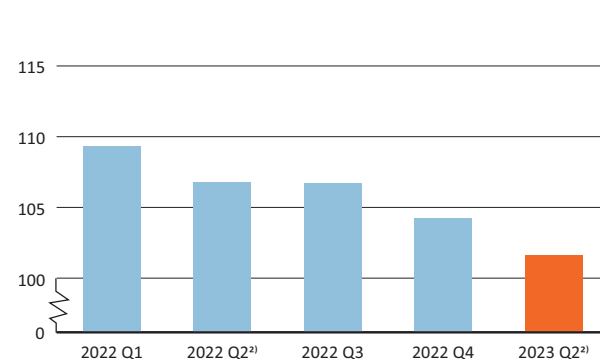
CEB, a multilateral development bank with an exclusively social mandate, has approved an eight-year unsecured loan of EUR 22.2 million for Hemsö's Campus Tensta development project.

## Environmentally certified properties <sup>1)</sup>



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

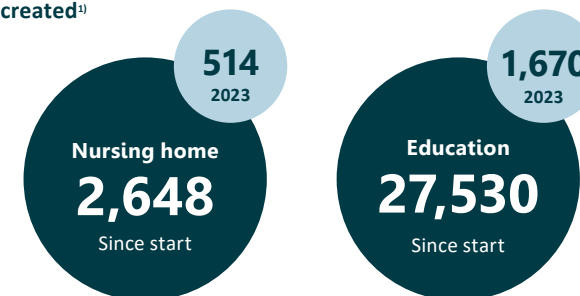
## Energy use, kWh/m<sup>2</sup>, rolling 12-month period <sup>1)</sup>



<sup>1)</sup> Pertains to energy use in Sweden (heating + electricity) in the total portfolio.

<sup>2)</sup> Pertains to the June-May period.

## Beds/school places created<sup>1)</sup>



<sup>1)</sup> The totals pertain to the number of beds/places that Hemsö has added through completed development projects between 2009 and the second quarter of 2023.

## Joint ventures

At 30 June 2023, Hemsö participated 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 1,535 million (1,261),

the participation in Lanthem at SEK 199 million (213) and the participation in HemTag at SEK 3 million (1). Total participations in joint ventures amounted to SEK 1,737 million (1,475). Hemsö has also issued loans of SEK 10 million to Lanthem, bringing investments in joint ventures to SEK 1,747 million.

### 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 June 2023, 62 per cent of rental income was derived from public-sector tenants and the rental duration was seven years.



TTP	30 Jun 2023	30 Jun 2022
Participation, %	52	44
Rental value, SEK million	481	377
No. of properties	28	26
Economic occupancy rate, %	97	96
Market value of properties, SEK million	5,754	5,041
Rental duration, years	7	8
Share of public-sector tenants, %	62	67

### Profit from joint ventures, Jan–June 2023

SEK million	TTP	Lanthem	HemTag	Total
Profit/loss from property management	39	3	-2	41
Value changes, investment properties	-1	6	–	5
Tax	-2	-2	–	-4
<b>Profit/loss recognised</b>	<b>36</b>	<b>7</b>	<b>-2</b>	<b>42</b>

### Lanthem

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

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



Lanthem	30 Jun 2023	30 Jun 2022
Participation, %	50	50
Rental value, SEK million	57	22
No. of properties	6	5
Economic occupancy rate, %	82	100
Market value of properties, SEK million	891	728
Rental duration, years	10	8
Share of public-sector tenants, %	45	30

## 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 60.3 per cent (53.4) and the interest-coverage ratio was 3.5 times (5.7).

Hemsö has a credit rating of A+ from Fitch Ratings, and A- from Standard & Poor's. During the period, Fitch affirmed Hemsö's credit rating with a stable outlook.

Hemsö issues bonds in 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.

At period-end, Hemsö had undrawn committed credit facilities of SEK 13,761 million (11,500). Cash and cash

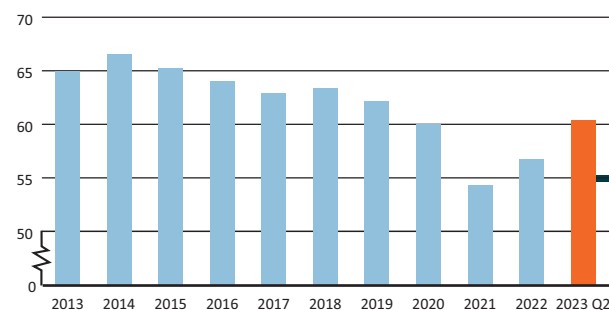
equivalents and current investments amounted to SEK 1,334 million (325). Available liquidity therefore totalled SEK 15,094 million (11,825). The debt-coverage ratio was 162 per cent (144).

### Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 53,645 million (46,361). 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 3,310 million, with maturities ranging from two to seven years. Hemsö also raised a four-year secured bank loan of SEK 1,000 million. At the end of the period, Hemsö also signed an eight-year unsecured loan agreement with the Council of Europe Development Bank (CEB) for EUR 22.2 million, related to financing for Hemsö's Campus Tensta development project.

Loan-to-value ratio, %



### Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A+	F1+	Stable	29 Mar 2023
Standard & Poor's	A-	A-2	Stable	6 Sep 2022

### Sources of funding, SEK million

	30 Jun 2023	30 Jun 2022
Bonds, SEK	15,469	13,514
Bonds, EUR	20,472	18,554
Bonds, AUD, JPY, NOK, USD	4,875	3,573
<b>Total bonds</b>	<b>40,816</b>	<b>35,641</b>
Commercial papers, SEK	5,843	5,142
European Investment Bank, SEK, EUR	4,305	3,979
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	880	798
Secured bank loans, SEK	1,000	—
<b>Total interest-bearing liabilities</b>	<b>53,645</b>	<b>46,361</b>

### Sustainable finance, SEK million

	30 Jun 2023	30 Jun 2022
Sustainability bonds	10,738	6,842
European Investment Bank	4,305	3,979
Nordic Investment Bank	800	800
<b>Total sustainable finance</b>	<b>15,843</b>	<b>11,621</b>

### Capital structure, SEK million

	30 Jun 2023	30 Jun 2022
Interest-bearing liabilities	53,645	46,361
Current investments	-895	—
Cash and cash equivalents	-439	-325
<b>Net debt</b>	<b>52,311</b>	<b>46,036</b>
Market value of properties	85,071	84,683
Investments in joint ventures	1,747	1,475
<b>Total</b>	<b>86,818</b>	<b>86,158</b>
<b>Loan-to-value ratio</b>	<b>60.3%</b>	<b>53.4%</b>
<b>Share of secured debt</b>	<b>1.2%</b>	<b>0.0%</b>

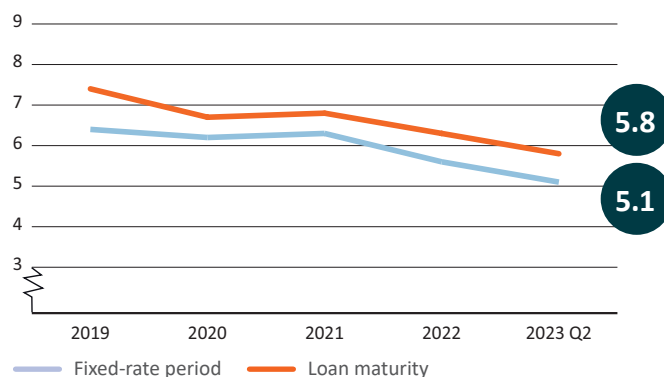
Hemsö uses derivatives to hedge the company's currency and interest-rate risk. At period-end, the nominal value of the interest-rate derivatives was SEK 875 million (0). The value of derivatives used to manage currency risk corresponded to SEK 8,492 million (5,397).

Currency exposure amounted to 1.9 per cent (5.4) of equity.

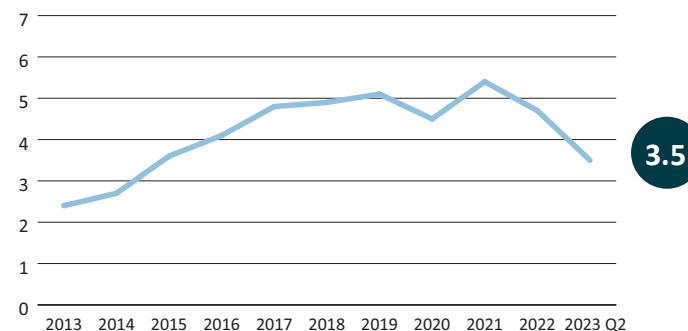
At period-end, the average loan maturity was 5.8 years (6.4). The average fixed-rate period was 5.1 years (5.7). The average interest rate was 2.3 per cent (1.1).



Loan maturity and fixed-rate period, years



Interest-coverage ratio, times



#### Committed credit facilities and underwriting commitments, SEK million

	30 Jun 2023	30 Jun 2022
Banks	7,500	6,500
Third Swedish National Pension Fund	6,000	5,000
Council of Europe Development Bank (CEB)	261	—
<b>Total committed credit facilities</b>	<b>13,761</b>	<b>11,500</b>
Current investments	895	—
Cash and cash equivalents	439	325
<b>Available liquidity</b>	<b>15,094</b>	<b>11,825</b>
Short-term borrowings	9,295	8,200
Debt-coverage ratio, %	162%	144%

#### Currency exposure, SEK million

	30 Jun 2023	30 Jun 2022
Properties, EUR	31,530	28,355
Joint ventures, EUR	1,535	1,261
Cash, EUR	227	56
<b>Assets, EUR</b>	<b>33,292</b>	<b>29,672</b>
Debt, EUR	24,857	22,532
Currency swaps, EUR	7,907	5,397
<b>Exposure, EUR</b>	<b>529</b>	<b>1,744</b>
Debt AUD, JPY, NOK, SEK, USD	8,492	5,623
Currency swaps AUD, JPY, NOK, SEK, USD	-8,492	-5,623
<b>Exposure AUD, JPY, NOK, SEK, USD</b>	<b>0</b>	<b>0</b>
Currency hedging	—	—
<b>Currency exposure</b>	<b>529</b>	<b>1,744</b>
Equity	27,465	32,215
<b>Currency exposure, %</b>	<b>1.9%</b>	<b>5.4%</b>



## Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Long-term max. 60%	60.3%
Loan maturity	At least 3 years	5.8 years
Debt-coverage ratio	At least 125%	162%
Share of secured debt	Max. 20%	1.2%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	3.5 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.1 years
Fixed-rate maturity	Max. 40% within 12 months	26%
<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% of equity	1.9%

## 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	1,300	1,300	2	12,423	23
2024	7,483	4,483	8	3,333	6
2025	13,425	5,425	10	3,730	7
2026	8,707	7,707	14	6,441	12
2027	3,100	3,100	6	1,789	3
2028	8,009	6,509	12	6,712	13
2029	4,677	4,677	9	4,763	9
2030	2,526	2,526	5	2,394	4
2031	1,286	1,286	2	1,157	2
>2031	11,050	10,789	20	10,903	20
<b>Total</b>	<b>61,563</b>	<b>47,802</b>	<b>89</b>	<b>53,645</b>	<b>100</b>
Commercial papers		5,843	11		
<b>Total</b>	<b>61,563</b>	<b>53,645</b>	<b>100</b>		



Hemsö participated in Järva Week as a partner for the second year



Sköndalsvillan in Tyresö has been awarded international sustainability award: WasteBuild Zero Awards 2023

## Quarterly overview

Amounts in SEK million	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
<b>Income statement</b>									
Rental income	1,203	1,183	1,069	1,025	996	983	946	917	894
Other income	6	7	6	6	5	6	7	5	6
Property costs	-287	-328	-303	-241	-241	-279	-251	-200	-209
<b>Net operating income</b>	<b>923</b>	<b>862</b>	<b>771</b>	<b>790</b>	<b>760</b>	<b>711</b>	<b>703</b>	<b>722</b>	<b>690</b>
Central administrative expenses	-50	-48	-64	-39	-41	-39	-43	-41	-41
Profit/loss from participations in joint ventures	22	20	-119	23	96	81	98	0	18
<b>Operating profit</b>	<b>895</b>	<b>834</b>	<b>588</b>	<b>774</b>	<b>815</b>	<b>754</b>	<b>759</b>	<b>681</b>	<b>667</b>
Net interest expense	-291	-250	-218	-152	-129	-114	-114	-122	-125
<b>Profit after net interest expense</b>	<b>604</b>	<b>584</b>	<b>370</b>	<b>622</b>	<b>686</b>	<b>640</b>	<b>644</b>	<b>559</b>	<b>542</b>
<i>- of which Profit from property management</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>	<i>537</i>
Value change, properties	-1,699	-1,255	-2,131	-1,780	2,766	1,734	2,679	2,404	1,915
Value change, financial instruments	-178	103	50	133	70	-3	70	27	72
<b>Profit/loss before tax</b>	<b>-1,273</b>	<b>-568</b>	<b>-1,712</b>	<b>-1,024</b>	<b>3,522</b>	<b>2,371</b>	<b>3,394</b>	<b>2,990</b>	<b>2,529</b>
Current tax	-102	-40	-59	-39	-53	-40	10	-35	-44
Deferred tax	322	145	365	243	-613	-398	-618	-532	-439
<b>Profit/loss for the period</b>	<b>-1,054</b>	<b>-463</b>	<b>-1,406</b>	<b>-820</b>	<b>2,856</b>	<b>1,934</b>	<b>2,785</b>	<b>2,423</b>	<b>2,046</b>
Other comprehensive income	93	16	-12	51	94	53	-3	20	-21
<b>Comprehensive income for the period</b>	<b>-961</b>	<b>-448</b>	<b>-1,418</b>	<b>-769</b>	<b>2,950</b>	<b>1,987</b>	<b>2,782</b>	<b>2,443</b>	<b>2,025</b>

## Quarterly overview, cont.

Amounts in SEK million	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
<b>Balance sheet</b>									
Investment properties	85,071	84,784	84,879	85,004	84,683	79,987	75,737	73,516	69,619
Right-of-use assets	1,018	943	932	849	843	801	759	724	723
Participations in joint ventures	1,737	1,699	1,655	1,748	1,475	1,363	1,271	1,168	1,160
Derivatives	–	87	247	389	237	309	161	33	–
Other assets	1,834	1,368	1,209	1,180	992	865	892	730	706
Cash and cash equivalents and short-term investments	1,334	1,009	526	1,214	325	795	687	533	519
<b>Total assets</b>	<b>90,993</b>	<b>89,889</b>	<b>89,447</b>	<b>90,384</b>	<b>88,554</b>	<b>84,121</b>	<b>79,508</b>	<b>76,705</b>	<b>72,727</b>
Equity	27,465	29,581	30,028	31,449	32,215	30,337	28,350	25,646	22,203
Deferred tax liabilities	6,059	6,378	6,557	6,942	7,143	6,519	6,082	5,467	4,923
Derivatives	313	–	–	–	–	–	–	–	32
Interest-bearing liabilities	53,645	50,535	49,567	48,792	46,361	44,375	42,498	43,067	43,097
Lease liabilities	1,018	943	932	849	843	801	759	724	723
Non-interest-bearing liabilities	2,494	2,453	2,363	2,352	1,992	2,089	1,819	1,800	1,748
<b>Total equity and liabilities</b>	<b>90,993</b>	<b>89,889</b>	<b>89,447</b>	<b>90,384</b>	<b>88,554</b>	<b>84,121</b>	<b>79,508</b>	<b>76,705</b>	<b>72,727</b>
<b>Key ratios</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>	<b>Q2 2021</b>
<b>Financial ratios</b>									
Loan-to-value ratio, %	60.3	57.3	56.7	54.8	53.4	53.6	54.3	57.0	60.1
Interest-coverage ratio, times <sup>1) 2)</sup>	3.5	4.0	4.7	5.5	5.7	5.6	5.4	4.7	4.5
Operating cash flow, SEK million	615	551	493	562	573	532	536	533	517
<b>Property-related key ratios</b>									
Property yield, % <sup>1)</sup>	4.4	4.2	4.1	3.9	3.8	4.0	4.0	4.3	4.4
Total return, % <sup>1)</sup>	-4.0	0.9	4.5	10.9	17.2	16.9	15.8	14.8	11.7
Economic occupancy rate, %	97.6	97.9	97.9	97.9	97.6	97.9	97.9	98.0	97.9
NOI margin, %	76.3	72.4	71.8	76.6	75.9	71.8	73.7	78.3	76.7
No. of properties	484	484	480	468	466	458	441	426	421
Lettable area, tsqm	2,438	2,415	2,400	2,339	2,311	2,286	2,218	2,226	2,155

<sup>1)</sup> Based on rolling 12-month outcome.

<sup>2)</sup> 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 the definition on page 26 and Key ratio calculations on page 27.

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022–Jun 2023	Jan–Dec 2022
Rental income	2,386	1,980	1,203	996	4,480	4,073
Other income	13	12	6	5	24	23
Operating costs	-453	-380	-208	-174	-807	-734
Maintenance costs	-117	-100	-62	-52	-259	-242
Other property costs	-44	-40	-17	-16	-93	-89
<b>Net operating income</b>	<b>1,785</b>	<b>1,471</b>	<b>923</b>	<b>760</b>	<b>3,346</b>	<b>3,032</b>
Central administrative expenses	-98	-80	-50	-41	-200	-183
Profit/loss from participations in joint ventures	42	178	22	96	-54	82
- of which profit from property management	41	36	25	23	78	74
- of which changes in value	5	185	-1	101	-146	35
- of which tax	-4	-44	-2	-27	13	-27
<b>Operating profit</b>	<b>1,729</b>	<b>1,569</b>	<b>895</b>	<b>815</b>	<b>3,091</b>	<b>2,931</b>
Net interest expense	-541	-243	-291	-129	-911	-613
<b>Profit after net interest expense</b>	<b>1,188</b>	<b>1,326</b>	<b>604</b>	<b>686</b>	<b>2,180</b>	<b>2,317</b>
- of which Profit from property management <sup>1)</sup>	<b>1,187</b>	<b>1,184</b>	<b>607</b>	<b>612</b>	<b>2,312</b>	<b>2,309</b>
Value change, investment properties	-2,954	4,500	-1,699	2,766	-6,865	589
Value change, financial instruments	-76	68	-178	70	107	251
<b>Profit/loss before tax</b>	<b>-1,842</b>	<b>5,893</b>	<b>-1,273</b>	<b>3,522</b>	<b>-4,578</b>	<b>3,157</b>
Current tax	-142	-92	-102	-53	-240	-190
Deferred tax	467	-1,011	322	-613	1,074	-403
<b>Profit/loss for the period</b>	<b>-1,517</b>	<b>4,790</b>	<b>-1,054</b>	<b>2,856</b>	<b>-3,744</b>	<b>2,563</b>

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022–Jun 2023	Jan–Dec 2022
<b>Profit/loss for the period attributable to</b>						
Parent Company shareholders	-1,447	4,591	-1,009	2,777	-3,573	2,466
Non-controlling interests	-70	199	-45	80	-171	98
<b>Other comprehensive income</b>						
Profit/loss for the period	-1,517	4,790	-1,054	2,856	-3,744	2,563
Translation difference	109	147	93	94	148	187
<b>Comprehensive income for the period</b>	<b>-1,409</b>	<b>4,937</b>	<b>-961</b>	<b>2,950</b>	<b>-3,596</b>	<b>2,750</b>
<b>Comprehensive income for the period attributable to</b>						
Parent Company shareholders	-1,342	4,736	-919	2,869	-3,431	2,648
Non-controlling interests	-67	201	-42	81	-165	103

<sup>1)</sup> For the calculation of Profit from property management, refer to Key ratio calculations on page 27.



## Group – Condensed statement of financial position

Amounts in SEK million	30 Jun 2023	30 Jun 2022	31 Dec 2022
<b>ASSETS</b>			
Investment properties	85,071	84,683	84,879
Right-of-use assets	1,018	843	932
Participations in joint ventures	1,737	1,475	1,655
Derivatives	–	237	247
Other non-current assets	87	–	44
<b>Total non-current assets</b>	<b>87,913</b>	<b>87,279</b>	<b>87,757</b>
Current receivables	1,747	950	1,165
Current investments	895	–	–
Cash and cash equivalents	439	325	526
<b>Total current assets</b>	<b>3,081</b>	<b>1,275</b>	<b>1,691</b>
<b>TOTAL ASSETS</b>	<b>90,993</b>	<b>88,554</b>	<b>89,447</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>27,465</b>	<b>32,215</b>	<b>30,028</b>
Deferred tax liabilities	6,059	7,143	6,557
Non-current interest-bearing liabilities	44,350	38,161	41,064
Lease liabilities	1,018	843	932
Derivatives	313	–	–
<b>Total non-current liabilities</b>	<b>51,740</b>	<b>46,147</b>	<b>48,553</b>
Current interest-bearing liabilities	9,295	8,200	8,503
Other current liabilities	2,494	1,992	2,363
<b>Total current liabilities</b>	<b>11,789</b>	<b>10,192</b>	<b>10,866</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>90,993</b>	<b>88,554</b>	<b>89,447</b>

## 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
Comprehensive income (1 Jan 2022–30 Jun 2022)	–	–	145	4,591	201	4,937
<b>Closing equity, 30 Jun 2022</b>	<b>1</b>	<b>7,835</b>	<b>351</b>	<b>23,057</b>	<b>970</b>	<b>32,215</b>
Opening equity, 1 Jul 2022	1	7,835	351	23,057	970	32,215
Minority interest contributions repaid	–	–	–	–	-3	-3
Contributions from minority interests	–	–	–	–	3	3
Comprehensive income (1 Jul 2022–31 Dec 2022)	–	–	37	-2,126	-98	-2,187
<b>Closing equity, 31 Dec 2022</b>	<b>1</b>	<b>7,835</b>	<b>388</b>	<b>20,932</b>	<b>872</b>	<b>30,028</b>
Opening equity, 1 Jan 2023	1	7,835	388	20,932	872	30,028
Dividends	–	-1,000	–	-155	–	-1,155
Comprehensive income (1 Jan 2023–30 Jun 2023)	–	–	105	-1,447	-67	-1,409
<b>Closing equity, 30 Jun 2023</b>	<b>1</b>	<b>6,835</b>	<b>493</b>	<b>19,330</b>	<b>806</b>	<b>27,465</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022–Jun 2023	Jan–Dec 2022
<b>Operating activities</b>						
Profit from property management	1,187	1,184	607	612	2,312	2,309
<i>Adjustment for non-cash items</i>						
- Loss from property management, participations in joint ventures	-41	-36	-25	-23	-78	-74
- Depreciation	10	9	5	4	18	17
- Exchange differences, unrealised	1	-1	0	-1	17	15
Dividends from joint ventures	44	20	44	20	45	21
Tax paid	-34	-71	-16	-41	-75	-113
<b>Cash flow before changes in working capital</b>	<b>1,167</b>	<b>1,104</b>	<b>615</b>	<b>572</b>	<b>2,238</b>	<b>2,175</b>
Increase (+)/decrease (-) in working capital	-561	130	-457	-204	-356	335
<b>Cash flow from operating activities</b>	<b>606</b>	<b>1,234</b>	<b>158</b>	<b>368</b>	<b>1,882</b>	<b>2,510</b>
<b>Investing activities</b>						
Acquisition of properties	-134	-1,426	-18	-110	-1,575	-2,867
Investments in new construction, extension and re-developments	-1,398	-1,960	-749	-1,019	-3,247	-3,809
Property divestments	17	2	17	2	442	427
Investments in financial assets	-6	–	0	–	-220	-215
Other non-current assets	-3	-1	-2	-1	-5	-3
<b>Cash flow from investing activities</b>	<b>-1,523</b>	<b>-3,386</b>	<b>-752</b>	<b>-1,127</b>	<b>-4,605</b>	<b>-6,467</b>

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022–Jun 2023	Jan–Dec 2022
<b>Financing activities</b>						
Interest-bearing loans raised	5,822	6,169	3,682	2,684	10,405	10,752
Repayment of interest-bearing liabilities	-2,901	-3,310	-1,565	-1,353	-5,436	-5,844
Financial instruments realised	-52	-18	-54	0	-54	-20
Contributions from non-controlling interests	–	0	–	–	0	0
Dividends paid	-1,155	-1,072	-1,155	-1,072	-1,155	-1,072
<b>Cash flow from financing activities</b>	<b>1,714</b>	<b>1,768</b>	<b>909</b>	<b>260</b>	<b>3,761</b>	<b>3,816</b>
<b>Cash flow for the period</b>	<b>797</b>	<b>-384</b>	<b>315</b>	<b>-499</b>	<b>1,038</b>	<b>-142</b>
Opening cash and cash equivalents	526	687	1,009	795	325	687
Exchange rate differences in cash and cash equivalents	11	21	9	28	-29	-19
<b>Cash and cash equivalents at period-end</b>	<b>1,334</b>	<b>325</b>	<b>1,334</b>	<b>325</b>	<b>1,334</b>	<b>526</b>
<b>Operating cash flow</b>	<b>1,166</b>	<b>1,105</b>	<b>615</b>	<b>573</b>	<b>2,221</b>	<b>2,160</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Net sales	61	59	120	118
Central administrative expenses	-120	-107	-235	-223
Other operating income	0	0	129	129
<b>Operating profit/loss</b>	<b>-59</b>	<b>-49</b>	<b>14</b>	<b>24</b>
Financial items	33	204	-363	-192
Impairment/reversal of impaired derivatives	-336	0	-411	-75
Appropriations	–	–	724	724
<b>Profit/loss before tax</b>	<b>-362</b>	<b>155</b>	<b>-36</b>	<b>481</b>
Recognised tax	110	57	89	37
<b>Profit/loss for the period</b>	<b>-252</b>	<b>213</b>	<b>53</b>	<b>518</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	30 Jun 2023	30 Jun 2022	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7	4	5
Equipment	2	3	3
Shares and participations in Group companies	16,596	10,622	16,582
Deferred tax assets	164	19	54
Non-current receivables	15,328	35,952	16,527
<b>Total non-current assets</b>	<b>32,097</b>	<b>46,600</b>	<b>33,170</b>
<b>Current assets</b>			
Current receivables	25,986	5,384	22,592
Current investments	895	–	–
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>26,881</b>	<b>5,384</b>	<b>22,592</b>
<b>TOTAL ASSETS</b>	<b>58,978</b>	<b>51,984</b>	<b>55,762</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3,537	4,639	4,944
<b>Untaxed reserves</b>			
Tax allocation reserve	–	43	–
<b>Liabilities</b>			
Deferred tax liabilities	27	29	27
Interest-bearing liabilities	53,610	46,336	49,538
Non-interest-bearing liabilities	1,804	937	1,253
<b>Total liabilities</b>	<b>55,441</b>	<b>47,302</b>	<b>50,818</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>58,978</b>	<b>51,984</b>	<b>55,762</b>

## Other information

### Significant events after period-end

No significant events occurred after period-end.

### Employees

At period-end, Hemsö had 166 employees, of whom 75 were women and 91 men. Of these employees, 55 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 11 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 June 2023, 74 per cent of the loan portfolio was hedged against rising rates and 26 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 company 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 half-year 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, 14 July 2023

*Kerstin Hessius, Chair of the Board*

*Mari Björklund, Board member*

*Staffan Hansén, Board member*

*David Mindus, Board member*

*Johanna Skogestig, Board member*

*Johan Thorell, Board member*

*Nils Styf, Chief Executive Officer*

This report has not been audited.

# Definitions

## Financial definitions

### Share of secured debt

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

### Loan-to-value ratio

Interest-bearing net debt in relation to market value of properties 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.

### 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.

### 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.

<b>Profit from property management</b>	<b>Jan–Jun 2023</b>	<b>Jan–Jun 2022</b>	<b>Jul 2022–Jun 2023</b>	<b>Jul 2021–Jun 2022</b>
Profit after net interest income/expense	1,188	1,326	2,180	2,529
Reversal				
<i>Changes in value, joint ventures</i>	-5	-185	146	-296
<i>Tax, joint ventures</i>	4	44	-13	79
<b>Profit from property management</b>	<b>1,187</b>	<b>1,184</b>	<b>2,312</b>	<b>2,312</b>

<b>Operating cash flow</b>	<b>Jan–Jun 2023</b>	<b>Jan–Jun 2022</b>	<b>Jul 2022–Jun 2023</b>	<b>Jul 2021–Jun 2022</b>
Profit from property management	1,187	1,184	2,312	2,312
Dividends from joint ventures	44	20	45	20
Tax paid	-34	-71	-75	-138
Reversal				
<i>Loss from property management, participations in joint ventures</i>	-41	-36	-78	-59
<i>Depreciation</i>	10	9	18	17
<b>Operating cash flow</b>	<b>1,166</b>	<b>1,105</b>	<b>2,221</b>	<b>2,153</b>

<b>Interest-coverage ratio</b>	<b>Jan–Jun 2023</b>	<b>Jan–Jun 2022</b>	<b>Jul 2022–Jun 2023</b>	<b>Jul 2021–Jun 2022</b>
Net operating income	1,785	1,471	3,346	2,896
Central administration	-98	-80	-200	-163
Dividends from joint ventures	44	20	45	20
	<b>1,732</b>	<b>1,411</b>	<b>3,189</b>	<b>2,753</b>
Net interest expense	-541	-243	-911	-480
<b>Interest-coverage ratio</b>	<b>3.2 times</b>	<b>5.8 times</b>	<b>3.5 times</b>	<b>5.7 times</b>

<b>NOI margin</b>	<b>Jan–Jun 2023</b>	<b>Jan–Jun 2022</b>	<b>Jul 2022–Jun 2023</b>	<b>Jul 2021–Jun 2022</b>
Rental income	2,386	1980	4,480	3,843
Other property income	13	12	24	24
<b>Total property income</b>	<b>2,399</b>	<b>1,992</b>	<b>4,505</b>	<b>3,867</b>
Net operating income	1,785	1,471	3,346	2,896
<b>NOI margin</b>	<b>74.4%</b>	<b>73.9%</b>	<b>74.3%</b>	<b>74.9%</b>

## Key ratio calculations, cont.

Share of secured debt	30 Jun 2023	30 Jun 2022
Secured debt outstanding	1,000	–
Market value of properties	85,071	84,683
<b>Share of secured debt</b>	<b>1.2%</b>	<b>0.0%</b>
Loan-to-value ratio	30 Jun 2023	30 Jun 2022
Interest-bearing debt	53,645	46,361
Current investments	-895	–
Cash and cash equivalents	-439	-325
<b>Net debt</b>	<b>52,311</b>	<b>46,036</b>
Market value of properties	85,071	84,683
Investments in joint ventures	1,747	1,475
<b>Total</b>	<b>86,818</b>	<b>86,158</b>
<b>Loan-to-value ratio</b>	<b>60.3%</b>	<b>53.4%</b>
Property yield	30 Jun 2023	30 Jun 2022
Net operating income according to income statement	3,346	2,896
Adjusted for 12-month holding period	89	47
Adjusted for development properties	-180	-163
<b>Adjusted net operating income</b>	<b>3,254</b>	<b>2,780</b>
Market value of properties	85,071	84,683
Adjusted for development properties	-10,933	-11,842
<b>Adjusted market value of properties</b>	<b>74,138</b>	<b>72,841</b>
<b>Property yield</b>	<b>4.4%</b>	<b>3.8%</b>

Debt-coverage ratio	30 Jun 2023	30 Jun 2022
Cash and cash equivalents	439	325
Current investments	895	–
Undrawn committed credit facilities	13,761	11,500
<b>Available liquidity</b>	<b>15,094</b>	<b>11,825</b>
Short-term borrowings	9,295	8,200
<b>Debt-coverage ratio</b>	<b>162%</b>	<b>144%</b>
Total return	Jul 2022–Jun 2023	Jul 2021–Jun 2022
Net operating income	3,432	2,896
Value change, properties	-6,990	9,583
<b>Total</b>	<b>-3,558</b>	<b>12,479</b>
Opening market value of properties	84,683	69,619
Closing market value of properties	85,071	84,683
Adjustment of value change for the period	6,990	-9,583
<b>Adjusted average property value</b>	<b>88,372</b>	<b>72,360</b>
<b>Total return</b>	<b>-4.0%</b>	<b>17.2%</b>

**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](https://hemso.se)

**Financial calendar**

Interim report Jan–Sep 2023

20 Oct 2023

An orange circle graphic containing the words 'Accessible', 'Reliable', and 'Progressive' stacked vertically in white text.

**Accessible**  
**Reliable**  
**Progressive**