



Interim report 2023

**HEMSÖ**

## Significant events during the first quarter

- » A 25-year rental agreement was signed with the City of Helsinki for the development of a new preschool for 224 children in the Herttonäs neighbourhood of Helsinki. The investment amount was EUR 11 million.
- » Hemsö signed a 12-year rental agreement with the Academedia for two buildings totalling 2,000 sqm in Campus Polacksbacken in Uppsala.
- » Hemsö updated its sustainable finance framework.
- » HemTag, a joint venture between Hemsö and Tagebad, signed a 33-year rental agreement with Nacka Municipality regarding construction and rental of a new swimming centre at Myrsjö in Nacka.
- » Credit ratings provider Fitch Ratings affirmed Hemsö's long-term credit rating of A+ with a stable outlook, and Hemsö's short-term credit rating of F1+.

## Summary, January–March 2023

- » Rental income increased 20 per cent to SEK 1,183 million (983).
- » Profit from property management increased 1 per cent to SEK 580 million (572).
- » Changes in the value of properties amounted to SEK -1,255 million (1,734) and changes in the value of financial instruments to SEK 103 million (-3).
- » Loss after tax for the period amounted to SEK -463 million (1,934).
- » The market value of the properties amounted to SEK 84,784 million (79,987).
- » During the period, SEK 649 million (942) was invested in the existing property portfolio.
- » During the period 4 properties (17) were acquired for SEK 116 million (1,316) and no properties (0) were divested.

## Hemsö in summary

	Jan – Mar 2023	Jan – Mar 2022	Apr 2022 – Mar 2023	Jan – Dec 2022
Rental income, SEK million	1,183	983	4,273	4,073
Profit from property management, SEK million	580	572	2,318	2,309
Profit/loss after tax, SEK million	-463	1,934	167	2,563
Operating cash flow, SEK million	551	532	2,179	2,160
Loan-to-value ratio at period-end, %	57.3	53.6	57.3	56.7
Interest-coverage ratio, times <sup>1)</sup>	3.3	5.9	4.0	4.7
Market value of properties at period-end, SEK million	84,784	79,987	84,784	84,879
NOI margin, %	72.4	71.8	74.1	74.0
Economic occupancy rate at period-end, %	97.9	97.9	97.9	97.9
Rental duration at period-end, years	9.5	9.6	9.5	9.6
Lettable area at period-end, tsqm	2,415	2,286	2,415	2,400

<sup>1)</sup> Hemsö has updated its definition of 'Interest-coverage ratio,' which now excludes profit from participations in joint ventures and includes dividends from joint ventures. Interest-coverage ratios for prior quarters have been restated in accordance with the new definition. Refer to the definition on page 25 and Key ratio calculations on page 26.



## CEO statement

Despite the uncertain market during the quarter, business proceeded as usual and resulted in several new rental agreements and development projects. We are finding that demand in our segments is stronger than ever.

We already have several schools and nursing homes in Nacka Municipality. In March, the joint venture formed by Hemsö and Tagebad – HemTag – signed its first agreement for a swimming centre. Nacka Municipality is the tenant for a duration of 33 years.

Hemsö also broadened its collaboration with the City of Helsinki during the quarter. A 25-year rental agreement was signed for a new preschool for 224 children. The preschool will use locally generated energy as far as possible. Geothermal heating will provide at least 90 per cent of annual heating needs, and at least 10 per cent of electricity will be solar-generated.

### New climate target

As part of our efforts to reduce our climate impact, we have set a new target. Hemsö shall achieve net zero emissions across the entire value chain (Scopes 1, 2 and 3) by 2040. This is an ambitious target, but I am convinced we

will achieve it. We can do a great deal on our own, but we are also dependent on others to make this transition journey.

We are always looking into possibilities for re-use and conversion instead of building with new materials. Embodied carbon is already calculated for all new developments to enable good climate choices at a very early stage. Tools for calculating the embodied carbon in our existing portfolio are currently being evaluated.

Hemsö's employees are committed to sustainability, in terms of both the climate and social sustainability. The drivers range from major innovations to minor adjustments, and the ideas come from a range of people in all departments. I would say that this attitude is a distinct feature of Hemsö's culture. I see it everywhere in our operations.

### Stable financing

After many years of low inflation and low interest rates, we've had a new reality to deal with for some time now.

Hemsö is a market leader in social infrastructure with a stable financial position. We have

a long debt maturity and fixed-rate period and our access to equity, banks and the capital market will continue moving forward. During the quarter, Fitch Ratings affirmed Hemsö's long-term credit rating of A+, we secured a bank loan of SEK 1.0 billion from a Swedish bank, and issued bonds for SEK 1.1 billion.

We are not immune, however. In line with spiralling market rates from close to zero to around 3 per cent in less than 12 months, our interest expenses are rising. On the other hand, Hemsö's rental income is increasing due to indexation and a large number of completed development projects. Despite rising interest expenses, operating cash flow is growing.

We will remain disciplined. Investment decisions are made with consideration for quality, long-term profitability and effect on the capital structure. That benefits both Hemsö and our tenants.

Hemsö shall also continue to be a stable partner to the public sector. I am looking forward to future collaborations in 2023.

Nils Styf, CEO



## This is Hemsö

- Hemsö is Sweden's leading owner of social infrastructure.
- 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 asset management of social infrastructure.
- The operations are characterised by long-term rental agreements and stable tenants.
- The Third Swedish National Pension Fund is majority owner.
- The total value of Hemsö's property portfolio is SEK 84.8 billion.
- Hemsö has a credit rating of A+ from Fitch Ratings and A- from Standard & Poor's.

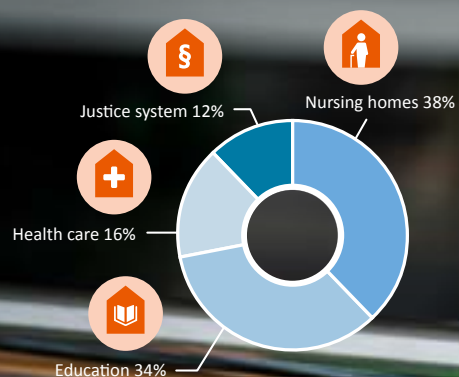
### Vision

We strengthen the backbone of society

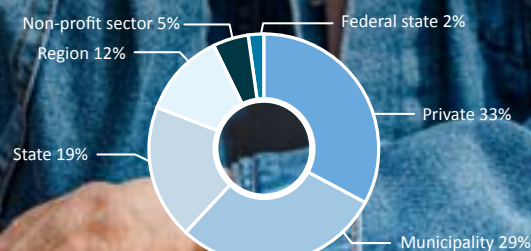
### Business concept

To sustainably own, manage and develop public properties.

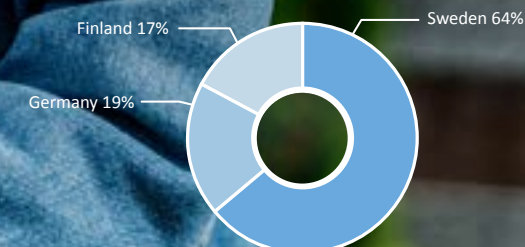
Contracted rent per property category



Contracted rent per customer category



Market value of properties



# Income, costs and profit

Profit/loss and cash flow items refer to the January-March 2023 period, and are compared with the year-earlier period. Balance sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year. Key ratio calculations are set out on pages 26–27.

## Rental income

Rental income rose 20 per cent to SEK 1,183 million (983), primarily attributable to completed development projects, acquisitions and index increment. Rental income rose 19 per cent in Sweden, 18 per cent in Germany and 26 per cent in Finland.

Rental income in the comparable portfolio rose SEK 107 million. Exchange rate changes

had a positive impact of SEK 25 million in rental income.

## SEK 1,183 million

Rental income

At period-end, contracted annual rent increased to SEK 4,711 million (3,906) before rent reductions of SEK 65 million (20).

Economic vacancies amounted to SEK 102 million (85). The economic occupancy rate

remained unchanged and was 97.9 per cent (97.9) at period-end.

Rental agreements amounting to annual rent of SEK 184 million will be subject to renegotiation in 2023, corresponding to 4 per cent of Hemsö's contracted rental income. The rental duration was 9.5 years (9.6).

## Property costs

Property costs amounted to SEK 328 million (279), up SEK 49 million. Costs rose due to a larger property portfolio and higher operating costs, primarily the result of higher energy costs. Maintenance costs increased SEK 8 million year-on-year. In the comparable portfolio, property costs rose SEK 33 million, or 13 per cent.

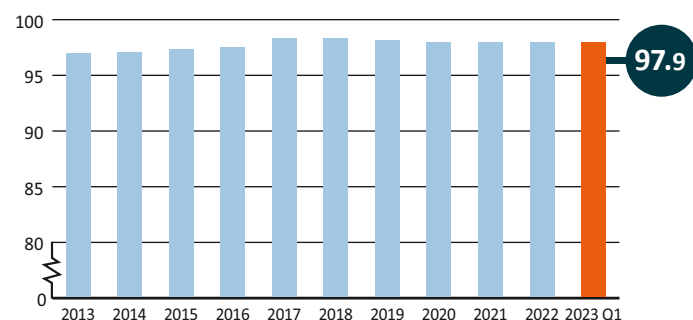
## Vacancy changes

SEK million	Jan – Mar 2023
Opening vacancy	98
Terminated rental agreements	10
Adjusted for vacancy rents	1
New rental agreements	-8
Acquired	0
Divested	0
Exchange rate	1
<b>Closing vacancy</b>	<b>102</b>

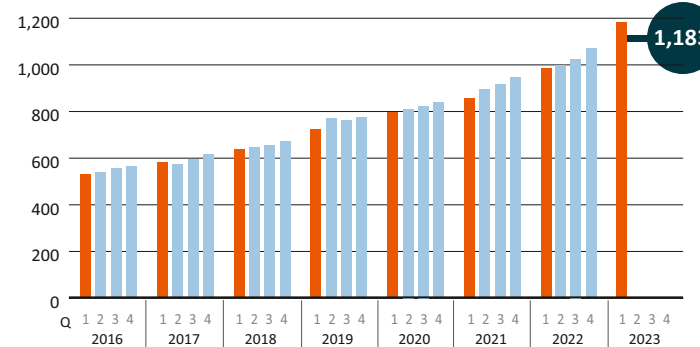
## Rental maturity

Year	Annual rent, SEK million	Share, %
2023	184	4
2024	295	6
2025	279	6
2026	301	6
2027	275	6
2028	333	7
2029	214	5
2030	302	6
2031	331	7
2032	189	4
>2032	2,008	43
<b>Total</b>	<b>4,711</b>	<b>100</b>

## Economic occupancy rate, %



## Rental income, SEK million



### Net operating income

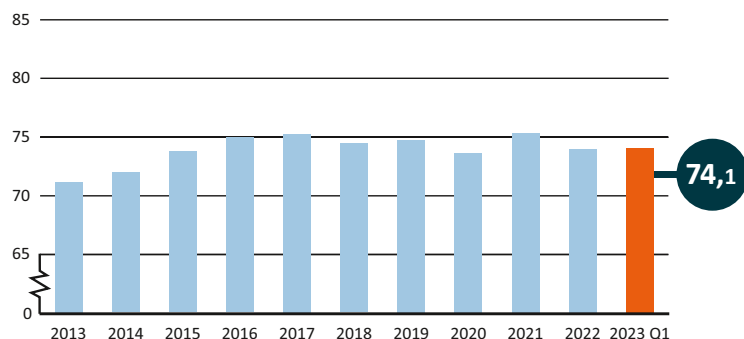
Net operating income rose 21 per cent to SEK 862 million (711). The increase was mainly attributable to acquisitions, completed development projects and inflation. The NOI margin increased to 72.4 per cent (71.8), mainly the result of increased property income due to indexation, acquisitions and a positive exchange rate effect. The property yield of the property portfolio, excluding development properties, was 4.2 per cent (4.0).

In the comparable portfolio, net operating income rose 11 per cent to SEK 765 million (690). The increase was mainly attributable to rising rental income due to inflation, and a positive impact from exchange rate changes.

### Administration

Administrative expenses for the period rose year-on-year to SEK 48 million (39). The increase was mainly attributable to higher personnel costs due to more employees.

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



### Net interest expense

Net interest expense amounted to SEK -250 million (-114). The change in net interest income was attributable to higher market rates and margin requirements for new loans, and an increase in interest-bearing liabilities.

## SEK 862 million

Net operating income

The average interest rate was 2.1 per cent (0.9), primarily an effect of higher market rates. The fixed-rate period was 5.3 years (5.8) and interest-bearing liabilities increased to SEK 50,535 million (44,375).

### Net interest expense

SEK million	Jan – Mar 2023	Jan – Mar 2022
Interest income	4	1
Interest expense	-227	-96
Other financial expenses	-17	-12
Ground leases and leasehold properties	-10	-7
<b>Net interest expense</b>	<b>-250</b>	<b>-114</b>

### Comparable portfolio

	31 Mar 2023	31 Mar 2022	Change
No. of properties	391	391	–
Market value of properties, SEK million	70,748	69,809	1.3%
Property yield, %	4.2	3.9	0.3

SEK million	Jan – Mar 2023	Jan – Mar 2022	Change, %
Rental income	1,048	940	11.4
Other income	6	6	9.2
Operating costs	-215	-189	14.2
Maintenance costs	-51	-46	11.3
Other costs	-23	-22	4.5
<b>Net operating income</b>	<b>765</b>	<b>690</b>	<b>10.8</b>

### Profit from property management

Profit from property management was positively impacted by an increase of SEK 151 million in net operating income but due to higher interest expense of SEK 136 million, profit from property management rose only 1 per cent to SEK 580 million (572). Exchange rate changes had a positive impact of SEK 16 million in profit from property management.

### Change in value of investment properties

Change in the value of investment properties for the period was SEK -1,255 million (1,734) and pertained to unrealised value changes. This corresponds to a value change of -1.5 per cent (2.3).

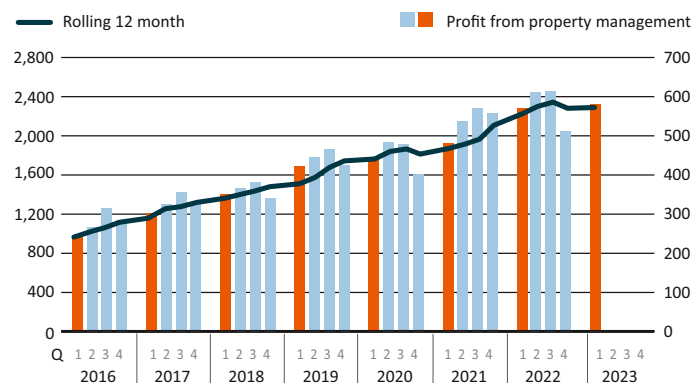
Value change attributable to property management and development projects was SEK -192 million (514), or -0.2 per cent (0.7). Higher operating cost assumptions negatively

impacted value change from property management. Value change related to market factors was SEK -1,063 million (1,221), representing a change of -1.3 per cent (1.6), due to an upward adjustment of valuation yields.

In the first quarter of 2023, a buy-and-hold approach continued to characterise transaction markets in Sweden, Germany and Finland. While few transactions were completed, they are expected to support higher yield requirements in all segments compared with the first half of 2022 in particular, but also the beginning of 2023. The uncertainty is greater than normal, however.

The weighted yield used in the valuation of Hemsö's property portfolio was 4.6 per cent (4.3). The valuation yield was 4.4 per cent (4.1) in Sweden, 4.2 per cent (4.1) in Germany and 5.2 per cent (4.9) in Finland.

### Profit from property management, SEK million



### 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 at least once a year. The market value for each property is determined each quarter by Hemsö with support from independent external valuations. This quarter, 97 per cent

of the Swedish portfolio has been valued externally by Cushman & Wakefield. In Germany and Finland, the portfolios were valued by CBRE and JLL, respectively, in the fourth quarter of 2022. This quarter, all properties abroad were valued internally. 62 per cent of the total portfolio was valued externally during the period. At period-end, the fair value of properties was SEK 84,784 million (79,987).

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

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	-161	-32	1	<b>-192</b>
– Market factors	-1,063	0	0	<b>-1,063</b>
<b>Total unrealised value changes</b>	<b>-1,224</b>	<b>-32</b>	<b>1</b>	<b>-1,255</b>

### Change in value of property portfolio

	SEK million	No. of
Market value, opening balance	84,879	<b>480</b>
Acquisitions	116	<b>4</b>
Investments in new construction, extension and re-developments	649	
Re-allotment	–	
Divestments	–	
Disposals	–	
Exchange rate	395	
Unrealised value changes	-1,255	
<b>Carrying amount at period-end</b>	<b>84,784</b>	<b>484</b>

### Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 103 million (-3) on profit. No changes in the value were attributable to interest-rate derivatives (comparable period 27). Derivatives attributable to currency risk management had a positive impact of SEK 103 million (-30) on profit.

### Tax

Recognised tax for the period amounted to SEK 105 million (-438), of which current tax accounted for SEK -40 million (-40) and deferred tax for SEK 145 million (-398). Deferred tax expense 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 6,406 million (6,527).

### Earnings

Loss after tax for the period increased to SEK -463 million (1,934). The decline was mainly attributable to negative changes in the value of investment properties. The total return was 1 per cent (17).

### Cash flow

Hemsö's operating cash flow rose 4 per cent to SEK 551 million (532). The increase was mainly attributable to higher profit from property management and lower tax paid.

Cash flow from operating activities before changes in working capital was SEK 552 million (532). The change in working capital was SEK -104 million (334). Investing activities had a negative impact of SEK -772 million (-2,259) on cash flow, while borrowings and loan repayments had a positive impact of SEK 805 million (1,508) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK 482 million (115).

### Parent Company

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

## SEK -463 million

### Loss after tax

owning subsidiaries. Parent Company sales amounted to SEK 32 million (29) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -61 million (-53), mainly attributable to higher personnel costs due to more employees,

but also to increased consultancy costs. Financial items amounted to income of SEK 53 million (-144). Financial items included interest income of SEK 227 million (165), interest expense of SEK -262 million (-126), and exchange rate differences of SEK 88 million (-183). Impairment and reversal of past impairment losses on derivatives amounted to SEK -35 million (93) and loss for the period totalled SEK -15 million (-58).

### 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 – Mar 2023	Jan – Mar 2022	Jan – Mar 2023	Jan – Mar 2022	31 Mar 2023	31 Mar 2022
Sweden East	283	234	204	166	23,108	21,901
Sweden Central	150	124	98	81	9,445	9,514
Sweden North	181	167	124	120	13,359	13,143
Sweden South	128	99	83	60	8,611	8,675
Germany	194	165	173	148	15,636	13,552
Finland	246	195	179	137	14,626	13,202
<b>Total</b>	<b>1,183</b>	<b>983</b>	<b>862</b>	<b>711</b>	<b>84,784</b>	<b>79,987</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 84,784 million (79,987), 64 per cent (66) was attributable to Sweden, 19 per cent (17) to Germany and 17 per cent (17) to Finland. At period-end, Hemsö owned properties in 65 municipalities in Sweden, 64 municipalities in Germany and 35 municipalities in 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.

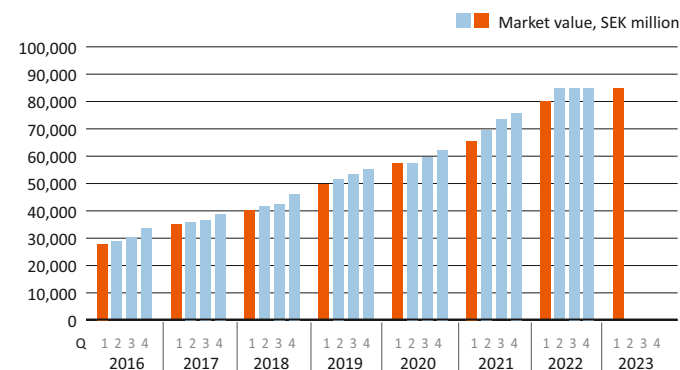
Hemsö divides the property portfolio into four categories. Nursing homes is the largest category and accounts for 38 per cent of the market value of properties, followed by Education at 36 per cent. Health care accounts for 15 per cent and the Justice system for 11

per cent. At 31 March 2023, Hemsö's property portfolio comprised 484 properties (458) with a total lettable area of 2,415 tsqm (2,286).

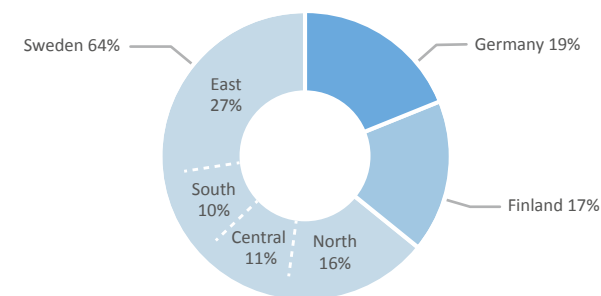
### Investments

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 649 million (942) was invested, of which SEK 437 million (818) pertained to new construction, extension and re-developments, and SEK 211 million (124) to improvements and new lettings.

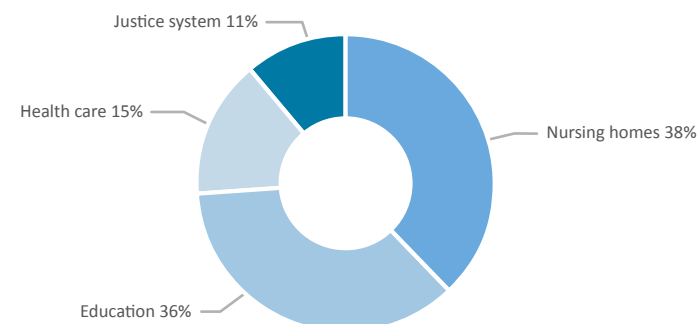
Market value of properties, SEK million



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. of properties	240	152	64	28	484
Lettable area, tsqm	1,051	807	326	231	2,415
Rental duration, years	9.2	11.2	8.0	7.8	9.5
Market value of properties, SEK million	32,375	30,538	12,504	9,366	84,784
Rental income, SEK million	441	406	194	143	1,183
Net operating income, SEK million	323	306	127	107	862
Economic occupancy rate, %	98.6	98.3	97.1	95.6	97.9
Property yield, %	4.2	4.2	4.0	4.6	4.2

## Tenants

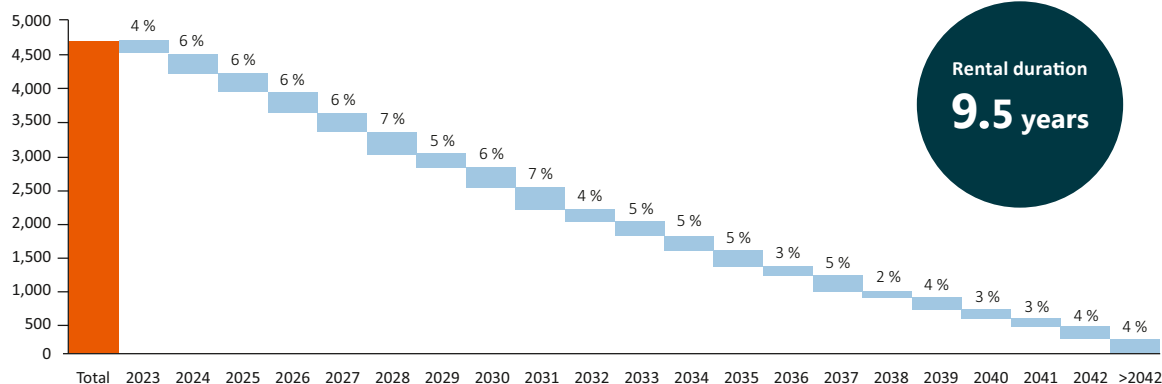
Hemsö's business model is based on long-term rental agreements with public-sector tenants, or with private operators that are taxpayer-funded. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2022, the CPI was 11 per 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 61 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 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 21 per cent of rental income. Of Hemsö's 20 largest tenants, 12 were public-sector operators. The Wellbeing Services County of Southwest Finland (Varha) is a new region in Finland. The region has taken over the City of Turku's rental agreements for health and social care services.

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. of rental agreements
Swedish Police	State	241	5.2	35
Region Stockholm	Region	221	4.8	65
Academedi	Private	185	4.0	22
Wellbeing Services County of Southwest Finland (FI)	Region	160	3.4	17
Attendo	Private	153	3.3	76
Ministry of Justice (FI)	State	142	3.1	14
City of Västerås	Municipality	117	2.5	21
Mälardalen University	State	115	2.5	3
AWO (GER)	Non-profit	109	2.3	12
International English School	Private	87	1.9	11
Alloheim (GER)	Private	84	1.8	10
Ambea	Private	84	1.8	10
Norrköping Municipality	Municipality	81	1.7	15
Karolinska Institute	State	72	1.6	4
The City of Lahti (FI)	Municipality	67	1.4	5
HEWAG (GER)	Private	66	1.4	9
Västra Götaland Region	Region	64	1.4	61
North Rhine-Westphalia (GER)	Federal state	62	1.3	1
Mehiläinen (FI)	Private	58	1.2	9
Gävle Municipality	Municipality	58	1.2	20
<b>Total</b>		<b>2,226</b>	<b>47.9</b>	<b>420</b>

## Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish state	547	12
Swedish regions	338	7
Swedish municipalities	1,069	23
Finnish state	269	6
Finnish regions	232	5
Finnish municipalities	211	5
German state	55	1
German federal states	82	2
German municipalities	53	1
<b>Total</b>	<b>2,804</b>	<b>61</b>

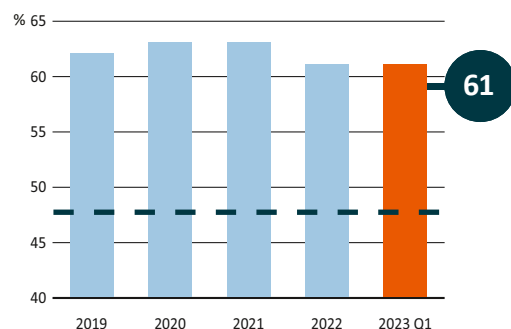
Public-sector tenant  
Private-sector tenant  
(FI) = Finland  
(GER) = Germany

## 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.

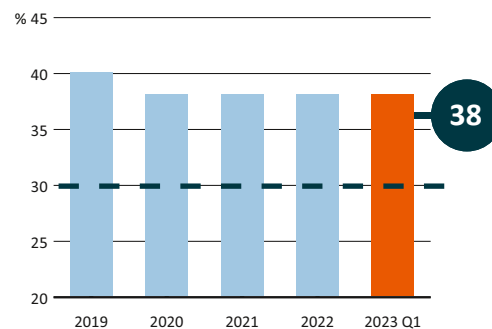
### Public-sector tenants

– At least 50 per cent of rental income



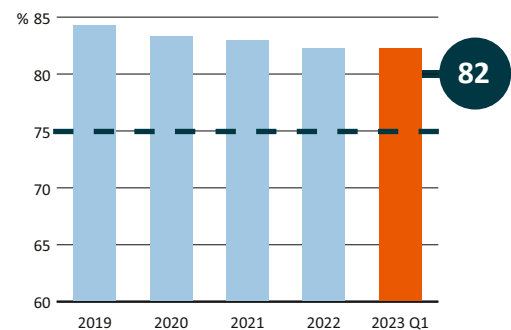
### Nursing homes

– At least 30 per cent of rental income



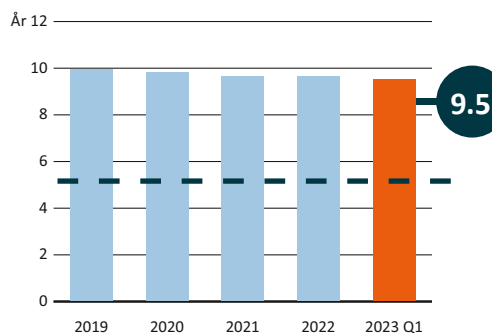
### Metropolitan areas and large cities

– 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 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.

### Earning capacity

SEK million	1 Apr 2023	1 Apr 2022	Change, %
Rental income	4,646	3,887	20
Other income	24	23	3
Property costs	-1,125	-937	20
<b>Net operating income</b>	<b>3,544</b>	<b>2,973</b>	<b>19</b>
Central administrative expenses	-193	-164	18
Profit from property management, joint ventures	95	62	52
Net interest income/expense	-1,102	-463	138
<b>Profit from property management</b>	<b>2,343</b>	<b>2,408</b>	<b>-3</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 3,671 million, of which the remaining investment amount was SEK 2,176 million. The total volume of ongoing new construction and re-development projects amounted to SEK 5,204 million, of which the remaining investment amount was SEK 2,756 million.

The Kleinmachnow nursing home in Germany



## 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	433	24	100%	2024
Herkules hotel & city hall	Trelleborg	Other	21	9,100	444	416	27	100%	2026
Ektorp school	Nacka	Education	25	9,900	399	384	26	100%	2025
Novum <sup>1) 2)</sup>	Huddinge	Health care	n/a	39,400	390	130	n/a	n/a	2024
Lilla Tensta <sup>1)</sup>	Stockholm	Education	7	16,800	367	236	30	32%	2024-2026
Stavsborgsskolan	Nacka	Education	25	13,000	327	53	33	100%	2023
Campus Kronåsen, Uppsala Municipality <sup>1)</sup>	Uppsala	Education	10	16,200	265	153	38	100%	2023
Tempelriddarorden	Stockholm	Nursing homes	15	5,900	239	227	15	100%	2025
Büttelborn	Groß-Gerau	Nursing homes	25	6,200	213	56	12	100%	2023
Paavola Campus <sup>1) 3)</sup>	Lahti	Education	20	6,500	178	35	17	100%	2023
Växthuset sports centre	Lund	Education	10	4,700	123	16	8	100%	2023
Kristiansborgsbadet <sup>1)</sup>	Västerås	Education	13	7,500	121	6	4	100%	2023
Raksila fire and rescue station	Oulu	Justice system	25	2,300	107	32	7	100%	2023
<b>Total</b>				<b>147,400</b>	<b>3,671</b>	<b>2,176</b>	<b>344</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

<sup>3)</sup> In total, 4 of 5 development projects were completed by Q1 2023

## 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	Miljö-byggnad	6,100	250	20	14	100%
Q1	Kleinmachnow	Potsdam-Mittelmark	Nursing homes	–	7,600	220	20	11	100%
Q1	Hoivamme V6	Nurmijärvi	Nursing homes	BREEAM	1,600	72	15	4	100%
<b>Total</b>					<b>15,300</b>	<b>542</b>	<b>19</b>	<b>29</b>	

☐ Public-sector tenant ☐ Private-sector tenant

<sup>1)</sup> Occupancy rate upon completion



# Sustainability

Hemsö has a positive impact on the society by providing school places and nursing home beds. However, asset management, new construction and re-developments of properties have a negative impact on the climate. Hemsö's sustainability strategy aims to reduce the climate impact and to contribute with modern and operationally adapted public properties.

## Climate

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

Intensive efforts are currently taking place to reduce our carbon footprint. These include embodied carbon calculations for our new

developments and larger re-developments. During the quarter, the results of our re-use project in Uppsala, Kronåsen Hus 1, were presented. The outcome was 44 kgCO<sub>2</sub>e/m<sup>2</sup>GIA (A1-A5). This can be compared with Boverket's reference value for schools, which is 343 kg-CO<sub>2</sub>e/m<sup>2</sup>GIA. We are also evaluating calculation tools for refurbishments in operation.

Hemsö's target is to certify all new developments. At the end of the first quarter, 22 per cent of the property portfolio was certified, based on area. The decline was due to the expiration of six certifications in the existing portfolio. They are currently being re-certified.

We work continuously with energy efficiencies, operational optimisation and sustainable sources of energy in the existing port-

folio. Energy efficiencies continued to yield results by reducing energy use compared with the year-on-year period.

## Hemsö's role in society

We take responsibility for maintaining and developing social infrastructure. During the quarter, we completed development projects with total of 208 new nursing home beds. No new school places have been completed to date, but school projects will be completed in the autumn term and collectively add over 3,000 new school places.

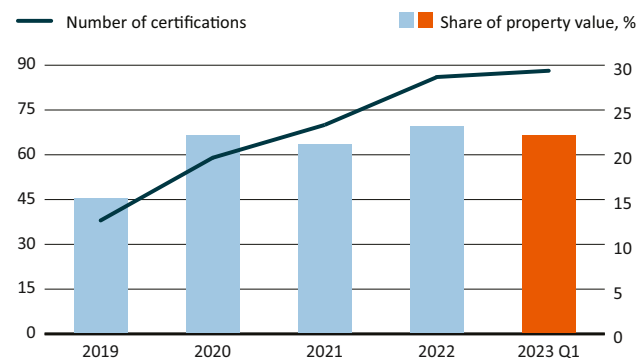
During the school spring break, Hemsö arranged activities at the ice rink in Campus Tensta in Stockholm. Since the ice rink was opened, 1,300 children have used the facility for various events. During the quarter, we

also initiated a collaboration with Tensta konsthall (art gallery), which has been tasked with holding courses and workshops for children and young people in the local area.

## Sustainability bond framework

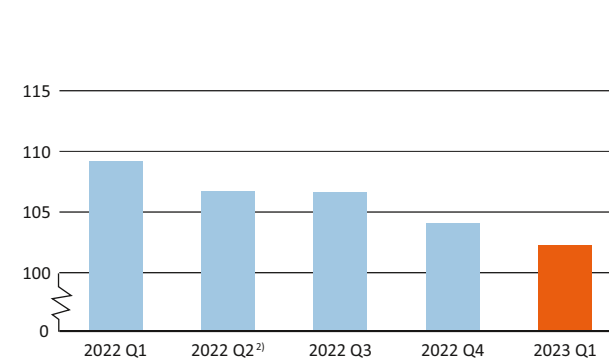
In the first quarter of 2023, Hemsö updated its sustainability bond framework which now is in line with the EU Taxonomy. The framework describes the properties and projects that can be financed with sustainable investing options. Hemsö takes a broad approach and integrates social sustainability as well as environmental and energy aspects into the bonds. The framework was audited and approved by Sustainabilitytics.

## 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.

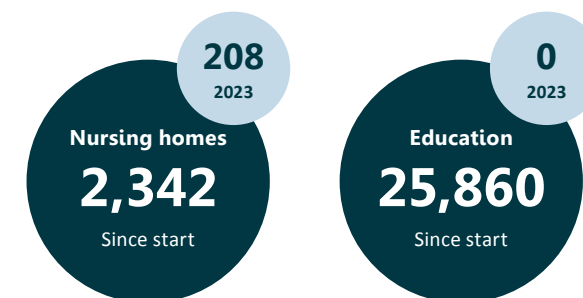
## Energy use, kWh/m<sup>2</sup>, rolling 12-month period <sup>1)</sup>



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

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

## Beds/school places created\*



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

## Joint ventures

At 31 March 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 1,497 million (1,151), the participation in Lanthem at SEK 198 million (211) and the participation in HemTag at SEK 4 million (1). Total participations in joint ventures amounted to SEK 1,699 million (1,363). Hemsö also has loans to Lanthem of SEK 10 million, which means that investments in joint ventures amounted to SEK 1,709 million.

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

SEK million	TTP	Lanthem	Other	Total
Profit/loss from property management	15	2	-1	16
Value changes, investment properties	–	6	–	6
Value changes, financial instruments	–	–	–	0
Tax	0	-2	–	-2
<b>Profit/loss recognised</b>	<b>15</b>	<b>6</b>	<b>-1</b>	<b>20</b>

### 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 a joint venture and 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 31 March 2023, 63 per cent of rental income was derived from public-sector tenants and the rental duration was eight years.



TTP	31 Mar 2023	31 Mar 2022
Participation, %	52	44
Rental value, SEK million	462	363
No. of properties	28	25
Economic occupancy rate, %	97	96
Market value of properties, SEK million	5,467	4,760
Rental duration, years	8	8
Share of public-sector tenants, %	63	66

### 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	31 Mar 2023	31 Mar 2022
Participation, %	50	50
Rental value, SEK million	39	22
No. of properties	6	5
Economic occupancy rate, %	100	100
Market value of properties, SEK million	883	702
Rental duration, years	11	8
Share of public-sector tenants, %	46	30

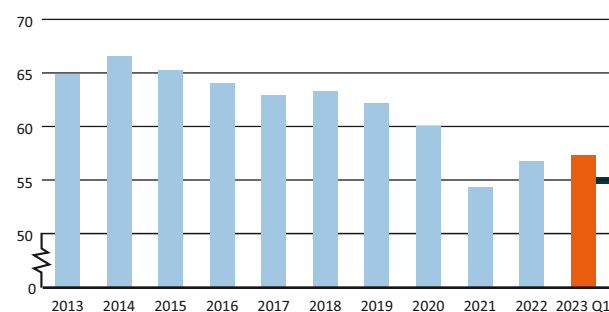
## Financing

The overall objective of Hemsö's financing activities is to secure a stable capital structure, and an optimal net financial position within given risk constraints. Hemsö's loan-to-value ratio should not exceed 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 57.3 per cent (53.6) and the interest-coverage ratio was 4.0 times (5.6). Hemsö has from 1 January 2023 updated its definition of 'Interest-coverage ratio' to be in line with the rating agencies' calculations. Historical comparative figures have been recalculated. Refer to the definitions on page 25.

Hemsö has a credit rating of A+ from Fitch Ratings, and A- from Standard & Poor's. In the first quarter, Fitch affirmed Hemsö's credit rating with a stable outlook. After the end of the quarter, S&P updated its outlook for Hemsö's key ratios and then reiterated its earlier rating of stable outlook.

Hemsö issues bonds in Swedish and European capital markets and commercial papers in the Swedish market.

Loan-to-value ratio, %



In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks and the Third Swedish National Pension Fund.

At period-end, Hemsö had undrawn committed credit facilities of SEK 13,500 million (11,500). Cash and cash equivalents and current investments amounted to SEK 1,009 million (795). Available liquidity therefore totalled SEK 14,509 million (12,295). The debt-coverage ratio was 173 per cent (160).

### Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 50,535 million (44,375). The increase was attributable to net investment for the year.

During the period, Hemsö's bond issuance totalled in SEK and YEN corresponding to SEK 1,139 million, with maturities ranging from two to five 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	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

	31 Mar 2023	31 Mar 2022
Bonds, SEK	14,551	12,365
Bonds, EUR	19,665	17,708
Bonds, AUD, JPY, NOK, USD	4,707	3,565
<b>Total bonds</b>	<b>38,922</b>	<b>33,638</b>
Commercial papers, SEK	4,799	5,275
European Investment Bank, SEK, EUR	4,168	3,888
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	846	775
Secured bank loans	1,000	—
<b>Total interest-bearing liabilities</b>	<b>50,535</b>	<b>44,375</b>

### Sustainable finance, SEK million

	31 Mar 2023	31 Mar 2022
Sustainability bonds	8,933	5,119
European Investment Bank	4,168	3,888
Nordic Investment Bank	800	800
<b>Total sustainable finance</b>	<b>13,900</b>	<b>9,806</b>

### Capital structure, SEK million

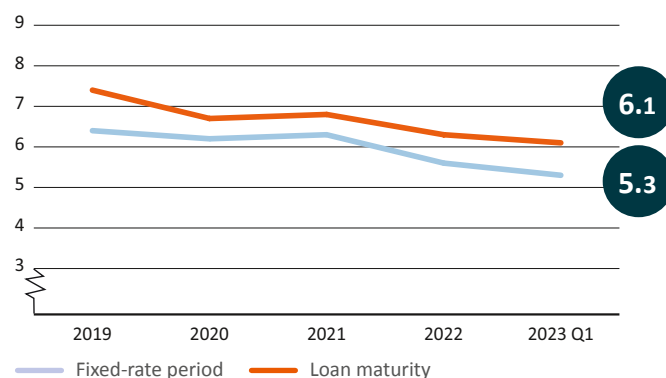
	31 Mar 2023	31 Mar 2022
Interest-bearing liabilities	50,535	44,375
Current investments	-398	—
Cash and cash equivalents	-611	-795
<b>Net debt</b>	<b>49,526</b>	<b>43,580</b>
Market value of properties	84,784	79,987
Investments in joint ventures	1,709	1,363
<b>Total</b>	<b>86,493</b>	<b>81,350</b>
<b>Loan-to-value ratio</b>	<b>57.3%</b>	<b>53.6%</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. There were no interest-rate derivatives outstanding at period-end.

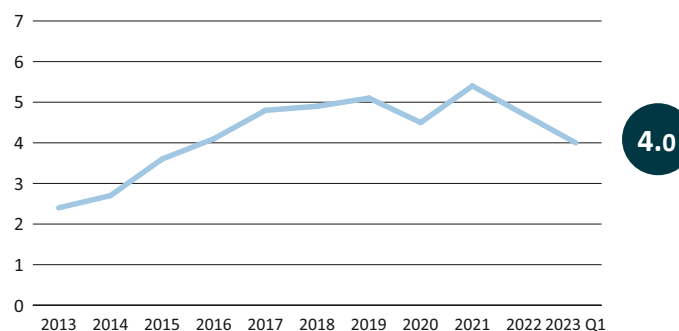
The value of derivatives used to manage currency risk corresponded to SEK 8,306 million (4,246). Currency exposure amounted to 0.2 per cent (7.8) of equity.

At period-end, the average loan maturity was 6.1 years (6.6). The average fixed-rate period was 5.3 years (5.8). The average interest rate was 2.1 per cent (0.9).

Loan maturity and fixed-rate period, years



Interest-coverage ratio, times



Hemsö signed a rental agreement with Folkandvården Skåne in Ystad

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

	31 Mar 2023	31 Mar 2022
Banks	7,500	6,500
Third Swedish National Pension Fund	6,000	5,000
<b>Total committed credit facilities</b>	<b>13,500</b>	<b>11,500</b>
Current investments	398	–
Cash and cash equivalents	611	795
<b>Available liquidity</b>	<b>14,509</b>	<b>12,295</b>
Short-term borrowings	8,366	7,678
Debt-coverage ratio	173%	160%

#### Currency exposure, SEK million

	31 Mar 2023	31 Mar 2022
Properties, EUR	30,262	26,755
Joint ventures, EUR	1,497	1,151
Cash, EUR	314	276
<b>Assets, EUR</b>	<b>32,073</b>	<b>28,182</b>
Debt, EUR	23,878	21,571
Currency swaps, EUR	8,126	4,246
<b>Exposure, EUR</b>	<b>69</b>	<b>2,365</b>
Debt AUD, JPY, NOK, SEK, USD	8,306	4,615
Currency swaps AUD, JPY, NOK, SEK, USD	-8,306	-4,615
<b>Exposure AUD, JPY, NOK, SEK, USD</b>	<b>0</b>	<b>0</b>
Currency hedging	–	–
<b>Currency exposure</b>	<b>69</b>	<b>2,365</b>
Equity	29,581	30,337
<b>Currency exposure</b>	<b>0.2%</b>	<b>7.8%</b>



## Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 60%	57.3%
Loan maturity	At least 3 years	6.1 years
Debt-coverage ratio	At least 125%	173%
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)	4.0 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.3 years
Fixed-rate maturity	Max. 40% within 12 months	29%
<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	0.2%

## 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	2,360	2,360	5	14,153	28
2024	7,479	4,479	9	1,992	4
2025	11,650	3,650	7	2,313	5
2026	8,476	7,476	15	6,197	12
2027	3,100	3,100	6	1,719	3
2028	7,595	6,095	12	5,606	11
2029	4,513	4,513	9	4,576	9
2030	2,326	2,326	5	2,342	5
2031	1,242	1,242	2	1,112	2
>2031	10,494	10,494	21	10,526	21
<b>Total</b>	<b>59,236</b>	<b>45,736</b>	<b>91</b>	<b>50,535</b>	<b>100</b>
Commercial papers		4,799	10		
<b>Total</b>	<b>59,236</b>	<b>50,535</b>	<b>100</b>		



Johan Pehrson,  
the Swedish Minister  
for Employment and  
Integration, visited  
Campus Tensta



Nacka  
Municipality has  
decided that HemTag  
will develop, own and  
manage the Myrsjö  
swimming centre  
in Nacka

## Quarterly overview

Amounts in SEK million	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Income statement</b>									
Rental income	1,183	1,069	1,025	996	983	946	917	894	857
Other income	7	6	6	5	6	7	5	6	6
Property costs	-328	-303	-241	-241	-279	-251	-200	-209	-236
<b>Net operating income</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>	<b>627</b>
Central administrative expenses	-48	-64	-39	-41	-39	-43	-41	-41	-31
Profit/loss from participations in joint ventures	20	-119	23	96	81	98	0	18	61
<b>Operating profit</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>	<b>657</b>
Net interest expense	-250	-218	-152	-129	-114	-114	-122	-125	-125
<b>Profit after net interest income/expense</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>	<b>533</b>
– of which Profit from property management	<b>580</b>	<b>511</b>	<b>614</b>	<b>612</b>	<b>572</b>	<b>558</b>	<b>570</b>	<b>537</b>	<b>481</b>
Value change, properties	-1,255	-2,131	-1,780	2,766	1,734	2,679	2,404	1,915	589
Value change, financial instruments	103	50	133	70	-3	70	27	72	40
<b>Profit/loss before tax</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>	<b>1,162</b>
Current tax	-40	-59	-39	-53	-40	10	-35	-44	-37
Deferred tax	145	365	243	-613	-398	-618	-532	-439	-189
<b>Profit/loss for the period</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>	<b>935</b>
Other comprehensive income	16	-12	51	94	53	-3	20	-21	62
<b>Comprehensive income for the period</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>	<b>997</b>

## Quarterly overview, cont.

Amounts in SEK million	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
<b>Balance sheet</b>									
Investment properties	84,784	84,879	85,004	84,683	79,987	75,737	73,516	69,619	65,528
Right-of-use assets	943	932	849	843	801	759	724	723	730
Participations in joint ventures	1,699	1,655	1,748	1,475	1,363	1,271	1,168	1,160	771
Derivatives	87	247	389	237	309	161	33	–	–
Other assets	1,368	1,209	1,180	992	865	892	730	706	781
Cash and cash equivalents and short-term investments	1,009	526	1,214	325	795	687	533	519	1,673
<b>Total assets</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>69,483</b>
Equity	29,581	30,028	31,449	32,215	30,337	28,350	25,646	22,203	21,079
Deferred tax liabilities	6,378	6,557	6,942	7,143	6,519	6,082	5,467	4,923	4,497
Derivatives	–	–	–	–	–	–	–	32	95
Interest-bearing liabilities	50,535	49,567	48,792	46,361	44,375	42,498	43,067	43,097	41,626
Lease liabilities	943	932	849	843	801	759	724	723	730
Non-interest-bearing liabilities	2,453	2,363	2,352	1,992	2,089	1,819	1,800	1,748	1,457
<b>Total equity and liabilities</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>69,483</b>
<b>Key ratios</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>Q1 2021</b>
<b>Financial ratios</b>									
Loan-to-value ratio, %	57.3	56.7	54.8	53.4	53.6	54.3	57.0	60.1	60.2
Interest-coverage ratio, times <sup>1) 2)</sup>	4.0	4.7	5.5	5.7	5.6	5.4	4.7	4.5	4.5
Operating cash flow, SEK million	551	493	562	573	532	536	533	517	379
<b>Property-related key ratios</b>									
Property yield, % <sup>1)</sup>	4.2	4.1	3.9	3.8	4.0	4.0	4.3	4.4	4.5
Total return, % <sup>1)</sup>	0.9	4.5	10.9	17.2	16.9	15.8	14.8	11.7	9.0
Economic occupancy rate, %	97.9	97.9	97.9	97.6	97.9	97.9	98.0	97.9	98.0
NOI margin, %	72.4	71.8	76.6	75.9	71.8	73.7	78.3	76.7	72.6
No. of properties	484	480	468	466	458	441	426	421	408
Lettable area, tsqm	2,415	2,400	2,339	2,311	2,286	2,218	2,226	2,155	2,101

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

<sup>2)</sup> Hemsö has updated its definition of 'Interest-coverage ratio,' which now excludes profit from participations in joint ventures and includes dividends from joint ventures. Interest-coverage ratios for prior quarters have been restated in accordance with the new definition. Refer to the definition on page 25 and Key ratio calculations on page 26.

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan – Mar 2023	Jan – Mar 2022	Apr 2022 – Mar 2023	Jan – Dec 2022
Rental income	1,183	983	4,273	4,073
Other income	7	6	24	23
Operating costs	-245	-206	-773	-734
Maintenance costs	-56	-48	-249	-242
Other property costs	-27	-24	-92	-89
<b>Net operating income</b>	<b>862</b>	<b>711</b>	<b>3,183</b>	<b>3,032</b>
Central administrative expenses	-48	-39	-192	-183
Profit from participations in joint ventures	20	81	20	82
– of which profit from property management	16	14	76	74
– of which changes in value	6	85	-44	35
– of which tax	-2	-17	-11	-27
<b>Operating profit</b>	<b>834</b>	<b>754</b>	<b>3,011</b>	<b>2,931</b>
Net interest income/expense	-250	-114	-750	-613
<b>Profit after net interest income/expense</b>	<b>584</b>	<b>640</b>	<b>2,262</b>	<b>2,317</b>
– of which Profit from property management <sup>1)</sup>	<b>580</b>	<b>572</b>	<b>2,318</b>	<b>2,309</b>
Value change, investment properties	-1,255	1,734	-2,400	589
Value change, financial instruments	103	-3	356	251
<b>Profit/loss before tax</b>	<b>-568</b>	<b>2,371</b>	<b>218</b>	<b>3,157</b>
Current tax	-40	-40	-191	-190
Deferred tax	145	-398	140	-403
<b>Profit/loss for the period</b>	<b>-463</b>	<b>1,934</b>	<b>167</b>	<b>2,563</b>

Amounts in SEK million	Jan – Mar 2023	Jan – Mar 2022	Apr 2022 – Mar 2023	Jan – Dec 2022
<b>Profit/loss for the period attributable to</b>				
Parent Company shareholders	-438	1,814	214	2,466
Non-controlling interests	-26	119	-47	98
<b>Other comprehensive income</b>				
Profit/loss for the period	-463	1,934	167	2,563
Translation difference	16	53	149	187
<b>Comprehensive income for the period</b>	<b>-448</b>	<b>1,987</b>	<b>316</b>	<b>2,750</b>
<b>Comprehensive income for the period attributable to</b>				
Parent Company shareholders	-423	1,867	358	2,648
Non-controlling interests	-25	120	-42	103

<sup>1)</sup> For the calculation of Profit from property management, refer to Key ratio calculations on page 26.



## Group – Condensed statement of financial position

Amounts in SEK million	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>ASSETS</b>			
Investment properties	84,784	79,987	84,879
Right-of-use assets	943	801	932
Participations in joint ventures	1,699	1,363	1,655
Derivatives	87	309	247
Other non-current assets	67	40	44
<b>Total non-current assets</b>	<b>87,579</b>	<b>82,500</b>	<b>87,757</b>
Current receivables	1,301	826	1,165
Current investments	398	–	–
Cash and cash equivalents	611	795	526
<b>Total current assets</b>	<b>2,310</b>	<b>1,621</b>	<b>1,691</b>
<b>TOTAL ASSETS</b>	<b>89,889</b>	<b>84,121</b>	<b>89,447</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>29,581</b>	<b>30,337</b>	<b>30,028</b>
Deferred tax liabilities	6,378	6,519	6,557
Non-current interest-bearing liabilities	42,169	36,697	41,064
Lease liabilities	943	801	932
<b>Total non-current liabilities</b>	<b>49,490</b>	<b>44,017</b>	<b>48,553</b>
Current interest-bearing liabilities	8,366	7,678	8,503
Other current liabilities	2,453	2,089	2,363
<b>Total current liabilities</b>	<b>10,819</b>	<b>9,767</b>	<b>10,866</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>89,889</b>	<b>84,121</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
Comprehensive income (1 Jan 2022 – 31 Mar 2022)	–	–	53	1,814	120	1,987
<b>Closing equity, 31 Mar 2022</b>	<b>1</b>	<b>7,835</b>	<b>259</b>	<b>21,353</b>	<b>889</b>	<b>30,337</b>
Opening equity, 1 Apr 2022	1	7,835	259	21,353	889	30,337
Dividends	–	–	–	-1,072	–	-1,072
Minority interest contributions repaid	–	–	–	–	-3	-3
Contributions from minority interests	–	–	–	–	3	3
Comprehensive income (1 Apr 2022 – 31 Dec 2022)	–	–	129	651	-17	763
<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
Comprehensive income (1 Jan 2023 – 31 Mar 2023)	–	–	15	-438	-25	-448
<b>Closing equity, 31 Mar 2023</b>	<b>1</b>	<b>7,835</b>	<b>403</b>	<b>20,494</b>	<b>847</b>	<b>29,581</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan – Mar 2023	Jan – Mar 2022	Apr 2022 – Mar 2023	Jan – Dec 2022
<b>Operating activities</b>				
Profit from property management	580	572	2,318	2,309
<i>Adjusted for non-cash items i</i>				
- Loss from property management, participations in joint ventures	-16	-14	-76	-74
- Depreciation	5	4	17	17
- Exchange differences, unrealised	1	0	16	15
Dividends from joint ventures	–	–	21	21
Tax paid	-18	-31	-101	-113
<b>Cash flow before changes in working capital</b>	<b>552</b>	<b>532</b>	<b>2,195</b>	<b>2,175</b>
Increase (+)/decrease (-) in working capital	-104	334	-103	335
<b>Cash flow from operating activities</b>	<b>448</b>	<b>865</b>	<b>2,092</b>	<b>2,510</b>
<b>Investing activities</b>				
Acquisition of properties	-116	-1,316	-1,667	-2,867
Investments in new construction, extension and re-developments	-649	-942	-3,516	-3,809
Property divestments	0	–	427	427
Investments in financial assets	-6	0	-220	-215
Other non-current assets	-1	-1	-4	-3
<b>Cash flow from investing activities</b>	<b>-772</b>	<b>-2,259</b>	<b>-4,980</b>	<b>-6,467</b>

Amounts in SEK million	Jan – Mar 2023	Jan – Mar 2022	Apr 2022 – Mar 2023	Jan – Dec 2022
<b>Financing activities</b>				
Interest-bearing loans raised	2,140	3,484	9,407	10,752
Repayment of interest-bearing liabilities	-1,337	-1,957	-5,224	-5,844
Financial instruments realised	2	-18	0	-20
Contributions from non-controlling interests	–	0	0	0
Dividends paid	–	–	-1,072	-1,072
<b>Cash flow from financing activities</b>	<b>805</b>	<b>1,508</b>	<b>3,112</b>	<b>3,816</b>
<b>Cash flow for the period</b>	<b>482</b>	<b>115</b>	<b>224</b>	<b>-142</b>
Opening cash and cash equivalents	526	687	795	687
Exchange rate differences in cash and cash equivalents	2	-7	-10	-19
<b>Cash and cash equivalents at period-end</b>	<b>1,009</b>	<b>795</b>	<b>1,009</b>	<b>526</b>
<b>Operating cash flow</b>	<b>551</b>	<b>532</b>	<b>2,179</b>	<b>2,160</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan – Mar 2023	Jan – Mar 2022	Apr 2022 – Mar 2023	Jan – Dec 2022
Net sales	32	29	120	118
Central administrative expenses	-61	-53	-231	-223
Other operating income	0	0	129	129
<b>Operating profit/loss</b>	<b>-30</b>	<b>-23</b>	<b>18</b>	<b>24</b>
Financial items	53	-144	5	-192
Impairment/reversal of impaired derivatives	-35	93	-203	-75
Appropriations	–	–	724	724
<b>Profit/loss before tax</b>	<b>-12</b>	<b>-75</b>	<b>544</b>	<b>481</b>
Recognised tax	-3	17	17	37
<b>Profit/loss for the period</b>	<b>-15</b>	<b>-58</b>	<b>561</b>	<b>518</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	31 Mar 2023	31 Mar 2022	31 Dec 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	3	5
Equipment	2	3	3
Shares and participations in Group companies	16,624	8,462	16,582
Deferred tax assets	50	–	54
Non-current receivables	16,204	34,975	16,527
<b>Total non-current assets</b>	<b>32,886</b>	<b>43,443</b>	<b>33,170</b>
<b>Current assets</b>			
Current receivables	23,652	7,157	22,592
Current investments	398	–	–
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>24,050</b>	<b>7,157</b>	<b>22,592</b>
<b>TOTAL ASSETS</b>	<b>56,936</b>	<b>50,600</b>	<b>55,762</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,929	5,440	4,944
<b>Untaxed reserves</b>			
Tax allocation reserve	–	43	–
<b>Liabilities</b>			
Deferred tax liabilities	27	29	27
Interest-bearing liabilities	50,503	44,352	49,538
Non-interest-bearing liabilities	1,477	735	1,253
<b>Total liabilities</b>	<b>52,008</b>	<b>45,117</b>	<b>50,818</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>56,936</b>	<b>50,600</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 161 employees, of whom 73 were women and 88 men. Of these employees, 43 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, 135 are employed in Sweden, 16 in Finland and 10 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 31 March 2023, 71 per cent of the loan portfolio was hedged against rising rates and 29 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

Stockholm, 27 April 2023

Nils Styf, CEO

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 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.

### 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

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

### Public property

A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. 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

The areas of the properties 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.

Property yield	31 Mar 2023	31 Mar 2022
Net operating income according to income statement	3,183	2,826
Adjusted for 12-month holding period	75	33
Adjusted for development properties	-202	-149
<b>Adjusted net operating income</b>	<b>3,057</b>	<b>2,709</b>
Market value of properties	84,879	79,987
Adjusted for development properties	-11,917	-11,413
<b>Adjusted market value of properties</b>	<b>72,961</b>	<b>68,574</b>
<b>Property yield</b>	<b>4.2%</b>	<b>4.0%</b>

Total return	Apr 2022-Mar 2023	Apr 2021-Mar 2022
Net operating income	3,183	2,826
Value change, properties	-2,400	8,732
<b>Total</b>	<b>783</b>	<b>11,559</b>
Opening market value of properties	79,987	65,528
Closing market value of properties	84,784	79,987
Adjustment of value change for the period	2,400	-8,732
<b>Adjusted average property value</b>	<b>83,586</b>	<b>68,391</b>
<b>Total return</b>	<b>0.9%</b>	<b>16.9%</b>

Profit/loss from property management	31 Mar 2023	31 Mar 2022
Profit after net interest income	584	640
Reversal		
<i>Changes in value, joint ventures</i>	-6	-85
<i>Tax, joint ventures</i>	2	17
<b>Profit/loss from property management</b>	<b>580</b>	<b>572</b>

Interest-coverage ratio	Apr 2022-Mar 2023	Apr 2021-Mar 2022
Net operating income	3,183	2,826
Less central administrative expenses	-192	-163
Plus dividends from joint ventures	21	17
	<b>3,012</b>	<b>2,680</b>
Net interest expense	-750	-475
<b>Interest-coverage ratio, times</b>	<b>4.0</b>	<b>5.6</b>

Operating cash flow	Jan-Mar 2023	Jan-Mar 2022
Profit from property management	580	572
Dividends from joint ventures	–	–
Tax paid	-18	-31
Reversal		
<i>Loss from property management, participations in joint ventures</i>	-16	-14
<i>Depreciation</i>	5	4
<b>Operating cash flow</b>	<b>551</b>	<b>532</b>

## Key ratio calculations, cont.

<b>Loan-to-value ratio</b>	<b>31 Mar 2023</b>	<b>31 Mar 2022</b>
Interest-bearing debt	50,535	44,375
Current investments	-398	–
Cash and cash equivalents	-611	-795
<b>Net debt</b>	<b>49,526</b>	<b>43,580</b>
Market value of properties	84,784	79,987
Investments in joint ventures	1,709	1,363
<b>Total</b>	<b>86,493</b>	<b>81,350</b>
<b>Loan-to-value ratio</b>	<b>57.3%</b>	<b>53.6%</b>

<b>Debt-coverage ratio</b>	<b>31 Mar 2023</b>	<b>31 Mar 2022</b>
Cash and cash equivalents	611	795
Current investments	398	–
Undrawn committed credit facilities	13,500	11,500
<b>Available liquidity</b>	<b>14,509</b>	<b>12,295</b>
Short-term borrowings	8,366	7,678
<b>Debt-coverage ratio</b>	<b>173%</b>	<b>160%</b>

<b>Share of secured debt</b>	<b>31 Mar 2023</b>	<b>31 Mar 2022</b>
Secured debt outstanding	1,000	–
Market value of properties	84,784	79,987
<b>Share of secured debt</b>	<b>1.2%</b>	<b>0.0%</b>

<b>NOI margin</b>	<b>Jan–Mar 2023</b>	<b>Jan–Mar 2022</b>
Rental income	1,183	983
Other property income	7	6
<b>Total property income</b>	<b>1,190</b>	<b>989</b>
Net operating income	862	711
<b>NOI margin</b>	<b>72.4%</b>	<b>71.8%</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**

Annual General Meeting	27 April 2023
Half-year report, Jan – Jun 2023	14 Jul 2023
Interim report Jan – Sep 2023	20 Oct 2023

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**Reliable**  
**Progressive**