

# Q2

## Half-year report 2021

### Summary January-June 2021

- » Rental income increased 9 per cent to SEK 1,751 million (1,608).
- » Profit from property management increased 9 per cent to SEK 1,018 million (930).
- » Changes in the value of properties amounted to SEK 2,504 million (333) and changes in the value of financial instruments to SEK 112 million (-119).
- » Profit after tax for the period increased to SEK 2,981 million (879).
- » The market value of investment properties was SEK 69,619 million (57,533).
- » During the period, 29 properties (17) were acquired for SEK 2,697 million (490) and two properties (four) were divested for SEK 8 million (73).

### Significant events during the second quarter

- » Hemsö acquired a campus in central Uppsala for conversion into a school campus. The investment amount was approximately SEK 1 billion and a ten-year rental agreement will be signed with Uppsala Municipality.
- » Hemsö's shareholders decided to make an additional equity injection of SEK 1 billion. The capital will be contributed in the third quarter of 2021.
- » A new municipal preschool/elementary school and sports centre for 900 students will be developed in Ektorp in Nacka. The investment amount was approximately SEK 400 million and a 25-year rental agreement was signed with Nacka Municipality.
- » Hemsö increased its shareholding in the Finnish associated company Turku Technology Properties to 44 per cent.
- » In June, Standard & Poor's placed Hemsö on credit watch (negative) following a revision of its criteria for rating Public & Nonprofit Social Housing Providers. In the future, Hemsö will be evaluated using the criteria for traditional property companies.

### Hemsö in summary

	Jan-Jun 2021	Jan-Jun 2020	Jul 2020-Jun 2021	Jan-Dec 2020
Rental income, SEK million	1,751	1,608	3,413	3,270
Profit from property management, SEK million	1,018	930	1,898	1,810
Profit after tax, SEK million	2,981	879	5,436	3,333
Operating cash flow, SEK million	896	830	1,762	1,696
Loan-to-value ratio, %	60.1	63.5	60.1	60.0
Interest-coverage ratio, times	5.3	5.0	4.7	4.5
Market value of investment properties, SEK million	69,619	57,533	69,619	62,240
NOI margin, %	74.7	74.6	73.8	73.7
Economic occupancy rate, %	97.9	98.1	97.5	97.9
Rental duration, years	9.5	9.9	9.5	9.8
Lettable area, tsqm	2,155	1,923	2,155	2,005



## CEO statement

I am proud to be commenting on a positive trend for Hemsö for this quarter as well. We initiated several new partnerships with the public sector, and the development projects completed in the past year are generating stable cash flows. Both rental income and profit from property management increased 9 per cent, largely the result of completed development projects and acquisitions.

### Strong property market

Investor appetite for public properties is high and the transaction market has remained strong since last autumn. The declining valuation yield trend intensified in the first half of 2021. Interest in high-quality nursing homes and schools stands out, with many investors seeking safe cash flows in an uncertain business environment. Since most of Hemsö's property portfolio is comprised of these segments, with a high share of new-builds, we are therefore reporting substantial positive value changes for the quarter. With persistent low interest rates and strong demand for public properties, I expect we will see a continuation of the upward value trend for Hemsö's property portfolio for the remainder of the year.

### Partner of choice for the municipal sector

Hemsö shall be the partner of choice for the municipal sector to meet the growing need for social infrastructure together. More and more municipalities are choosing to partner with Hemsö in their mix of owned and rented public properties. During the quarter, we initiated partnerships for municipal schools with Kungälv, Nacka, Västerås, Uddevalla and Uppsala, and will be creating nearly 3,000 new school places.

The new school in Ektorp in Nacka Municipality is a particularly exciting development project, and key to meeting the growing population in a rapidly expanding part of the Stockholm region. Hemsö will develop a new elementary school and preschool for

a total of 900 students. We will also develop a sports centre and a football field in the school playground. Nacka Municipality has signed a 25-year rental agreement for the entire property, which is scheduled for completion in 2025.

The development and management of schools and nursing homes has long been one of Hemsö's core competencies. We have also broadened our scope in recent years and built up specialised expertise in other property segments. We have a number of ongoing or planned municipal development projects in both Sweden and Finland, including assisted living facilities, sports facilities and fire and rescue stations. The ability to offer a broad base of specialised skills to support the municipal sector is strategically important for us.

### Focus on tenants in Hemsö's business development

We are working continuously to develop our business operations to create the right conditions for those who are using our properties. I would like to mention a specific example.

Over the past year, we have been running an innovation project to create sustainable and attractive nursing homes of the future. Together with employees, residents, family members and researchers, we have created "Hemsö-blomman" (the Hemsö Flower). The five petals of the flower describe the steps that are required to develop a first-rate nursing home. The Hemsö Flower connects all of our collective knowledge of nursing homes and can be used throughout the entire life cycle, from the early stages to project implementation and further development of a property through management.

### Improved capital structure

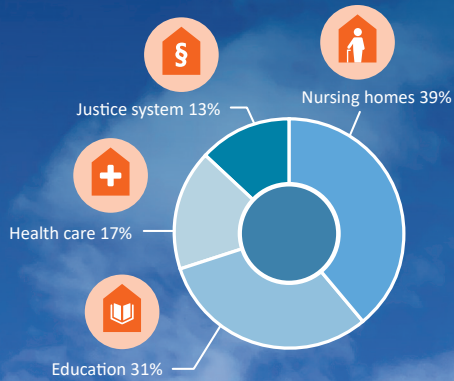
In May, Hemsö's shareholders decided to make an additional equity injection of SEK 1 billion to increase investment capacity without affecting the company's capital structure. This will enable new investments, especially in the construction of new schools and nursing homes. The capital will be contributed in the third quarter of 2021.

### More passionate experts in Hemsö

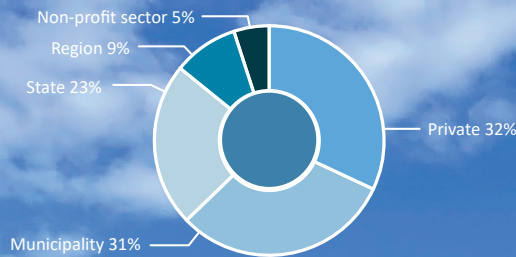
Because we are growing, I take great pleasure in welcoming many new colleagues to the Hemsö family. Our common purpose and driving force is to create social value, and to sustainably support the public sector in its need for social infrastructure. We are working together to strengthen the backbone of society.

Nils Styf, CEO

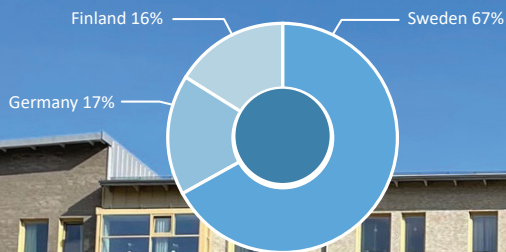
### Contracted rent per property category



### Contracted rent per customer category



### Market value of investment properties



## 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 the majority owner.
- The total value of Hemsö's property portfolio is SEK 69.6 billion.
- Hemsö has a credit rating of A+ from Fitch Ratings and A- from Standard & Poor's.

### Vision

We are strengthening the backbone of society

### Business concept

To sustainably own, manage and develop public properties.

# Income, costs and profit

Profit/loss items relate to the January-June 2021 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.

## Rental income

During the period, rental income amounted to SEK 1,751 million (1,608). In Sweden, rental income rose 9 per cent, mainly the result of completed development projects and acquisitions. In Germany, rental income rose 19 per cent, mainly driven by acquisitions, while rental income in Finland rose 0.3 per cent. In the comparable portfolio, rental income declined SEK 18 million, or 1 per cent, mainly attributable to a change in exchange rates.

At period-end, contracted annual rent amounted to SEK 3,590 million (3,269), before rent reductions of SEK 15 million (22). Economic vacancies amounted to SEK 78 million (60). The economic occupancy rate was in line with the preceding period and was 97.9 per cent (98.1) at period-end.

Rent agreements expiring in 2021 amount to SEK 139 million, corresponding to 4 per cent of Hemsö's contracted rental income. The rental duration was 9.5 years (9.9).

## Property costs

Property costs amounted to SEK 446 million (412), up SEK 34 million. Costs rose due to a larger property portfolio and higher costs for clearing snow and ice, as well as district heating due to a colder winter compared with the preceding year. In the comparable portfolio, costs increased SEK 8 million, or 2 per cent.

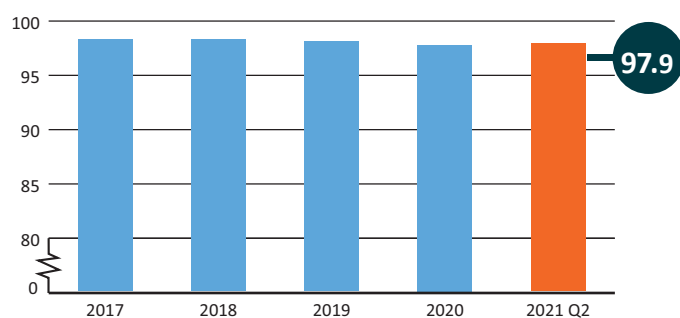
## Vacancy changes

SEK million	Jan-Jun 2021
Opening vacancy	74
Terminated rental agreements	13
Adjusted for vacancy rents	-2
New rental agreements	-10
Acquired	3
Divested	-
<b>Closing vacancy</b>	<b>78</b>

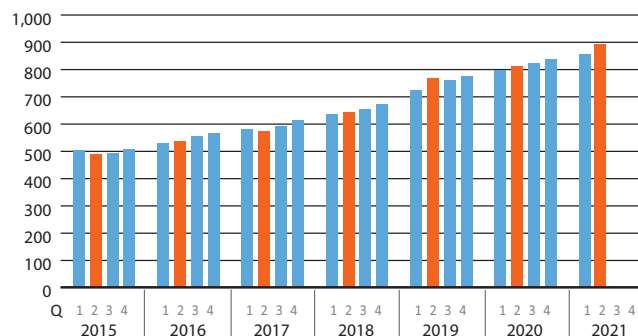
## Rental maturity

Year	Annual rent, SEK million	Share, %
2021	139	4
2022	249	7
2023	187	5
2024	212	6
2025	221	6
2026	152	4
2027	182	5
2028	261	7
2029	198	6
2030	239	7
>2030	1,549	43
<b>Total</b>	<b>3,590</b>	<b>100</b>

## Economic occupancy rate, %



## Rental income, SEK million



# SEK 1,751 million

## Rental income

### Net operating income

Net operating income increased to SEK 1,317 million (1,208). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin rose slightly to 74.7 per cent (74.6).

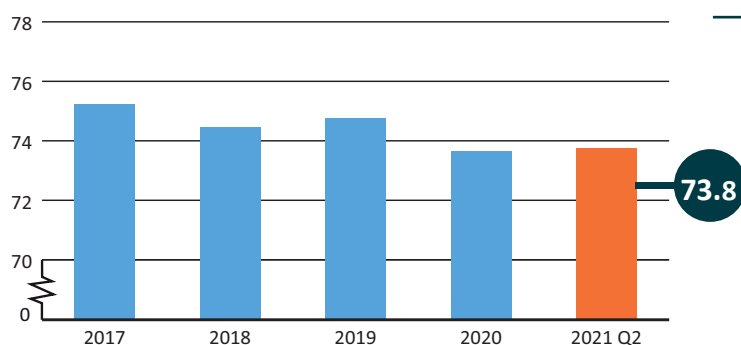
In the comparable portfolio, net operating income declined to SEK 1,100 million (1,127) due to a change in exchange rates and higher operating costs due to the cold winter.

### Comparable portfolio

	30 Jun 2021	30 Jun 2020	Change, %
No. of properties	321	321	0.0
Market value, SEK million	49,568	46,782	6.0
Property yield, %	4.4	4.7	-1.5

Amounts in SEK million	Jan-Jun 2021	Jan-Jun 2020	Change, %
Rental income	1,464	1,482	-1.2
Other income	10	11	-5.9
Operating costs	-265	-229	15.8
Maintenance costs	-82	-106	-23.0
Other costs	-27	-31	-12.5
<b>Net operating income</b>	<b>1,100</b>	<b>1,127</b>	<b>-2.4</b>

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



### Administration

Administrative expenses for the period decreased to SEK 72 million (74). The decline was mainly due to a harmonised principle for property administration between the countries, whereby administrative expenses were redistributed as property costs.

### Financial items

Net financial expense rose year-on-year and amounted to SEK -250 million (-219). The increase was mainly attributable to a decrease in financial income, due to reduced loans to joint ventures. Interest and other financial expenses were in line with the preceding year, despite the fact that interest-bearing liabilities rose to SEK 43,097 million (38,136). The average interest rate was 1.1 per cent (1.3), and the fixed-rate period was 6.4 years (6.7).

### Financial items

SEK million	Jan-Jun 2021	Jan-Jun 2020
Interest income	1	2
Other financial income	17	37
Interest expense	-227	-223
Other financial expenses	-27	-23
Ground leases and leasehold properties	-13	-12
<b>Total financial items</b>	<b>-250</b>	<b>-219</b>

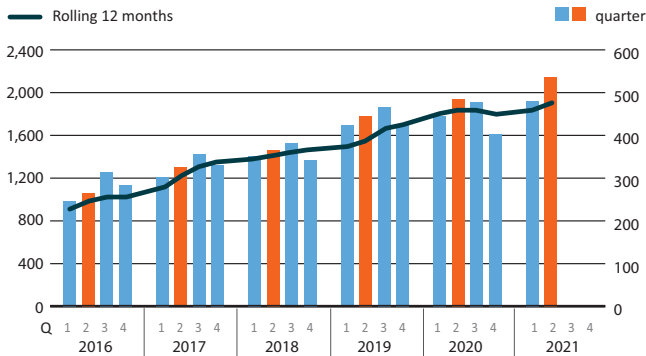
# SEK 1,317 million

## Net operating income

## Profit from property management

Profit from property management rose 9 per cent to SEK 1,018 million (930), mainly attributable to a larger property portfolio.

### Profit from property management, SEK million



Market value,  
investment properties

**SEK 69.6  
billion**

Properties

**421**

Lettable area

**2,155 tsqm**

## Change in value of investment properties

Change in the value of properties for the period amounted to SEK 2,504 million (333), of which unrealised value changes amounted to SEK 2,504 million (331) and realised value changes to SEK 0 million (2).

Unrealised value changes were attributable to property management and development projects, and to lower yield requirements primarily in Sweden. The yield on the entire property portfolio, excluding development properties, was 4.4 per cent (4.7).

The total yield was 11.7 per cent (7.3).

### Unrealised value changes, properties, Jan-Jun 2021

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	874	29	131	1,034
– Market factors	1,270	157	44	1,470
<b>Total unrealised value changes</b>	<b>2,143</b>	<b>186</b>	<b>175</b>	<b>2,504</b>

**Change in value of property portfolio**

	SEK million	No. of
Market value, opening balance	62,240	392
Acquisitions	2,697	29
Investments in new construction, extension and refurbishment	2,030	
Re-allotment	–	2
Divestments	-8	-2
Exchange-rate fluctuations	155	
Unrealised value changes	2,504	
<b>Market value at period-end</b>	<b>69,619</b>	<b>421</b>

**Change in value of financial instruments**

Changes in the value of financial instruments had a positive impact of SEK 112 million (-119) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 111 million (-98) on profit, and were mainly attributable to rising market rates. Derivatives attributable to currency risk management had a positive impact of SEK 1 million (-21) on profit.

**Tax**

Recognised tax for the period amounted to SEK -710 million (-230), of which current tax accounted for SEK -81 million (-83) and deferred tax for SEK -629 million (-147). Deferred tax expense mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. At period-end, deferred tax assets amounted to SEK 23 million (82). Deferred tax liabilities amounted to SEK 4,946 million (3,845). Deferred tax assets were netted against deferred tax liabilities on the balance sheet.

**Earnings**

Profit after tax for the period totalled SEK 2,981 million (879). The increase was mainly attributable to higher changes in the

value of investment properties and financial instruments but also to higher profit from property management and improved profit from associated companies.

**Cash flow**

Hemsö's operating cash flow increased to SEK 896 million (830). Cash flow from operating activities before changes in working capital was SEK 859 million (816). The change in working capital was SEK 533 million (-130). Investing activities had a negative impact of SEK -5,125 million (-2,097) on cash flow, while increased borrowings, loan repayments and dividends had a positive impact of SEK 3,342 million (1,602) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK -392 million (192).

**Parent Company**

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties through ownership of shares in the property-owning subsidiaries. Parent Company sales amounted to SEK 46 million (37) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -97 million (-87), mainly attributable to higher personnel costs due to more employees. Financial items amounted to income of SEK 253 million (385). Financial items included profit of SEK 286 million (381) from participations in Group companies, interest income of SEK 325 million (296), interest expense of SEK -251 million (-246), and exchange-rate differences of SEK -107 million (-46). Changes in the value of financial instruments amounted to SEK 109 million (-108) and comprehensive income for the period amounted to SEK 305 million (264).

**Segment information**

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	30 Jun 2021	30 Jun 2020
Sweden East	455	390	339	290	20,500	17,760
Sweden West	149	150	97	102	4,818	4,062
Sweden Central/North	372	342	276	249	14,369	11,770
Sweden South	178	175	120	114	6,877	5,591
Germany	272	228	247	208	11,606	8,536
Finland	324	323	238	245	11,449	9,814
<b>Total</b>	<b>1,751</b>	<b>1,608</b>	<b>1,317</b>	<b>1,208</b>	<b>69,619</b>	<b>57,533</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. The Group is managed and reported in six segments: Finland, Germany and four segments in Sweden – East, West, Central/North and South.

# Property portfolio

Of the total property value of SEK 69,619 million (57,533), 67 per cent (68) was attributable to Sweden, 17 per cent (15) to Germany and 16 per cent (17) to Finland.

At period-end, Hemsö owned properties in 61 municipalities in Sweden, 57 municipalities in Germany and 28 municipalities in Finland. The largest share of the market value of investment properties, 83 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 39 per cent of the property value, followed by Education which accounts for 33 per cent. Health care accounts for 17 per cent and the Justice system for 11 per cent. At 30 June 2021, Hemsö's property portfolio comprised 421 properties (383) with a total lettable area of 2,155 tsqm (1,923).

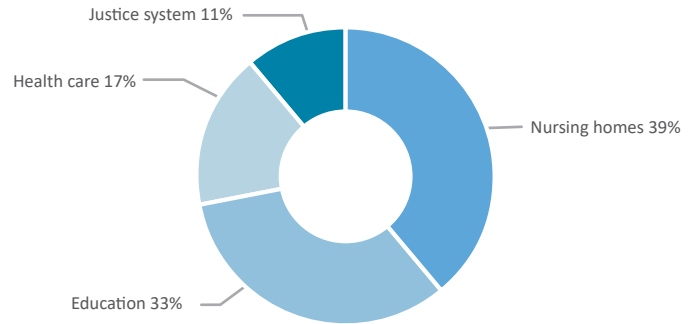
## Property transactions

Quarter	No. of	Value, SEK million	Area, sqm
<b>Acquisitions</b>			
Q1	17	1,522	93,486
Q2	12	1,176	42,202
<b>Total</b>	<b>29</b>	<b>2,697</b>	<b>135,688</b>
<b>Divestments</b>			
Q1	1	7	–
Q2	1	1	–
<b>Total</b>	<b>2</b>	<b>8</b>	<b>–</b>

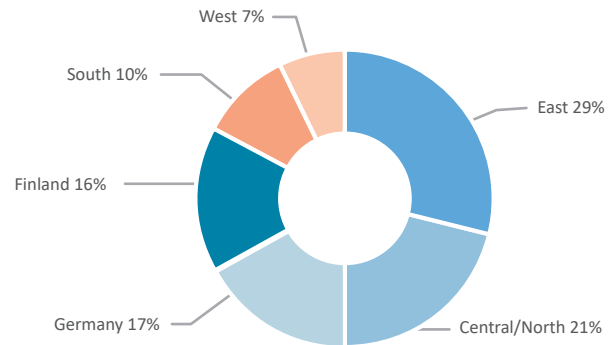
## Investments

Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 2,030 million (1,591) was invested, of which SEK 1,566 million (1,339) was related to new construction and SEK 464 million (252) to improvements and new lettings.

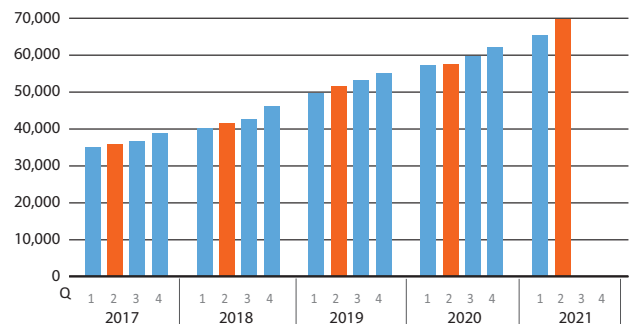
## Market value of investment properties per property category



## Market value of investment properties per segment



## Market value of investment properties, SEK million





### Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	211	130	56	24	421
Lettable area, tsqm	971	657	309	218	2,155
Rental duration, years	9.4	11.0	8.1	8.3	9.5
Property value, SEK million	26,900	22,663	12,075	7,981	69,619
Rental income, SEK million	685	526	305	234	1,751
Net operating income, SEK million	523	399	209	187	1,317
Economic occupancy rate, %	99.0	97.8	96.5	96.5	97.9
Property yield, %	4.3	4.3	4.6	4.8	4.4

### Tenants

Hemsö's business model is based on long-term rental agreements with public-sector tenants or private operators that are taxpayer-funded. Hemsö's rental agreements allow for annual rent adjustments under indexation clauses linked to each country's consumer price index (CPI). On average, Hemsö's rental income is adjusted annually by approximately 90 per cent of inflation.

Of Hemsö's total rental income, 94 per cent was derived from taxpayer-funded services. The share of contracted annual rent for public-sector tenants was 63 per cent. Rental agreements with municipal operators accounted for 31 per cent, state operators for 23 per cent, and regional operators for 9 per cent. Private operators account for 32 per cent of the annual rent, and non-profit organisations for 5 per cent. The largest tenants are Region Stockholm, the Swedish Police Authority, the City of Turku, Academedia and Attendo, which jointly account for 23 per cent of rental income. Of Hemsö's 20 largest tenants, 12 were public-sector operators.

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

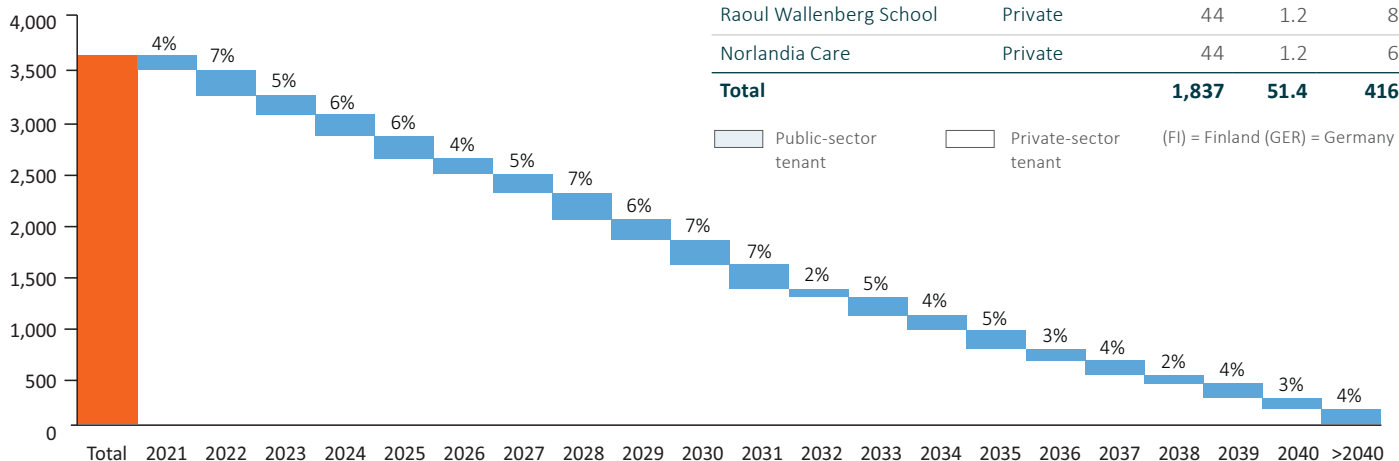
In Germany, Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 50 million, of which EUR 11 million is secured through pledges. If pledges are included, 48 per cent of rental income in Germany is derived from public-sector tenants.

### Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Region Stockholm	Region	227	6.3	77
Swedish Police	State	214	6.0	32
City of Turku (FI)	Municipality	145	4.1	14
Academedia	Private	122	3.4	22
Attendo	Private	120	3.4	81
Ministry of Justice (FI)	State	113	3.2	12
Mälardalen University	State	102	2.9	3
AWO (GER)	Non-profit	90	2.5	12
City of Västerås	Municipality	83	2.3	17
Ambea	Private	72	2.0	9
Norrköping Municipality	Municipality	72	2.0	15
Västra Götaland Region	Region	70	2.0	63
Karolinska Institute	State	64	1.8	6
HEWAG (GER)	Private	56	1.6	9
Gävle Municipality	Municipality	52	1.4	19
Alloheim (GER)	Private	51	1.4	7
North Rhine-Westphalia (GER)	State	50	1.4	1
University of the Arts Helsinki (FI)	State	45	1.3	3
Raoul Wallenberg School	Private	44	1.2	8
Norlandia Care	Private	44	1.2	6
<b>Total</b>		<b>1,837</b>	<b>51.4</b>	<b>416</b>

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

### Rental maturity, annual rent, SEK million



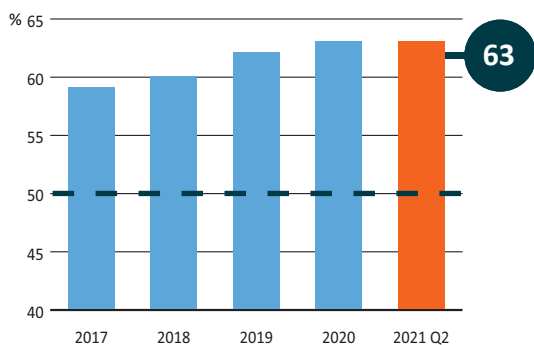
### Property frameworks

Hemsö has four property frameworks in order to clarify the company's strategy. These frameworks aim to ensure a low

level of portfolio risk, and that Hemsö's cash flow remains stable over time.

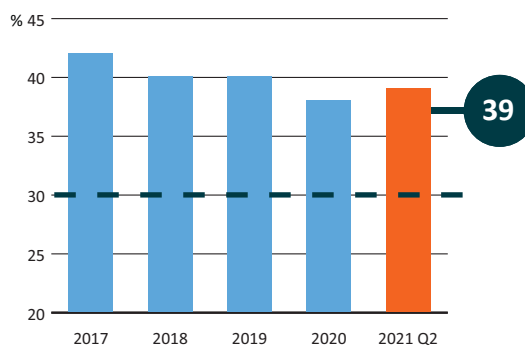
#### Public-sector tenants

– At least 50 per cent of rental income



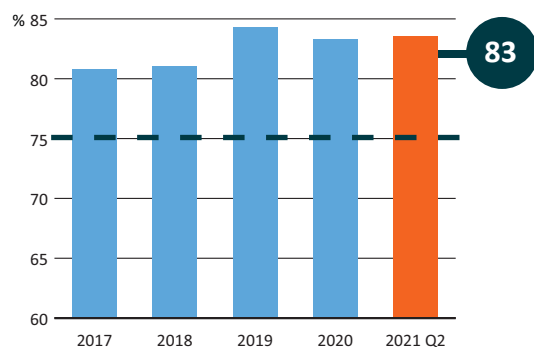
#### Nursing homes

– At least 30 per cent of rental income



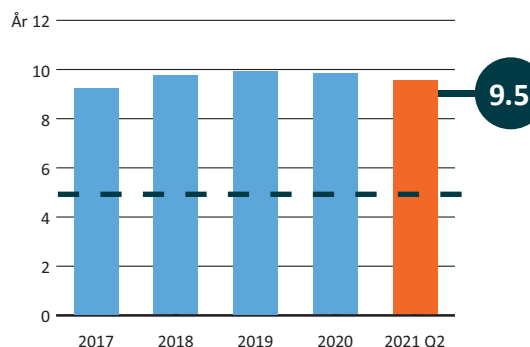
#### Metropolitan areas and large cities

– At least 75 per cent of rental income



#### Rental duration

– At least 5 years



### Property valuation

Hemsö measures the fair value of its investment properties in accordance with IAS 40. Internal property valuations are performed quarterly. To verify the internal measurement, the value of most properties in the portfolio is determined externally every year. The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. At period-end, the fair value of properties was SEK 69,619 million (57,533).

### Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 30 June 2021. 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. Rental income is based on annual rental value less vacant premises and rent reductions. Property costs are based on actual results over the past 12 months adjusted for the holding period. Administrative expenses are based on

### Earning capacity

SEK million	30 Jun 2021	30 Jun 2020	Change, %
Rental income	3,575	3,247	10
Property costs	-893	-799	12
<b>Net operating income</b>	<b>2,682</b>	<b>2,449</b>	<b>10</b>
Central administrative expenses	-153	-139	7
Associated companies	47	32	47
Financial items	-500	-474	6
<b>Profit from property management</b>	<b>2,076</b>	<b>1,867</b>	<b>11</b>

the actual outcome over the past 12 months. Net financial income is 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 associated companies does not include changes in value and tax, and is calculated using the same assumptions as for Hemsö with consideration for the size of the share.

# Development projects

## Hemsö's largest ongoing new construction and refurbishment projects over SEK 100 million

Municipality	Development projects	Category	Certification	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completion, year
Stockholm	Princeton 1 <sup>1)</sup>	Health care	SGBC	22,364	1,649	188	106	93	2021
Huddinge	Nya Novum <sup>2)</sup>	Health care	BREEAM	49,000	870	801	34	61	2024
Västerås	Södra Källtorp	Nursing home	SGBC	35,470	551	65	28	100	2021
Lahti	Paavola Campus <sup>2)</sup>	Education	–	28,086	528	446	60	100	2021–2023
Gothenburg	Silverkällan	Nursing home	SGBC	13,458	508	291	31	96	2022
Zossen	Dabendorf	Education	–	16,250	477	70	26	100	2021
Nacka	Stavsborgsskolan	Education	SGBC	13,004	380	350	29	100	2023
Staffanstorps	IES Staffanstorps	Education	SGBC	6,995	300	157	16	100	2022
Trelleborg	IES Trelleborg	Education	SGBC	7,524	271	145	20	100	2022
Norrköping	NOD-huset	Health care	SGBC	4,495	257	7	13	89	2021
Tyresö	Sköndalsvillan	Nursing home	SGBC	7,044	250	175	15	100	2022
Stockholm	Kadetten <sup>2)</sup>	Education	–	11,410	246	169	38	100	2022
Borlänge	Paradisskolan	Education	–	9,200	239	19	17	100	2021
Upplands Väsby	Vågen Vilunda	Nursing home	Nordic Swan	6,157	236	203	16	100	2022
Södertälje	Hantverkaren	Nursing home	SGBC	4,982	192	75	12	100	2021
Büttelborn	Büttelborn	Nursing home	–	6,193	167	126	11	100	2021
Oulu	Linnanmaa	Justice system	BREEAM	5,800	165	41	13	100	2021
Täby	Bylegård	Nursing home	SGBC	5,555	165	116	12	100	2022
Helsinki	Arkadiankatu 24 <sup>2)</sup>	Education	–	5,767	147	118	16	100	2022
Joensuu	Conservatory	Education	BREEAM	3,311	127	46	10	100	2021
Espoo	Kamreerintie 6 <sup>2)</sup>	Health care	–	4,888	101	80	15	100	2022
<b>Total</b>				<b>266,953</b>	<b>7,828</b>	<b>3,686</b>	<b>537</b>		

Public-sector tenant     Private-sector tenant

<sup>1)</sup> The development project is conducted in a joint venture with SveaNor. The property has been sold and will be transferred upon completion of the project.

<sup>2)</sup> Refurbishment.

## Major development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. The largest projects comprise a total investment of SEK 7,828 million,

of which the remaining investment amount is SEK 3,686 million.

The total volume of ongoing new construction and refurbishment projects amounted to SEK 8,272 million, of which the remaining investment amount is SEK 4,050 million.

## Completed development projects, 2021

Completed	Municipality	Development projects	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate, %
Q1	Linköping	Nyponkärnan	Education	SGBC	1,688	49	15	3	100
Q2	Solna	Bagartorp <sup>1)</sup>	Education	Nordic Swan	4,456	184	30	11	100
<b>Total</b>					<b>6,144</b>	<b>234</b>	<b>26</b>	<b>14</b>	

Public-sector tenant     Private-sector tenant    <sup>1)</sup> Municipal guarantee.



### Hemsö acquired a university campus in central Uppsala

We secured the municipality's contract for a rental agreement for a new upper secondary school in Uppsala. The area has a long history dating back to the late 1800s when it was used by the military. The current building was constructed in the early 1900s and is on the national heritage list. The new municipal upper secondary school will have about 16,000 sqm of modern classrooms for 1,400 students. The project will be developed in two phases – the first phase for 800 students will be completed in 2023, and the second phase for another 600 students will be completed by summer 2024. Hemsö is also taking over another development project involving a refurbishment to create a new lower elementary school for 200 students.

## Sustainability

### Social sustainability

As a long-term owner, property manager and developer of public properties, Hemsö has a key role to play in creating the conditions for a more sustainable society. Every year, Hemsö's development projects add thousands of new nursing home beds and school places. By meeting the growing need for social infrastructure, Hemsö is contributing to social sustainability.

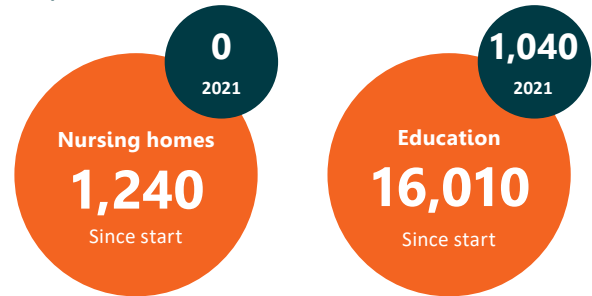
### Energy and climate

An important process for achieving sustainable development of the property portfolio is to continuously improve the energy performance of the properties. The focus is on development projects that also help to reduce CO<sub>2</sub> emissions from energy use. Hemsö's overarching energy-reduction targets are to reduce energy consumption by 3 per cent annually in the comparable portfolio, and to achieve 100 per cent non-fossil energy use and net-zero CO<sub>2</sub> emissions for existing buildings by 2035. Hemsö's climate strategy also includes studying how CO<sub>2</sub> emissions from new construction can be reduced. Due to operational optimisation and energy efficiencies, energy consumption continued to decline in the second quarter as well.

### Environmental certification

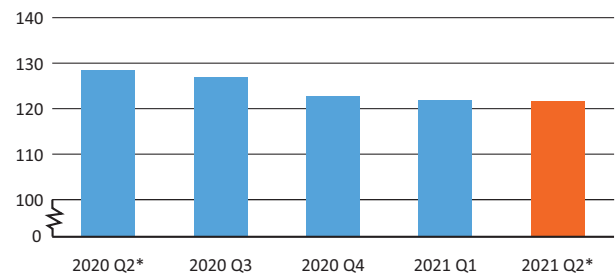
At the end of the second quarter, Hemsö had 60 environmental certifications – 35 Miljöbyggnad, four LEED, one BREEAM, 19 BREEAM In-Use and one DGNB. The number of certified buildings is rising steadily due to the growing number of own-produced buildings, where Hemsö imposes demands on environmental certification. In addition, a major share of existing buildings are gradually being certified.

### Beds/places created



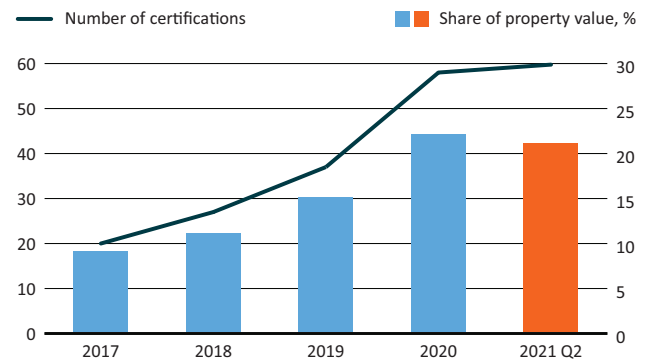
The totals pertain to the number of beds/places that Hemsö has added through completed projects between 2009 and the second quarter of 2021.

### Energy consumption, Kwh/m<sup>2</sup>\*\*



\*\*Pertains to energy consumption in Sweden in the total portfolio, rolling 12-month period, Kwh/m<sup>2</sup>.  
\*Pertains to the June-May period.

### Environmentally certified properties\*



\*Environmental certification of Miljöbyggnad, Silver Level, or an equally high level of certification.



### Heat recovery from wastewater reduces CO<sub>2</sub> emissions

In Hemsö's new upper secondary school in Zossen, south of Berlin, a system for heat recovery from wastewater has been installed. The principle is based on using the heat in wastewater to heat the building during winter and for cooling in summer. The solution is helping to reduce energy consumption and environmental impact. The Zossen project has reduced the energy required for heating by two thirds compared with conventional gas heating. The City Of Zossen is the tenant and has signed a 20-year rental agreement. The school will be completed in the third quarter of 2021, and is planned to accommodate 1,000 students.

## Associated companies

At 30 June 2021, Hemsö owned shares in two associated companies, Turku Technology Properties Oy (TTP) and Lanthem Samhällsfastigheter AB (Lanthem).

These companies are reported in Hemsö's consolidated accounts using the equity method. The value of the share of Lanthem is SEK 159 million (124), and the value of the share of TTP is SEK 1,002 million (582). Hemsö has also issued a loan of SEK 25 million to Lanthem. Total investments in associated companies amounted to SEK 1,185 million (706).

### Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö currently owns 44 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. The other owners are the Turku University of Applied Sciences, OP-bank and the Eschnerska Frilansrettet Foundation.

TTP is focused on public properties and its property portfolio is concentrated to the Kupittaa area of central Turku. The company combines education, research and private enterprise in a dynamic cluster of tenant firms known as Science Park. At 30 June 2021, 64 per cent of rental income was derived from public-sector tenants and the rental duration was eight years.

### 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 five nursing homes and school properties from Lantmännen. The ongoing development projects mainly belong to these two categories. Lanthem currently has two ongoing construction projects for new nursing homes. Ownership of Lanthem Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.

### Profit from associated companies, SEK million

Jan-Jun 2021	TTP	Lanthem	Total
Profit from property management	19	4	22
Value changes, properties	0	25	25
Value changes, derivatives	48	0	48
Tax	-9	-6	-15
<b>Profit recognised</b>	<b>57</b>	<b>23</b>	<b>80</b>



TTP	30 Jun 2021	30 Jun 2020
Shareholding, %	44	40
Rental value, SEK million	307	283
No. of properties	24	20
Economic occupancy rate, %	97	98
Market value of investment properties, SEK million	4,226	4,048
Rental duration, years	8	6
Share of public-sector tenants, %	64	61



Lanthem	30 Jun 2021	30 Jun 2020
Shareholding, %	50	50
Rental value, SEK million	21	21
No. of properties	5	5
Economic occupancy rate, %	100	100
Market value of investment properties, SEK million	502	408
Rental duration, years	9	10
Share of public-sector tenants, %	30	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 70 per cent, and the interest-coverage ratio should be at least 2.5. At period-end, the loan-to-value ratio was 60.1 per cent (63.5) and the interest-coverage ratio was 4.7 times (5.0).

Hemsö issues bonds in Swedish and European capital markets and certificates in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks and the Third Swedish National Pension Fund, which diversifies the company's funding sources. Hemsö has a credit rating of A+ from Fitch, and A- from Standard & Poor's.

### Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A+	F1+	Stable	31 Mar 2021
Standard & Poor's*	A-	A-2	Negative	1 Jun 2021

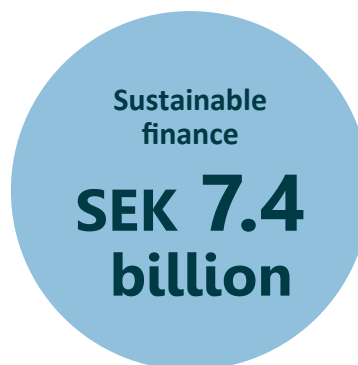
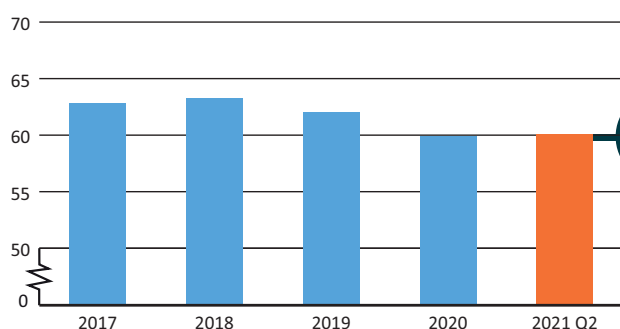
\*On 1 June 2021, S&P placed Hemsö on negative watch and will assign a new credit rating to Hemsö within 90 days based on S&P's new ratings methodology.

### Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 43,097 million (38,136).

In the second quarter, Hemsö issued a total of SEK 900 million in three sustainability bonds with terms of between two and three years. Hemsö issued bonds in USD for the first time. The issuance value of two bonds corresponded to SEK 1,016 million, and all bonds had a ten-year maturity. The currency and interest-rate risk associated with these borrowings has been eliminated with derivatives.

### Loan-to-value ratio, %



### Sources of funding, SEK million

	Q2 2021	Q2 2020
Bonds, SEK	13,609	12,402
Bonds, EUR	17,318	14,774
Bonds, NOK, AUD, USD	2,794	981
<b>Total bonds</b>	<b>33,721</b>	<b>28,157</b>
Commercial papers, SEK	4,953	5,439
European Investment Bank, SEK, EUR	2,864	2,950
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	759	790
<b>Total interest-bearing liabilities</b>	<b>43,097</b>	<b>38,136</b>

### Capital structure, SEK million

	Q2 2021	Q2 2020
Interest-bearing liabilities	43,097	38,136
Cash and cash equivalents	519	1,173
<b>Net debt</b>	<b>42,578</b>	<b>36,963</b>
Market value of investment properties	69,619	57,533
Investments in associated companies	1,185	706
<b>Total</b>	<b>70,804</b>	<b>58,239</b>
<b>Loan-to-value ratio</b>	<b>60.1%</b>	<b>63.5%</b>
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

At period-end, Hemsö had undrawn committed credit facilities totalling SEK 11,500 million (11,500), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents and current investments amounted to SEK 519 million (1,173) and available liquidity was SEK 12,019 million (12,673). The debt-coverage ratio was 131 per cent (138).

Hemsö uses interest-rate derivatives to manage its interest-rate risk, and foreign exchange and cross currency swaps to manage the company's currency risk.

At period-end, the nominal value of the interest-rate derivatives was SEK 6,300 million (6,300). The nominal value of derivatives used to manage currency risk corresponded to SEK 2,649 million (934). Currency exposure amounted to 6.0 per cent (5.4) of equity.

At period-end, the average loan maturity was 6.7 years (7.1) and the average fixed-rate period was 6.4 years (6.7). The average interest rate was 1.1 per cent (1.3).

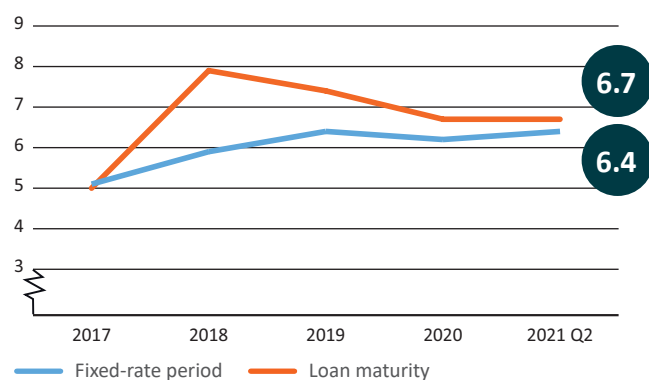
#### Committed credit facilities and underwriting commitments, SEK million

	Q2 2021	Q2 2020
Banks	6,500	6,500
Third Swedish National Pension Fund	5,000	5,000
<b>Total committed credit facilities</b>	<b>11,500</b>	<b>11,500</b>
Cash and cash equivalents	519	1,173
<b>Available liquidity</b>	<b>12,019</b>	<b>12,673</b>
Short-term borrowings	9,156	9,209
Debt-coverage ratio	131%	138%

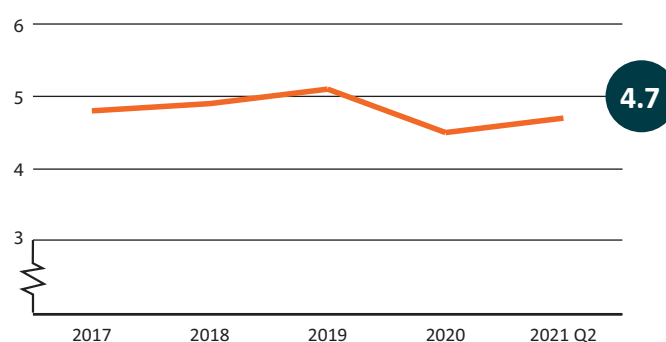
#### Currency exposure, SEK million

	Q2 2021	Q2 2020
Properties, EUR	23,055	18,350
Associated companies, EUR	1,002	582
Cash, EUR	57	617
<b>Assets, EUR</b>	<b>24,114</b>	<b>19,549</b>
Debt, EUR	20,141	17,714
Currency swaps, EUR	2,649	934
<b>Exposure, EUR</b>	<b>1,324</b>	<b>901</b>
Debt NOK, AUD, USD	2,794	981
Currency swaps NOK, AUD, USD	-2,794	-981
<b>Exposure NOK, AUD, USD</b>	<b>0</b>	<b>0</b>
Currency hedging	-	-
<b>Currency exposure</b>	<b>1,324</b>	<b>901</b>
Equity	22,203	16,789
<b>Currency exposure</b>	<b>6.0%</b>	<b>5.4%</b>

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



#### Interest-coverage ratio, times (rolling 12-month period)



### Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 70%	60.1
Loan maturity	At least 3 years	6.7
Debt-coverage ratio	At least 125%	131
Share of secured debt	Max. 20%	0.0
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 2.5 times (rolling 12-month period)	4.7
Fixed-rate period	Average fixed-rate period, 3–8 years	6.4
Fixed-rate maturity	Max. 40% within 12 months	22
<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	6.0



Hemsö acquires university property in Helsinki



Hemsö develops sports facilities in Staffanstorp and Lund

### Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2021	1,650	1,650	4	8,196	19
2022	3,744	3,244	8	1,500	3
2023	10,654	3,654	8	3,050	7
2024	5,700	1,700	4	2,300	5
2025	2,350	2,350	5	1,150	3
2026	5,842	5,842	14	5,042	12
2027	100	100	0	0	0
2028	5,119	5,119	12	5,519	13
2029	3,499	3,499	8	3,499	8
>2029	10,986	10,986	25	12,841	30
<b>Total</b>	<b>49,644</b>	<b>38,144</b>	<b>89</b>	<b>43,097</b>	<b>100</b>
Commercial papers		4,953	11		
<b>Total</b>		<b>43,097</b>	<b>100</b>		



## Quarterly overview Q2 2021

Amounts in SEK million	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Income statement</b>									
Property income	900	863	845	829	816	804	780	764	774
Property costs	-209	-236	-252	-203	-202	-210	-226	-170	-193
<b>Net operating income</b>	<b>690</b>	<b>627</b>	<b>592</b>	<b>626</b>	<b>614</b>	<b>594</b>	<b>554</b>	<b>594</b>	<b>581</b>
Central administrative expenses	-41	-31	-45	-39	-33	-42	-29	-36	-37
Profit/loss from participations in associated companies	18	61	8	12	-8	-11	27	-48	17
<b>Operating loss</b>	<b>667</b>	<b>657</b>	<b>555</b>	<b>599</b>	<b>573</b>	<b>541</b>	<b>552</b>	<b>510</b>	<b>561</b>
Financial items	-125	-125	-157	-124	-105	-114	-109	-110	-107
<b>Profit after financial items</b>	<b>542</b>	<b>533</b>	<b>398</b>	<b>475</b>	<b>468</b>	<b>427</b>	<b>443</b>	<b>400</b>	<b>454</b>
<i>- of which Profit from property management</i>	<i>537</i>	<i>481</i>	<i>403</i>	<i>478</i>	<i>485</i>	<i>445</i>	<i>425</i>	<i>466</i>	<i>446</i>
Value change, properties	1,915	589	1,809	299	223	110	758	460	691
Value change, financial instruments	72	40	20	27	-49	-70	154	-76	-53
<b>Profit before tax</b>	<b>2,529</b>	<b>1,162</b>	<b>2,226</b>	<b>801</b>	<b>642</b>	<b>467</b>	<b>1,355</b>	<b>784</b>	<b>1,092</b>
Current tax	-44	-37	-3	-29	-49	-34	-25	-16	-10
Deferred tax	-439	-189	-421	-119	-79	-68	-216	-135	-124
<b>Profit for the period</b>	<b>2,046</b>	<b>935</b>	<b>1,801</b>	<b>653</b>	<b>515</b>	<b>364</b>	<b>1,114</b>	<b>633</b>	<b>958</b>
Other comprehensive income	-21	62	-145	0	-104	161	-66	12	78
<b>Comprehensive income for the period</b>	<b>2,025</b>	<b>997</b>	<b>1,656</b>	<b>654</b>	<b>410</b>	<b>525</b>	<b>1,048</b>	<b>645</b>	<b>1,036</b>

Balance sheet	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Investment properties	69,619	65,528	62,240	59,658	57,533	57,300	55,027	53,218	51,614
Right-of-use assets	723	730	605	611	612	629	582	431	433
Participations in associated companies	1,160	771	698	719	706	745	634	622	668
Other assets	706	781	758	680	686	706	713	708	658
Cash and cash equivalents and short-term investments	519	1,673	891	1,249	1,173	994	988	2,122	2,333
<b>Total assets</b>	<b>72,727</b>	<b>69,483</b>	<b>65,193</b>	<b>62,917</b>	<b>60,711</b>	<b>60,375</b>	<b>57,945</b>	<b>57,102</b>	<b>55,706</b>
Equity	22,203	21,079	20,082	18,443	16,789	17,239	16,714	15,667	15,022
Deferred tax liabilities	4,923	4,497	4,270	3,875	3,763	3,706	3,600	3,401	3,263
Derivatives	32	95	231	293	287	287	211	366	305
Interest-bearing liabilities	43,097	41,626	38,652	38,431	38,136	37,307	35,542	36,008	35,638
Lease liabilities	723	730	605	611	612	629	582	431	433
Non-interest-bearing liabilities	1,748	1,457	1,353	1,264	1,124	1,206	1,296	1,229	1,045
<b>Total equity and liabilities</b>	<b>72,727</b>	<b>69,483</b>	<b>65,193</b>	<b>62,917</b>	<b>60,711</b>	<b>60,375</b>	<b>57,945</b>	<b>57,102</b>	<b>55,706</b>

Key ratios	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
<b>Financial ratios</b>									
Loan-to-value ratio, %	60.1	60.2	60.0	61.6	63.5	62.6	62.1	62.9	63.6
Interest-coverage ratio, times*	4.7	4.7	4.5	5.0	5.0	4.9	5.1	5.1	5.3
Operating cash flow, SEK million	517	379	421	445	453	377	399	432	417
<b>Property-related key ratios</b>									
Property yield, %	4.4	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.8
Total yield, %*	11.7	9.0	8.5	6.8	7.3	8.3	8.7	9.9	9.2
Economic occupancy rate, %	97.9	98.0	97.9	97.9	98.1	98.1	98.1	97.7	98.0
NOI margin, %	76.7	72.6	73.7	75.5	75.3	73.9	71.0	77.7	75.2
No. of properties	421	408	392	381	383	376	370	364	362
Lettable area, tsqm	2,155	2,101	2,005	1,954	1,923	1,890	1,884	1,833	1,830

\* Based on rolling 12-month outcome.

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Jun 2021	Jan-Jun 2020	Apr-Jun 2021	Apr-Jun 2020	Jul 2020-Jun 2021	Jan-Dec 2020
Rental income	1,751	1,608	894	811	3,413	3,270
Other income	12	12	6	5	23	23
Operating costs	-313	-253	-144	-117	-548	-488
Maintenance costs	-94	-121	-49	-65	-259	-287
Other property costs	-39	-38	-16	-19	-94	-92
<b>Net operating income</b>	<b>1,317</b>	<b>1,208</b>	<b>690</b>	<b>614</b>	<b>2,535</b>	<b>2,425</b>
Central administrative expenses	-72	-74	-41	-33	-156	-158
Profit/loss from participations in associated companies	80	-20	18	-8	100	1
- of which profit from property management	22	16	13	8	50	43
- of which changes in value	72	-42	7	-20	77	-38
- of which tax	-15	7	-2	4	-27	-5
<b>Operating loss</b>	<b>1,325</b>	<b>1,114</b>	<b>667</b>	<b>573</b>	<b>2,479</b>	<b>2,268</b>
Financial items	-250	-219	-125	-105	-531	-500
<b>Profit after financial items</b>	<b>1,075</b>	<b>895</b>	<b>542</b>	<b>468</b>	<b>1,948</b>	<b>1,768</b>
- of which Profit from property management	<b>1,018</b>	<b>930</b>	<b>537</b>	<b>485</b>	<b>1,898</b>	<b>1,810</b>
Value change, investment properties	2,504	333	1,915	223	4,613	2,441
Value change, financial instruments	112	-119	72	-49	158	-72
<b>Profit before tax</b>	<b>3,691</b>	<b>1,109</b>	<b>2,529</b>	<b>642</b>	<b>6,719</b>	<b>4,136</b>
Current tax	-81	-83	-44	-49	-114	-115
Deferred tax	-629	-147	-439	-79	-1,169	-688
<b>Profit for the period</b>	<b>2,981</b>	<b>879</b>	<b>2,046</b>	<b>515</b>	<b>5,436</b>	<b>3,333</b>
<b>Profit for the period attributable to</b>						
Parent Company shareholders	2,866	848	1,941	495	5,273	3,255
Non-controlling interests	115	31	105	19	162	78
<b>Other comprehensive income</b>						
Profit for the period	2,981	879	2,046	515	5,436	3,333
Translation difference	41	56	-21	-104	-104	-88
<b>Comprehensive income for the period</b>	<b>3,022</b>	<b>935</b>	<b>2,025</b>	<b>410</b>	<b>5,332</b>	<b>3,245</b>
<b>Comprehensive income for the period attributable to</b>						
Parent Company shareholders	2,906	903	1,920	394	5,172	3,169
Non-controlling interests	116	31	105	17	160	76

## Group – Condensed statement of financial position

Amounts in SEK million	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>ASSETS</b>			
Investment properties	69,619	57,533	62,240
Right-of-use assets	723	612	605
Participations in associated companies	1,160	706	698
Receivables from associated companies	25	–	–
Other non-current assets	35	94	31
<b>Total non-current assets</b>	<b>71,563</b>	<b>58,946</b>	<b>63,574</b>
Current receivables	645	592	727
Cash and cash equivalents	519	1,173	891
<b>Total current assets</b>	<b>1,164</b>	<b>1,765</b>	<b>1,618</b>
<b>TOTAL ASSETS</b>	<b>72,727</b>	<b>60,711</b>	<b>65,193</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>22,203</b>	<b>16,789</b>	<b>20,082</b>
Deferred tax liabilities	4,923	3,763	4,270
Non-current interest-bearing liabilities	33,941	28,927	29,128
Lease liabilities	723	612	605
Derivatives	32	287	231
<b>Total non-current liabilities</b>	<b>39,620</b>	<b>33,589</b>	<b>34,233</b>
Current interest-bearing liabilities	9,156	9,209	9,524
Other current liabilities	1,748	1,124	1,353
<b>Total current liabilities</b>	<b>10,904</b>	<b>10,333</b>	<b>10,877</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>72,727</b>	<b>60,711</b>	<b>65,193</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 2020	1	6,835	235	9,095	548	16,714
Dividends	–	-300	–	-560	–	-860
Comprehensive income (1 Jan 2020-30 Jun 2020)	–	–	56	848	31	935
<b>Closing equity, 30 Jun 2020</b>	<b>1</b>	<b>6,535</b>	<b>291</b>	<b>9,383</b>	<b>579</b>	<b>16,789</b>
Shareholder contributions received	–	1,000	–	–	–	1,000
Divestment of minority share	–	–	–	–	-17	-17
Comprehensive income (1 Jul 2020-31 Dec 2020)	–	–	-142	2,407	46	2,310
<b>Closing equity, 31 Dec 2020</b>	<b>1</b>	<b>7,535</b>	<b>148</b>	<b>11,790</b>	<b>608</b>	<b>20,082</b>
Opening equity, 1 Jan 2021	1	7,535	148	11,790	608	20,082
Dividends	–	-700	–	-205	–	-905
Contributions from minority interests	–	–	–	–	4	4
Comprehensive income	–	–	40	2,866	116	3,022
<b>Closing equity, 30 Jun 2021</b>	<b>1</b>	<b>6,835</b>	<b>188</b>	<b>14,451</b>	<b>728</b>	<b>22,203</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Jun 2021	Jan-Jun 2020	Apr-Jun 2021	Apr-Jun 2020	Jul 2020-Jun 2021	Jan-Dec 2020
<b>Operating activities</b>						
Profit from property management <i>Adjusted for non-cash items in profit from property management</i>	1,018	930	537	485	1,898	1,810
Profit from property management participations in associated companies	-22	-16	-13	-9	-50	-43
Depreciation <i>Adjusted for other non-cash items</i>	7	5	3	2	14	12
Exchange differences, unrealised	-20	-13	31	-36	-28	-21
Tax paid	-123	-89	-28	-25	-117	-83
<b>Cash flow before changes in working capital</b>	<b>859</b>	<b>816</b>	<b>530</b>	<b>417</b>	<b>1,717</b>	<b>1,675</b>
Increase (+)/decrease (-) in working capital	533	-130	327	-142	513	-150
<b>Cash flow from operating activities</b>	<b>1,391</b>	<b>687</b>	<b>858</b>	<b>275</b>	<b>2,230</b>	<b>1,525</b>
<b>Investing activities</b>						
Acquisition of properties	-2,697	-490	-1,176	-280	-4,690	-2,483
Investments in new construction, extension and refurbishment	-2,030	-1,591	-1,268	-740	-3,694	-3,255
Property divestments	8	72	1	71	84	148
Investments in financial assets	-422	-87	-396	-1	-421	-86
Dividends from associated companies	17	–	17	–	17	–
Other non-current assets	0	0	0	0	61	61
<b>Cash flow from investing activities</b>	<b>-5,125</b>	<b>-2,097</b>	<b>-2,822</b>	<b>-951</b>	<b>-8,642</b>	<b>-5,614</b>
<b>Financing activities</b>						
Interest-bearing loans raised	8,393	5,643	3,114	3,316	11,533	8,783
Repayment of interest-bearing liabilities	-4,156	-3,185	-1,381	-1,597	-5,926	-4,955
Financial instruments realised	5	4	0	-2	22	21
Shareholder contributions received	–	–	–	–	1,000	1,000
Contributions from non-controlling interests	4	–	4	–	4	–
Dividends paid	-905	-860	-905	-860	-905	-860
<b>Cash flow from financing activities</b>	<b>3,342</b>	<b>1,602</b>	<b>833</b>	<b>857</b>	<b>5,729</b>	<b>3,989</b>
<b>Cash flow for the period</b>	<b>-392</b>	<b>192</b>	<b>-1,131</b>	<b>181</b>	<b>-684</b>	<b>-100</b>
Opening cash and cash equivalents	891	988	1,673	994	1,173	988
Exchange-rate differences in cash and cash equivalents	19	-7	-23	-2	30	4
<b>Cash and cash equivalents at period-end</b>	<b>519</b>	<b>1,173</b>	<b>519</b>	<b>1,173</b>	<b>519</b>	<b>891</b>
<b>Operating cash flow</b>	<b>896</b>	<b>830</b>	<b>517</b>	<b>453</b>	<b>1,762</b>	<b>1,696</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan-Jun 2021	Jan-Jun 2020	Jul 2020-Jun 2021	Jan-Dec 2020
Net sales	46	37	92	83
Central administrative expenses	-97	-87	-186	-176
Other operating income	0	0	0	0
<b>Operating loss</b>	<b>-51</b>	<b>-50</b>	<b>-95</b>	<b>-93</b>
Financial items	253	385	840	972
Value changes, financial instruments	109	-108	170	-47
Appropriations	–	15	271	287
<b>Profit before tax</b>	<b>311</b>	<b>243</b>	<b>1,187</b>	<b>1,119</b>
Recognised tax	-6	21	-106	-80
<b>Profit for the period</b>	<b>305</b>	<b>264</b>	<b>1,081</b>	<b>1,040</b>
Other comprehensive income	–	–	–	–
<b>Comprehensive income for the period</b>	<b>305</b>	<b>264</b>	<b>1,081</b>	<b>1,040</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1	0	0
Equipment	3	2	3
Shares and participations in Group companies	7,861	7,690	7,718
Deferred tax assets	36	66	57
Non-current receivables	33,958	28,340	31,226
<b>Total non-current assets</b>	<b>41,858</b>	<b>36,099</b>	<b>39,005</b>
<b>Current assets</b>			
Current receivables	1,099	5,657	5,220
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>1,099</b>	<b>5,657</b>	<b>5,220</b>
<b>TOTAL ASSETS</b>	<b>42,957</b>	<b>41,756</b>	<b>44,225</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,233	3,057	4,833
<b>Untaxed reserves</b>			
Tax allocation reserve	43	43	43
<b>Liabilities</b>			
Deferred tax liabilities	28	26	28
Interest-bearing liabilities	38,078	38,136	38,652
Non-interest-bearing liabilities	575	495	669
<b>Total liabilities</b>	<b>38,681</b>	<b>38,657</b>	<b>39,349</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>42,957</b>	<b>41,756</b>	<b>44,225</b>

## Other information

### Significant events after period-end

No significant events occurred after period-end.

### Employees

At period-end, Hemsö had 148 employees, of whom 68 were women and 80 men. Of these employees, 44 worked with asset and property management and 13 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 128 are employed in Sweden, seven in Germany and 13 in Finland.

### Risks and uncertainties

Hemsö has assessed all of the company's material risks due to the ongoing pandemic. Hemsö has long-term rental agreements, mainly with public-sector tenants or private operators that are taxpayer-funded.

Due to the pandemic, Hemsö offered rent reductions to a small number of tenants during the period, but these discounts did not add up to any material amounts. The company's tenants are active in essential services for the general public and provide health care, education, elderly care and other services linked to law enforcement and prosecution in the properties. Hemsö's operating, maintenance and administrative expenses are not deemed to be affected by the pandemic.

Hemsö has a long loan maturity and fixed-rate period, which means that raised credit margins or higher interest rates will not affect the company's net income in the short term. Hemsö does not therefore expect any significant impact on the company's operating cash flow. For more detailed information, refer to page 69 of the 2020 Annual Report. In addition to the above, no changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 69–76 of the 2020 Annual Report.

### Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2020 Annual Report.

### Joint ventures

Hemsö owns shares and participations in companies held jointly with the Third Swedish National Pension Fund and SveaNor, respectively. These joint ventures are included in the consolidated financial statements. Hemsö Norden KB is owned jointly with the Third Swedish National Pension Fund.

Hemsö Norden KB currently owns 27 investment properties through limited partnerships. Hemsö also owns 50 per cent of the shares in Scandinavian Life Science AB, which owns the Princeton 1 property in Hagastaden in Stockholm. The property was sold in 2020 and will be transferred in 2021. The remaining 50 per cent of the shares are owned by SveaNor.

In addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. This company is not included in the consolidated accounts. Lanthem Samhällsfastigheter owns five investment properties through subsidiaries. Hemsö also owns 44 per cent of the shares in Turku Technology Properties Oy, which owns 24 public properties in Turku through subsidiaries. This company is not included in the consolidated accounts.

### 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 2020 Annual Report, pages 92–95. 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 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 2021

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, 15 July 2021

*Pär Nuder, Chairman of the Board*

*Åsa Bergström, Board member*

*Maria Björklund, Board member*

*Kerstin Hessius, Board member*

*David Mindus, 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 investment properties.

### Loan-to-value ratio

Interest-bearing net debt in relation to the market value of the properties and investments in associated companies.

### Property yield

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

### Available liquidity

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

### Profit from property management

Profit or loss after financial items after reversal of changes in value and tax from participations in associated companies.

### 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 associated companies

Share of equity in associated companies and loans to associated companies.

### Loan maturity

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

### Short-term borrowings

Loan maturities within 12 months.

### MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

### 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 profit from property management in associated companies less tax paid, plus dividends from associated companies.

### Interest-coverage ratio

Operating profit in relation to financial items.

### Operating loss

Net operating income plus share of profit of associated companies and administrative expenses.

### Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

### Total yield

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

### Currency exposure

Net of properties, associated companies, cash and foreign currency loans 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 is 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 term of rental agreements 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 major cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

### Lettable area

Those areas of a property for which tenants can be charged 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	30 Jun 2021	30 Jun 2020
Net operating income according to income statement	2,535	2,356
Adjusted for 12-month holding period	85	-13
Adjusted for development properties	-186	-129
<b>Adjusted net operating income</b>	<b>2,433</b>	<b>2,214</b>
Market value of properties	69,619	57,533
Adjusted for development properties	-14,282	-10,432
<b>Adjusted market value</b>	<b>55,337</b>	<b>47,101</b>
<b>Property yield</b>	<b>4.4%</b>	<b>4.7%</b>

Total yield	Jul 2020-Jun 2021	Jul 2019-Jun 2020
Net operating income	2,535	2,356
Value change, properties	4,613	1,551
<b>Total</b>	<b>7,148</b>	<b>3,907</b>
Opening property value	57,300	51,614
Closing property value	69,619	57,533
Adjustment of value change for the period	-4,613	-1,551
<b>Adjusted average property value</b>	<b>61,153</b>	<b>53,798</b>
<b>Total yield</b>	<b>11.7%</b>	<b>7.3%</b>

Profit from property management	Jan-Jun 2021	Jan-Jun 2020
Profit after financial items	1,075	895
Reversal		
<i>Value changes, associated companies</i>	-72	42
<i>Tax, associated companies</i>	15	-7
<b>Profit from property management</b>	<b>1,018</b>	<b>930</b>

<b>Interest-coverage ratio</b>	<b>Jul 2020-Jun 2021</b>	<b>Jul 2019-Jun 2020</b>
Operating profit	2,479	2,176
Net financial items	-531	-438
<b>Interest-coverage ratio</b>	<b>4.7 times</b>	<b>5.0 times</b>

<b>Operating cash flow</b>	<b>Jan-Jun 2021</b>	<b>Jan-Jun 2020</b>
Profit from property management	1,018	930
Dividends from associated companies	17	–
Tax paid	-123	-89
Reversal		
<i>Profit from property management participations in associated companies</i>	-22	-16
<i>Depreciation</i>	7	5
<b>Operating cash flow</b>	<b>897</b>	<b>830</b>

<b>Loan-to-value ratio</b>	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
Interest-bearing liabilities	43,097	38,136
Cash and cash equivalents	-519	-1,173
<b>Net debt</b>	<b>42,578</b>	<b>36,963</b>
Market value of investment properties	69,619	57,533
Investments in associated companies	1,185	706
<b>Total</b>	<b>70,804</b>	<b>58,239</b>
<b>Loan-to-value ratio</b>	<b>60.1%</b>	<b>63.5%</b>

<b>Debt-coverage ratio</b>	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
Cash and cash equivalents	519	1,173
Undrawn committed credit facilities	11,500	11,500
Available liquidity	12,019	12,673
Short-term borrowings	9,156	9,209
<b>Debt-coverage ratio</b>	<b>131%</b>	<b>138%</b>

<b>Share of secured debt</b>	<b>30 Jun 2021</b>	<b>30 Jun 2020</b>
Secured debt outstanding	0	0
Market value of investment properties	69,619	57,533
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

<b>NOI margin</b>	<b>Jan-Jun 2021</b>	<b>Jan-Jun 2020</b>
Rental income	1,751	1,608
Other property income	12	12
<b>Total property income</b>	<b>1,763</b>	<b>1,620</b>
Net operating income	1,317	1,208
<b>NOI margin</b>	<b>74.7%</b>	<b>74.6%</b>

**Questions and more information**

For more information, please contact:

CEO, Nils Styf, phone: +46 (0)8 501 170 01, e-mail: [nilsstyf@hemso.se](mailto:nilsstyf@hemso.se)

CFO and Deputy CEO, Rutger Källén, phone: +46 (0)8 501 170 35, e-mail: [rutger.kallen@hemso.se](mailto:rutger.kallen@hemso.se)

Financial statements and press releases are available on Hemsö's website: [hemso.se](http://hemso.se)

**Financial calendar**

Interim report Jan-Sep 2021      27 Oct 2021



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