

Q1

Interim report 2021

Summary January-March 2021

- » Rental income increased 8 per cent to SEK 857 million (797).
- » Profit from property management increased 8 per cent to SEK 481 million (445).
- » Changes in the value of properties amounted to SEK 589 million (110) and changes in the value of financial instruments to SEK 40 million (-70).
- » Profit after tax for the period increased to SEK 935 million (364).
- » The market value of investment properties was SEK 65,528 million (57,300).
- » During the period, 17 properties (8) were acquired for SEK 1,522 million (210) and one property (two) was divested for SEK 7 million (3).

Hemsö in summary

	Jan-Mar 2021	Jan-Mar 2020	Apr 2019-Mar 2021	Jan-Dec 2020
Rental income, SEK million	857	797	3,330	3,270
Profit from property management, SEK million	481	445	1,846	1,810
Profit after tax, SEK million	935	364	3,904	3,333
Operating cash flow, SEK million	379	377	1,698	1,696
Loan-to-value ratio, %	60.2	62.6	60.2	60.0
Interest-coverage ratio, times	5.3	4.9	4.7	4.5
Market value of investment properties, SEK million	65,528	57,300	65,528	62,240
NOI margin, %	72.6	73.9	73.3	73.7
Economic occupancy rate, %	98.0	98.1	98.0	97.9
Rental duration, years	9.8	9.8	9.8	9.8
Lettable area, tsqm	2,101	1,890	2,101	2,005

Significant events during the first quarter

- » Hemsö issued a seven-year EUR 500 million bond. The coupon rate was set at zero per cent, with an effective annual interest rate of 0.12 per cent.
- » A 20-year rental agreement was signed with Victor's Group, one of the largest care providers in Germany, regarding development of a new nursing home in Kleinmachnow in Berlin.
- » Fitch upgraded Hemsö's credit rating to A+ with a stable outlook, and affirmed Hemsö's short-term credit rating of F1+.
- » Standard & Poor's affirmed Hemsö's long-term credit rating of A- with a stable outlook, and affirmed Hemsö's short-term credit rating of K-1.
- » Hemsö acquired all buildings and ongoing development projects in the Paavola Campus area. The City of Lahti signed 20-year rental agreements for all premises.



CEO statement

Financially, the first quarter of 2021 was a normal quarter for Hemsö. As usual, we showed stable growth with profit from property management of SEK 481 million, up 8 per cent, while our most important financial ratios strengthened. From a broader perspective, however, with the impact of the pandemic around the world, the past year and first quarter have been anything but normal.

Stability despite the pandemic

Looking back, I can now say that Hemsö's stable business model stands firm even in highly uncertain and volatile market conditions. Our agile organisation quickly adapted the way we work in order to be close to our tenants and partners.

Rental income remained virtually unaffected and our cash flow rose steadily. Hemsö had access to a large number of funding sources throughout the entire period and did not need to draw down the company's credit facilities of SEK 12.5 billion. In January, we issued a seven-year EUR 500 million bond with an effective annual interest rate of 0.12 per cent that was oversubscribed 3.6 times. That is the lowest interest rate for a seven-year bond ever issued in the European bond market by a European property company.

I have always said that demand from our tenants is not cyclical and that it can be forecast several years ahead. We have seen proof of that over the past year. The public sector's major need for schools and nursing homes has continued and we signed many new rental agreements and initiated new municipal collaborations.

Not only did Hemsö perform well during the pandemic, we are also a stronger company now.

Municipal school collaborations

In early 2021, we initiated two new development projects for school campuses with approximately 5,000 school places in total, in Sweden and in Finland. Both projects are good examples of how Hemsö works closely with private and municipal schools to create effective and sustainable school environments.

Hemsö acquired the Paavola Campus in central Lahti in Finland with approximately 2,500 school places for children and young people. The City of Lahti signed 20-year rental agreements for all premises. The development project is Hemsö's second-largest municipal collaboration in Finland, where we have initiated several long-term collaborations with Finnish municipalities over the past year.

Hemsö secured the contract for a new municipal upper secondary school through a public procurement process and we also acquired the Kronåsen Campus adjacent to Uppsala University on a site with rich cultural heritage. The new upper secondary school will have places for 1,400 students, and Uppsala Municipality has signed a ten-year rental agreement. We are also developing a new lower elementary school, and the Kronåsen Campus will have approximately 2,400 school places when the project is completed.

New nursing home project in Berlin

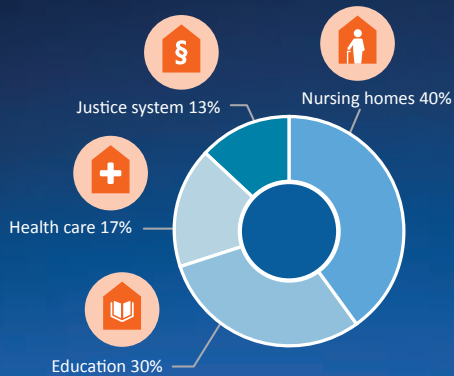
We recently established internal development capabilities in Germany. At the beginning of the year, we signed a 20-year rental agreement with Victor's Group, one of the largest care providers in Germany, for a new nursing home in Berlin with 86 beds. This will be the second nursing home we have developed in Germany and I am sure we will present more during the year. Having our own development expertise in Europe's largest nursing-home market is pivotal for our long-term growth and ability to continue raising the quality of our property portfolio.

2021

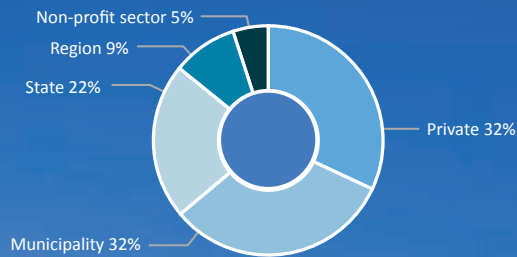
The past year has shown how Hemsö's business model can stand the test of major financial crises. Hemsö's focus for the remainder of 2021 will be to strengthen the backbone of society by investing in social infrastructure through our property management and development projects. I hope that our society will gradually re-open throughout the rest of the year. This is important not only for society at large, but also so that our employees can meet each other, our customers and our partners face-to-face again. We are good at working remotely, but both collaboration and creativity can benefit from a combination of both remote and face-to-face interactions. I hope that day is near.

Nils Styf, CEO

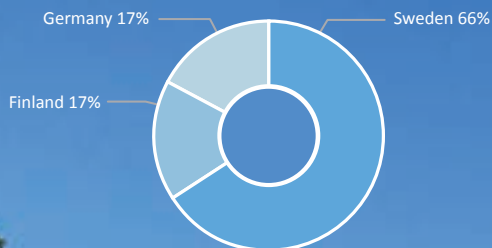
Contracted rent per property category



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 our 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 65.5 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-March 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 857 million (797). In Sweden, rental income rose 9.1 per cent, mainly the result of completed development projects and acquisitions. In Germany, rental income rose 11.9 per cent, mainly driven by acquisitions, while rental income in Finland declined 0.7 per cent. In the comparable portfolio, rental income declined SEK 10.4 million, or 1.4 per cent, mainly attributable to a change in exchange rates.

At period-end, contracted annual rent amounted to SEK 3,463 million (3,205) and economic vacancies to SEK 72 million (63). The economic occupancy rate was in line with previous period and was 98.0 per cent (98.1) at period-end.

Total rent agreements expiring in 2021 are SEK 140 million, corresponding to 4 per cent of Hemsö's contracted rental income. The rental duration was 9.8 years (9.8).

Property costs

Property costs rose SEK 27 million to SEK 236 million (210), the result of a larger property portfolio and higher costs for clearing snow and ice, as well as district heating, due to a colder winter compared with previous year. In the comparable portfolio, costs increased to SEK 15 million, or 8.2 per cent.

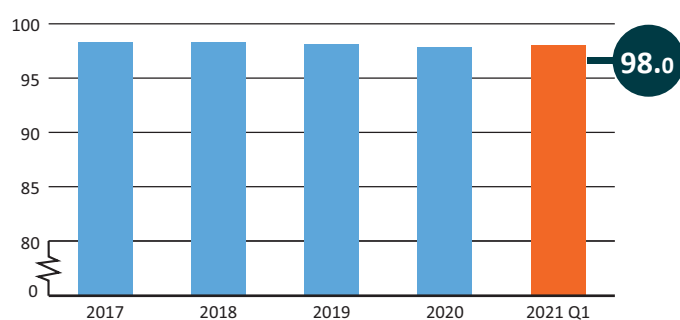
Vacancy changes

SEK million	Jan-Mar 2021
Opening vacancy	74
Terminated rental agreements	3
Adjusted for vacancy rents	2
New rental agreements	-7
Acquired	-
Divested	-
Closing vacancy	72

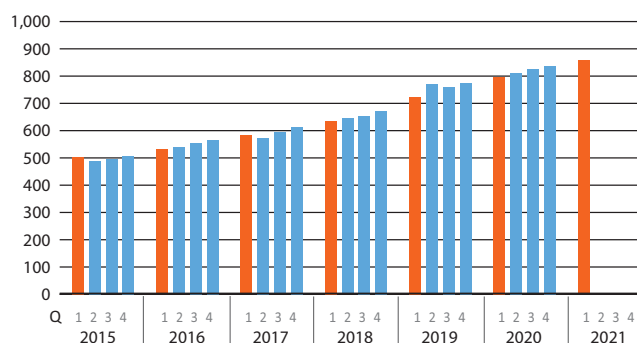
Rental maturity

Year	Annual rent, SEK million	Share, %
2021	140	4
2022	206	6
2023	189	5
2024	171	5
2025	212	6
2026	169	5
2027	174	5
2028	275	8
2029	179	5
2030	238	7
>2030	1,549	44
Total	3,502	100

Economic occupancy rate, %



Rental income, SEK million



SEK 857 million

Rental income

Net operating income

Net operating income increased to SEK 627 million (594). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin for the period was 72.6 per cent (73.9), down 1.3 percentage points year-on-year, due to higher costs for inspection and district heating.

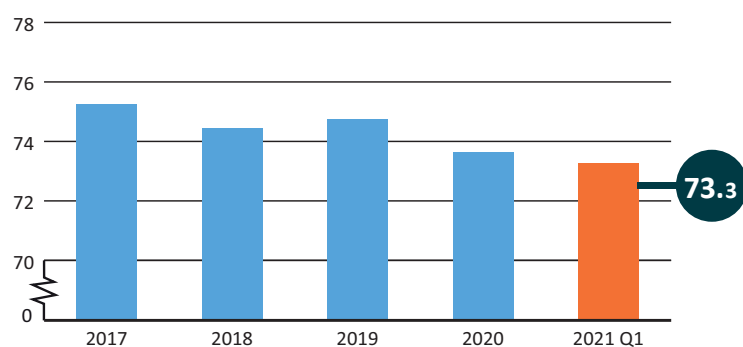
In the comparable portfolio, net operating income declined to SEK 530 million (557), which is attributable to exchange-rate fluctuations and higher operating costs due to the colder winter.

Comparable portfolio

	31 Mar 2021	31 Mar 2020	Change, %
No. of properties	323	323	0.0
Market value, SEK million	48,633	47,574	2.2
Property yield, %	4.5	4.7	-5.7

Amounts in SEK million	Jan-Mar 2021	Jan-Mar 2020	Change, %
Rental income	729	740	-1.4
Other income	5	6	-13.1
Operating costs	-146	-123	19.3
Maintenance costs	-39	-50	-22.1
Other costs	-19	-16	18.8
Net operating income	530	557	-4.8

NOI margin, rolling 12-month period, %



Administration

Administrative expenses for the period decreased to SEK 31 million (42). 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 -125 million (-114). The increase was 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 41,626 million (37,307). The average interest rate was 1.2 per cent (1.3), and the fixed-rate period was 6.6 years (6.9).

Financial items

SEK million	Jan-Mar 2021	Jan-Mar 2020
Interest income	0	1
Other financial income	8	18
Interest expense	-114	-117
Other financial expenses	-12	-9
Ground leases and leasehold properties	-7	-7
Total financial items	-125	-114

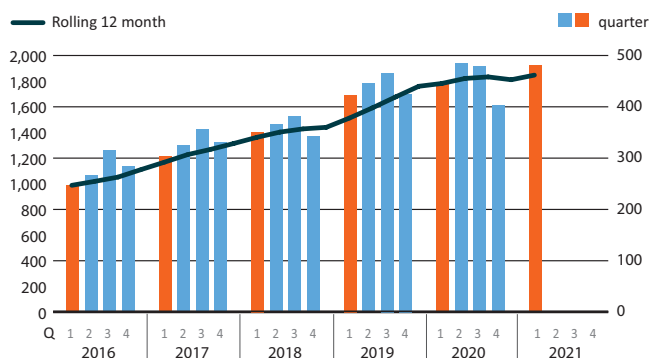
SEK 627 million

Net operating income

Profit from property management

Profit from property management rose 8 per cent to SEK 481 million (445), mainly attributable to a larger property portfolio.

Profit from property management, SEK million



Market value,
investment properties

**SEK 65.5
billion**

Properties

408

Lettable area

2,101 tsqm

Change in value of investment properties

Change in the value of properties for the period amounted to SEK 589 million (110), of which realised value changes amounted to SEK 0 million (-1) and unrealised value changes to SEK 589 million (111). Unrealised value changes were attributable to property management and development projects and to lower yield requirements in Sweden. The yield on the entire property portfolio, excluding development properties, was 4.5 per cent (4.7). The total yield was 9.0 per cent (8.3).

Unrealised value changes, properties

Jan–Mar 2021

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	224	10	16	250
– Market factors	339	–	–	339
Total unrealised value changes	563	10	16	589

Change in value of property portfolio

	SEK million	No. of
Market value, opening balance	62,240	392
Acquisitions	1,522	17
Investments in new construction, extension and refurbishment	762	
Divestments	-7	-1
Exchange-rate fluctuations	422	
Unrealised value changes	589	
Market value at period-end	65,528	408

Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 40 million (-70) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 97 million (-77) on profit, and were mainly attributable to rising market rates. Derivatives attributable to currency risk management had a negative impact of SEK -57 million (7) on profit.

Tax

Recognised tax for the period amounted to SEK -226 million (-102), of which current tax accounted for SEK -37 million (-34) and deferred tax for SEK -189 million (-68). 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 38 million (83). Deferred tax liabilities amounted to SEK 4,535 million (3,789). Deferred tax assets were netted against deferred tax liabilities on the balance sheet.

Earnings

Profit after tax for the period totalled SEK 935 million (364). The increase was attributable to a higher profit from property

management, improved profit from associated companies and higher changes in value of investment properties and financial instruments.

Cash flow

Hemsö's operating cash flow increased to SEK 397 million (377). Hemsö's cash flow from operating activities before changes in working capital was SEK 328 million (400). The change in working capital amounted to SEK 206 million (12). Investing activities had a negative impact of SEK 2,303 million (-1,146) on cash flow, while increased borrowings and repayments had a positive impact of SEK 2,509 million (745) on cash flow from financing activities. Overall, the change in cash and cash equivalents was SEK 740 million (11) during the period.

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 23 million (18) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -49 million (-45), mainly attributable to higher personnel costs due to more employees. Financial items amounted to an expense of SEK 166 million (-250). Financial items included interest income of SEK 159 million (153), interest expense of SEK -125 million (-134), and exchange-rate differences of SEK -200 million (-269). Changes in the value of financial instruments amounted to SEK 83 million (-70) and comprehensive income for the period amounted to SEK -87 million (-274).

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–Mar 2021	Jan–Mar 2020	Jan–Mar 2021	Jan–Mar 2020	31 Mar 2021	31 March 2020
Sweden East	225	193	162	143	19,341	17,433
Sweden West	75	75	48	49	4,591	3,963
Sweden Central/ North	181	171	130	121	12,914	11,546
Sweden South	90	84	53	54	6,352	5,436
Germany	128	114	117	105	11,403	8,890
Finland	159	160	117	122	10,927	10,032
Total	857	797	627	594	65,528	57,300

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 65,528 million (57,300), 66 per cent (70) was attributable to Sweden, 17 per cent (15) to Finland and 17 per cent (15) to Germany.

At period-end, Hemsö owned properties in 61 municipalities in Sweden, 56 municipalities in Germany and 27 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 40 per cent of the property value, followed by Education which accounts for 31 per cent. Health care accounts for 17 per cent and the Justice system for 12 per cent. At 31 March 2021, Hemsö's property portfolio comprised 408 properties (376) with a total lettable area of 2,101 tsqm (1,890).

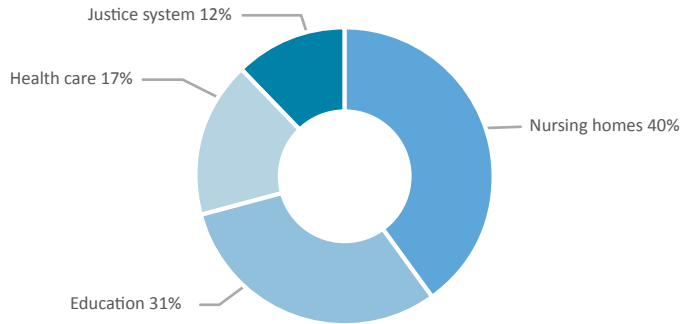
Property transactions

Quarter	No. of	Value, SEK million	Area, sqm
Acquisitions			
Q1	17	1,522	93,486
Total	17	1,522	93,486
Divestments			
Q1	1	7	-
Total	1	7	-

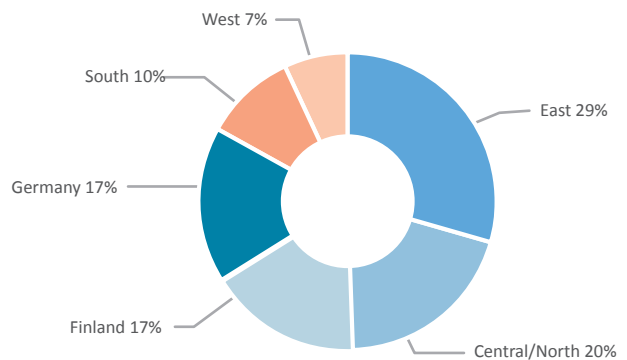
Investments

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 762 million (851) was invested, of which SEK 603 million (738) was related to new construction and SEK 158 million (113) to improvements and new lettings.

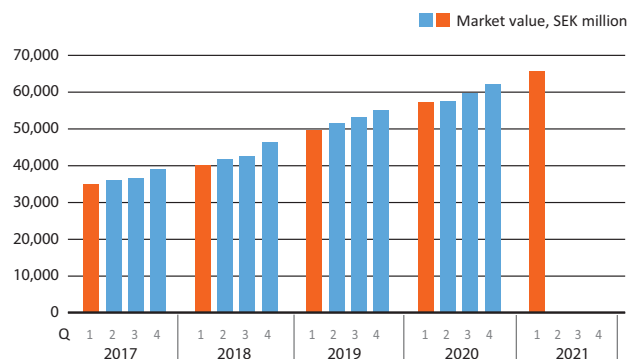
Market value of investment properties per property category



Market value of investment properties per segment



Market value of investment properties



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	207	123	56	22	408
Lettable area, tsqm	968	616	302	215	2,101
Rental duration, years	9.5	11.3	8.6	8.4	9.8
Property value, SEK million	26,003	20,275	11,564	7,686	65,528
Rental income, SEK million	336	259	150	113	857
Net operating income, SEK million	252	189	99	87	627
Economic occupancy rate, %	99.0	98.0	96.2	96.9	98.0
Property yield, %	4.4	4.4	4.7	4.7	4.5

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, 95 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 32 per cent, state operators for 22 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 the Swedish Police Authority, Region Stockholm, the City of Turku, Attendo and the Ministry of Justice in Finland, which jointly account for 22 per cent of rental income. Of Hemsö's 20 largest tenants, 12 were public-sector tenants.

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 care-user fees. When users 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

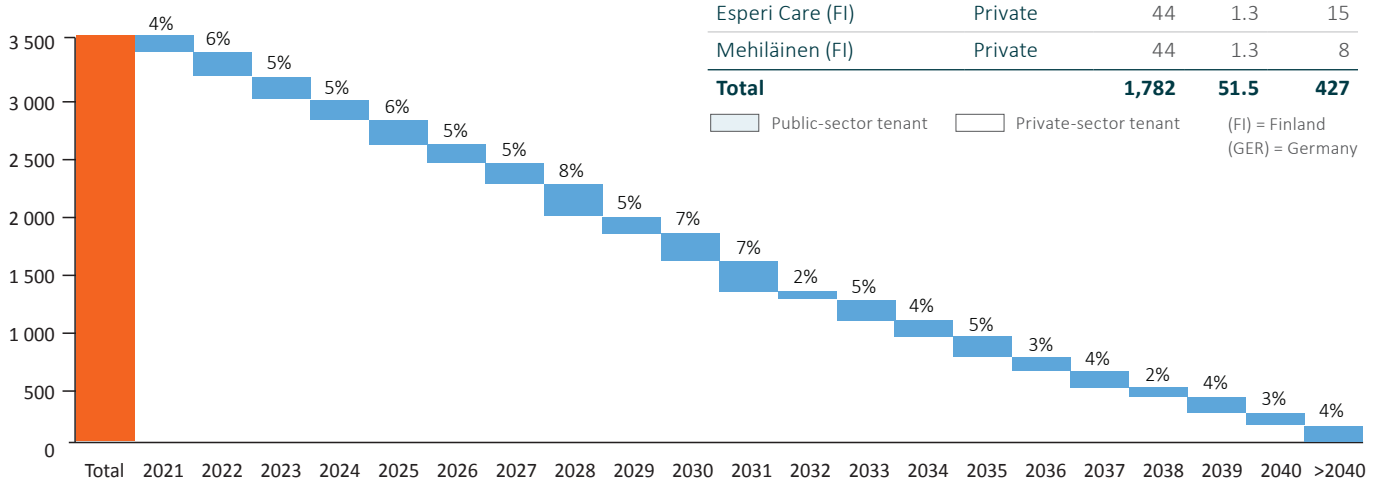
to municipal contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 50 million, of which EUR 11 million is secured through pledges. If pledges are included, 48 per cent of rental income in Germany is derived from public-sector tenants.

Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Swedish Police	State	200	5.8	32
Region Stockholm	Region	194	5.6	76
City of Turku (FI)	Municipality	147	4.3	14
Attendo	Private	121	3.5	81
Ministry of Justice (FI)	State	116	3.4	13
Academedia	Private	110	3.2	21
Mälardalen University	State	100	2.9	3
AWO Hessen-Süd (GER)	Non-profit	89	2.6	12
City of Västerås	Municipality	83	2.4	17
Norrköping Municipality	Municipality	76	2.2	17
Ambea	Private	72	2.1	9
Västra Götaland Region	Region	70	2.0	63
Karolinska Institute	State	64	1.9	7
HEWAG (GER)	Private	54	1.6	9
Gävle Municipality	Municipality	52	1.5	19
North Rhine-Westphalia (GER)	State	51	1.5	1
Alloheim (GER)	Private	51	1.5	7
University of the Arts Helsinki (FI)	State	46	1.3	3
Esperi Care (FI)	Private	44	1.3	15
Mehiläinen (FI)	Private	44	1.3	8
Total		1,782	51.5	427

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

Rental maturity, annual rent, SEK million

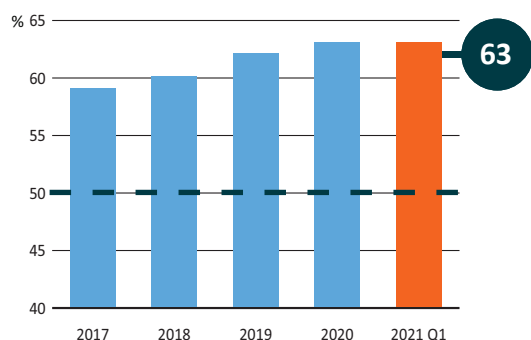


Property frameworks

Hemsö has four property frameworks in order to clarify the company's strategy. 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.

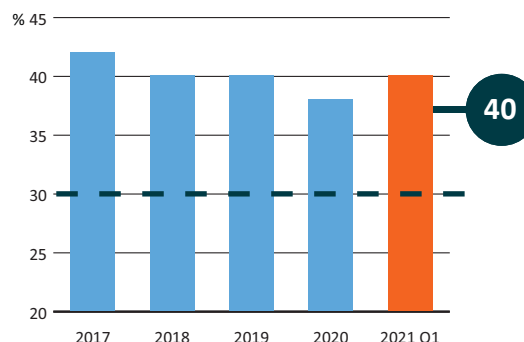
Public-sector tenants

– At least 50 per cent of rental income



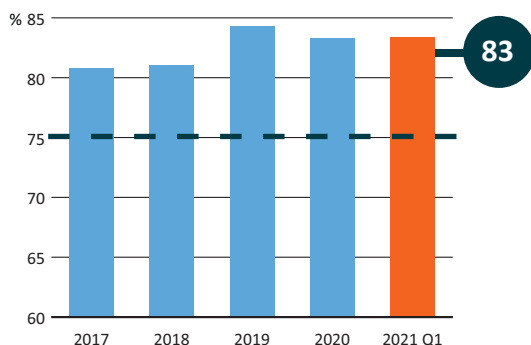
Nursing homes

– At least 30 per cent of rental income



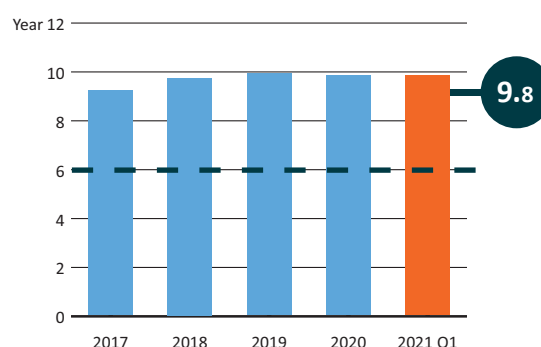
Metropolitan areas and large cities

– At least 75 per cent of rental income



Rental duration

– At least 5 years



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 65,528 million (57,300).

Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 March 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 discounts. Property costs are based on actual results over the past 12 months adjusted for the holding period. Administrative expenses are based on the

Earning capacity

SEK million	31 Mar 2021	31 Mar 2020	Change, %
Rental income	3,463	3,205	8
Property costs	-881	-791	11
Net operating income	2,582	2,414	7
Central administrative expenses	-140	-144	-3
Associated companies	41	31	33
Financial items	-510	-427	19
Profit from property management	1,973	1,874	5

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 and redevelopment 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, %	Completed, year
Stockholm	Princeton 1 ¹⁾	Health care	SGBC	22,364	1,649	299	106	93	2021
Västerås	Södra Källtorp	Nursing home	SGBC	15,308	553	120	28	100	2021
Lahti	Paavola Campus ³⁾	Nursing home	–	28,086	534	533	61	100	2021-2023
Gothenburg	Silverkällan	Nursing home	SGBC	13,458	508	348	31	96	2022
Zossen	Dabendorf	Education	–	16,250	483	95	26	100	2021
Staffanstorps	IES Staffanstorps	Education	SGBC	6,995	301	251	16	100	2022
Trelleborg	IES Trelleborg	Education	SGBC	7,524	274	177	19	100	2022
Norrköping	NOD-huset	Health care	SGBC	4,495	258	33	13	89	2021
Tyresö	Sköndalsvillan	Nursing home	SGBC	7,044	264	203	15	100	2022
Borlänge	Paradisskolan	Education	–	9,200	250	50	17	100	2021
Stockholm	Kadetten ³⁾	Education	–	11,410	246	204	38	100	2022
Upplands Väsby	Vågen Vilunda	Nursing home	Nordic Swan	6,157	235	224	15	100	2022
Solna	Bagartorp ²⁾	Education	Nordic Swan	4,456	186	46	11	100	2021
Södertälje	Hantverkaren	Nursing home	SGBC	4,982	185	94	12	100	2021
Oulu	Fire and rescue station, Linnanmaa	Justice system	BREEAM	5,800	173	74	13	100	2021
Büttelborn	Büttelborn	Nursing home	–	6,193	169	136	11	100	2021
Täby	Bylegård	Nursing home	SGBC	5,555	165	141	12	100	2022
Helsinki	Arkadiankatu 24 ³⁾	Education	–	5,767	149	134	16	100	2022
Joensuu	Conservatory	Education	BREEAM	3,311	129	59	10	100	2021
Espoo	Kamreerintie 6 ³⁾	Health care	–	4,888	102	102	15	100	2022
Total				189,243	6,813	3,323	486		

Public-sector tenant Private-sector tenant

¹⁾ 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.

²⁾ Municipal guarantee.
³⁾ Redevelopment.

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 6,813 million, of which the remaining investment amount is

SEK 3,323 million. The total volume of ongoing new and redevelopment projects accounts for SEK 7 089 mkr, of which the remaining investment amount is SEK 3 530 million. One development project was completed in the first quarter.

Completed development projects, Q1 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
Total					1,688	49	15	3	

Public-sector tenant Private-sector tenant



Hemsö developing multi-generational living in Upplands Väsby

In Hemsö's multi-generational housing facility, a preschool and nursing home will share the same building. The preschool accommodates 80 children and the nursing home has 80 beds. The preschool will be located on the ground floor, and the nursing home on the upper floors. There are shared meeting places both indoors and in the garden. The Stockholm Sjukhem Foundation is the tenant for the nursing home, and the Raoul Wallenberg School for the preschool. In addition to the rental agreements, a collaboration agreement has been signed. The aim is that the tenants will engage in intergenerational activities together to enrich the lives of both nursing home residents and the children in the preschool. Occupancy is scheduled for the fourth quarter of 2022.

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 the GHG emissions caused by energy consumption. 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 CO₂ emissions for existing buildings by 2035. Hemsö's climate strategy also includes studying how CO₂ emissions from new construction can be reduced. Due to continued efforts with energy efficiency, energy consumption declined over a rolling 12-month period in the first quarter despite the cold weather in January and February, which increased the need for energy for heating.

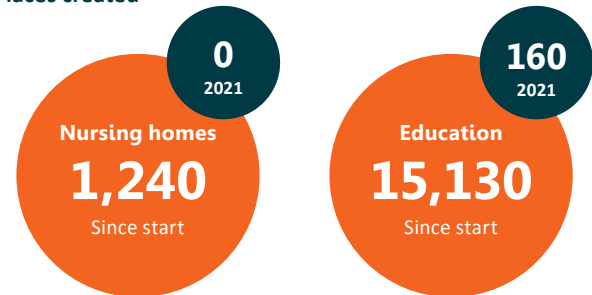
Environmental certification

At the end of the first quarter, Hemsö had 58 environmentally certified buildings. These comprised 34 Miljöbyggnad, 4 LEED, 1 BREEAM, 18 BREEAM In-Use and 1 DGNB certifications. The number of certified buildings is rising steadily increasing 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.

Social sustainability

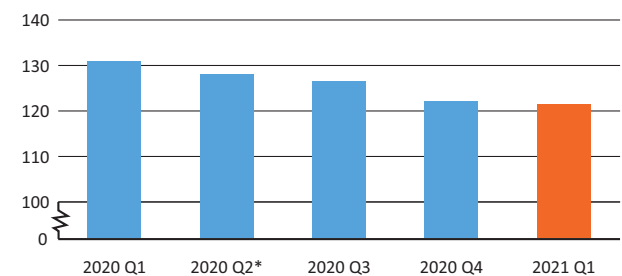
As a long-term owner, property manager and developer of public properties, Hemsö has a key role to play in creating the conditions for a more sustainable society. Every year, Hemsö's development projects add thousands of new nursing home beds and school places. By meeting the growing need for social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

Places created



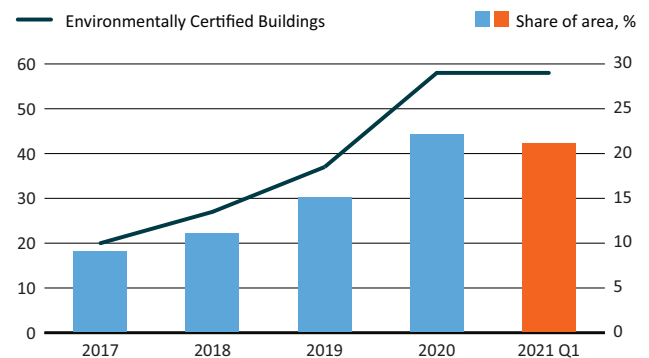
The totals pertain to the number of beds that Hemsö has added between 2009 and the first quarter of 2021.

Energy consumption, Kwh/m²**



**Pertains to energy consumption in Sweden in the total portfolio, rolling 12-month period, Kwh/m².
*Pertains to the June 2019-May 2020 period.

Environmentally certified properties*



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



Development of new school with a focus on re-use

A higher degree of re-use is paramount to reducing CO₂ emissions in construction. Everything from building elements to furnishings can be re-used. Hemsö is currently working with the Kadetten project, where a former factory in Stockholm is being converted into an upper secondary school that will open in autumn 2022. The CO₂ emissions from both materials and the construction process are greatly reduced by retaining the frame and façade. The development project is also aiming to, for example, re-use old paving stones, use existing steel doors for service areas, and build a garden greenhouse using recycled materials.

Associated companies

At 31 March 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 carrying amount of the shares is SEK 157 million (122) in Lanthem and SEK 614 million (623) in TTP. Hemsö has also lent SEK 25 million to Lanthem. Total investments in associated companies amounted to SEK 796 million (745).

Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö currently owns 40 per cent of the shares in the company and is therefore the largest shareholder. The City of Turku owns 35 per cent of the company. The other owners are the Turku University of Applied Sciences, OP-bank and the Eschnerska Frilasarettet 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. More than 60 per cent of rental income is derived from public-sector tenants and the rental duration is eight years.

Profit from associated companies, SEK million

Jan-Mar 2021	TTP	Lanthem	Total
Profit from property management	8	2	10
Value changes, properties	0	25	25
Value changes, derivatives	40	–	40
Tax	-8	-5	-13
Profit recognised	40	22	61



TTP	31 Mar 2021	31 Mar 2020
Shareholding, %	40	40
Rental value, SEK million	307	286
No. of properties	23	21
Economic occupancy rate, %	96	99
Market value of investment properties, SEK million	4,146	4,185
Rental duration, years	8	6
Share of public-sector tenants, %	64	57

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 in one of Hemsö's prioritised central locations.

The partnership will secure Hemsö 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 nursing home construction projects under way. Ownership of Lanthem Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.



Lanthem	31 Mar 2021	31 Mar 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	487	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 the 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 60.2 per cent (62.6) and the interest-coverage ratio was 4.7 times (4.9).

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

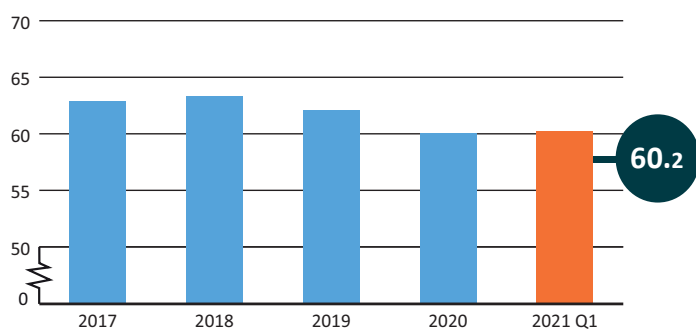
Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A+	F1+	Stable	31 Mar 2021
Standard & Poor's	A-	A-2	Stable	24 Mar 2021

Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 41,626 million (37,307).

In the first quarter, Hemsö issued a seven-year EUR 500 million bond on the European capital market. The coupon rate was set at zero per cent, with an effective annual interest rate of 0.12 per cent. Hemsö also issued its third bond in NOK, corresponding to SEK 243 million. The bond has a ten-year maturity. The currency and interest-rate risk related to this loan was eliminated with derivatives.

Loan-to-value ratio, %



Sources of funding, SEK million

	Q1 2021	Q1 2020
Bonds, SEK	14,030	12,603
Bonds, EUR	17,524	15,539
Bonds, NOK, AUD	1,825	–
Total bonds	33,380	28,142
Commercial papers, SEK	3,789	4,473
European Investment Bank, SEK, EUR	2,889	3,062
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	768	831
Total interest-bearing liabilities	41,626	37,307

Capital structure, SEK million

	Q1 2021	Q1 2020
Interest-bearing liabilities	41,626	37,307
Current investments	390	–
Cash and cash equivalents	1,283	994
Net debt	39,953	36,313
Market value of investment properties	65,528	57,300
Investments in associated companies	796	745
Total	66,324	58,045
Loan-to-value ratio	60.2%	62.6%
Share of secured debt	0.0%	0.0%

At period-end, Hemsö had undrawn committed credit facilities totalling SEK 12,500 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 1,673 million (994) and available liquidity to SEK 14,173 million (12,494). The debt-coverage ratio was 160 per cent (152).

Hemsö uses interest-rate derivatives to manage its interest-rate risk, and foreign exchange and cross currency swap 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). Derivatives attributable to currency risk management consist of two instruments – currency interest-rate derivatives, which corresponded to SEK 1,672 million (0), and currency derivatives, which amounted to a nominal value of SEK 0 million (0). Currency exposure amounted to 5 per cent (8) of equity.

At period-end, the average loan maturity was 6.9 years (7.3) and the average fixed-rate period was 6.6 years (6.9). The average interest rate was 1.2 per cent (1.3).

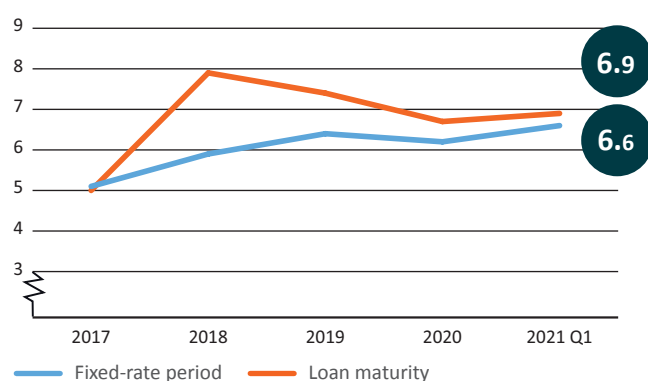
Committed credit facilities and underwriting commitments, SEK million

	Q1 2021	Q1 2020
Banks	7,500	6,500
Third Swedish National Pension Fund	5,000	5,000
Total committed credit facilities	12,500	11,500
Current investments	390	–
Cash and cash equivalents	1,283	994
Available liquidity	14,173	12,494
Short-term borrowings	8,862	8,225
Debt-coverage ratio	160%	152%

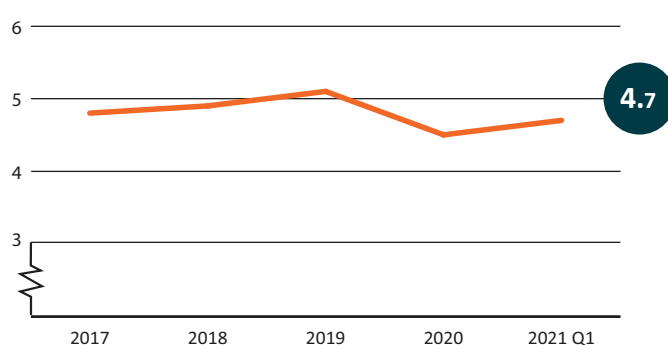
Currency exposure, SEK million

	Q1 2021	Q1 2020
Properties, EUR	22,330	18,922
Associated companies, EUR	614	623
Cash, EUR	245	521
Assets EUR	23,188	20,066
Debt, EUR	20,381	18,632
Currency swaps, EUR	1,672	–
Exposure, EUR	1,135	1,434
Debt, NOK and AUD	1,825	–
Currency swaps, NOK and AUD	-1,825	–
Exposure, NOK and AUD	0	0
Currency hedging	–	–
Currency exposure	1,135	1,434
Equity	21,079	17,239
Currency exposure	5.4%	8.3%

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%	60.2
Loan maturity	At least 3 years	6.9
Debt-coverage ratio	At least 125%	160
Share of secured debt	Max. 20%	0.0
Interest-rate risk		
Interest-coverage ratio	At least 2.5 times (rolling 12-month period)	4.7
Fixed-rate period	Average fixed-rate period, 3–8 years	6.6
Fixed-rate maturity	Max. 40% within 12 months	22
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20 per cent of equity	5.4



Hemsö is modernising Novum in Huddinge



Hemsö is developing Paavola Campus in Lahti

Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2021	2,971	2,971	7	8,263	20
2022	4,745	3,245	8	1,200	3
2023	10,454	3,454	8	2,850	7
2024	5,000	1,000	2	2,000	5
2025	2,350	2,350	6	1,150	3
2026	5,902	5,902	14	5,102	12
2027	100	100	0	0	0
2028	5,178	5,178	12	5,578	13
2029	3,541	3,541	9	3,541	9
>2029	10,096	10,096	24	11,943	29
Total	50,336	37,836	91	41,626	100
Commercial papers		3,789	9		
Total		41,626	100		

Quarterly overview Q1 2021

Amounts in SEK million	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Income statement									
Property income	863	845	829	816	804	780	764	774	727
Property costs	-236	-252	-203	-202	-210	-226	-170	-193	-180
Net operating income	627	592	626	614	594	554	594	581	547
Central administrative expenses	-31	-45	-39	-33	-42	-29	-36	-37	-33
Profit/loss from participations in associated companies	61	8	12	-8	-11	27	-48	17	2
Operating profit	657	555	599	573	541	552	510	561	516
Financial items	-125	-157	-124	-105	-114	-109	-110	-107	-93
Profit after financial items	533	398	475	468	427	443	400	454	423
<i>- of which Profit from property management</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>	<i>423</i>
Value change, properties	589	1,809	299	223	110	758	460	691	128
Value change, financial instruments	40	20	27	-49	-70	154	-76	-53	-51
Profit before tax	1,162	2,226	801	642	467	1,355	784	1,092	500
Current tax	-37	-3	-29	-49	-34	-25	-16	-10	-26
Deferred tax	-189	-421	-119	-79	-68	-216	-135	-124	-68
Profit for the period	935	1,801	653	515	364	1,114	633	958	406
Other comprehensive income	62	-145	0	-104	161	-66	12	78	63
Comprehensive income for the period	997	1,656	654	410	525	1,048	645	1,036	469
Balance sheet									
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Investment properties	65,528	62,240	59,658	57,533	57,300	55,027	53,218	51,614	49,559
Right-of-use assets	730	605	611	612	629	582	431	433	302
Other assets	1,552	1,456	1,399	1,393	1,451	1,348	1,331	1,326	787
Cash and cash equivalents and short-term investments	1,673	891	1,249	1,173	994	988	2,122	2,333	3,585
Total assets	69,483	65,193	62,917	60,711	60,375	57,945	57,102	55,706	54,233
Equity	21,079	20,082	18,443	16,789	17,239	16,714	15,667	15,022	14,668
Deferred tax liabilities	4,497	4,270	3,875	3,763	3,706	3,600	3,401	3,263	3,142
Derivatives	95	231	293	287	287	211	366	305	285
Interest-bearing liabilities	41,626	38,652	38,431	38,136	37,307	35,542	36,008	35,638	34,418
Lease liabilities	730	605	611	612	629	582	431	433	302
Non-interest-bearing liabilities	1,457	1,353	1,264	1,124	1,206	1,296	1,229	1,045	1,418
Total equity and liabilities	69,483	65,193	62,917	60,711	60,375	57,945	57,102	55,706	54,233
Key ratios									
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Financial ratios									
Loan-to-value ratio, %	60.2	60.0	61.6	63.5	62.6	62.1	62.9	63.6	62.0
Interest-coverage ratio, %*	4.7	4.5	5.0	5.0	4.9	5.1	5.1	5.3	5.1
Operating cash flow, SEK million	379	421	445	453	377	399	432	417	380
Property-related key ratios									
Property yield, %	4.5	4.5	4.6	4.7	4.7	4.7	4.8	4.8	4.9
Total yield, %*	9.0	8.5	6.8	7.3	8.3	8.7	9.9	9.2	9.2
Economic occupancy rate, %	98.0	97.9	97.9	98.1	98.1	98.1	97.7	98.0	97.9
NOI margin, %	72.6	73.7	75.5	75.3	73.9	71.0	77.7	75.2	75.3
No. of properties	408	392	381	383	376	370	364	362	368
Lettable area, tsqm	2,101	2,005	1,954	1,923	1,890	1,884	1,833	1,830	1,800

* Based on rolling 12-month outcome.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Mar 2021	Jan–Mar 2020	Apr 2020–Mar 2021	Jan–Dec 2020
Rental income	857	797	3,330	3,270
Other income	6	6	23	23
Operating costs	-169	-136	-522	-488
Maintenance costs	-44	-56	-275	-287
Other property costs	-23	-18	-97	-92
Net operating income	627	594	2,459	2,425
Central administrative expenses	-31	-42	-148	-158
Profit/loss from participations in associated companies	61	-11	73	1
- of which profit from property management	10	7	46	43
- of which changes in value	65	-23	49	-38
- of which tax	-13	4	-22	-5
Operating profit	657	541	2,384	2,268
Financial items	-125	-114	-511	-500
Profit after financial items	533	427	1,874	1,768
- of which Profit from property management	481	445	1,846	1,810
Value change, investment properties	589	110	2,920	2,441
Value change, financial instruments	40	-70	38	-72
Profit before tax	1,162	467	4,831	4,136
Current tax	-37	-34	-118	-115
Deferred tax	-189	-68	-809	-688
Profit for the period	935	364	3,904	3,333
Profit for the period attributable to				
Parent Company shareholders	925	352	3,828	3,255
Non-controlling interests	10	12	76	78
Other comprehensive income				
Profit for the period	935	364	3,904	3,333
Translation difference	62	161	-187	-88
Comprehensive income for the period	997	525	3,717	3,245
Comprehensive income for the period attributable to				
Parent Company shareholders	986	510	3,645	3,169
Non-controlling interests	11	15	72	76

Group – Condensed statement of financial position

Amounts in SEK million	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS			
Investment properties	65,528	57,300	62,240
Right-of-use assets	730	629	605
Participations in associated companies	771	745	698
Receivables from associated companies	25	–	–
Other non-current assets	35	95	31
Total non-current assets	67,089	58,770	63,574
Current receivables	721	611	727
Current investments	390	–	–
Cash and cash equivalents	1,283	994	891
Total current assets	2,394	1,605	1,618
TOTAL ASSETS	69,483	60,375	65,193
EQUITY AND LIABILITIES			
Equity	21,079	17,239	20,082
Deferred tax liabilities	4,497	3,706	4,270
Non-current interest-bearing liabilities	32,764	30,747	29,128
Lease liabilities	730	629	605
Derivatives	95	287	231
Total non-current liabilities	38,086	35,370	34,233
Current interest-bearing liabilities	8,862	6,560	9,524
Other current liabilities	1,457	1,206	1,353
Total current liabilities	10,319	7,766	10,877
TOTAL EQUITY AND LIABILITIES	69,483	60,375	65,193

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
Comprehensive income	–	–	157	352	15	525
Closing equity, 31 Mar 2020	1	6,835	392	9,447	563	17,239
Dividends	–	-300	–	-560	–	-860
Shareholder contributions received	–	1,000	–	–	–	1,000
Divestment of minority share	–	–	–	–	-17	-17
Comprehensive income (1 Apr 2020-31 Dec 2020)	–	–	-243	2,903	61	2,720
Closing equity, 31 Dec 2020	1	7,535	148	11,790	608	20,082
Opening equity, 1 Jan 2021	1	7,535	148	11,790	608	20,082
Comprehensive income	–	–	61	925	11	997
Closing equity, 31 Mar 2021	1	7,535	209	12,715	619	21,079

Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Mar 2021	Jan–Mar 2020	Apr 2020–Mar 2021	Jan–Dec 2020
Operating activities				
Profit from property management <i>Adjusted for non-cash items in profit from property management</i>	481	445	1,846	1,810
Profit from property management participations in associated companies	-10	-7	-46	-43
Depreciation <i>Adjusted for other non-cash items</i>	3	3	13	12
Exchange differences, unrealised	-51	23	-95	-21
Tax paid	-95	-64	-114	-83
Cash flow before changes in working capital	328	400	1,604	1,675
Increase (+)/decrease (-) in working capital	206	12	44	-150
Cash flow from operating activities	534	412	1,647	1,525
Investing activities				
Acquisition of properties	-1,522	-210	-3,795	-2,483
Investments in new construction, extension and refurbishment	-762	-851	-3,166	-3,255
Property divestments	7	1	154	148
Investments in financial assets	-26	-86	-26	-86
Other non-current assets	0	0	61	61
Cash flow from investing activities	-2,303	-1,146	-6,771	-5,614
Financing activities				
Interest-bearing loans raised	5,279	2,327	11,735	8,783
Repayment of interest-bearing liabilities	-2,775	-1,588	-6,142	-4,955
Financial instruments realised	5	6	20	21
Shareholder contributions received	–	–	1,000	1,000
Dividends paid	–	–	-860	-860
Cash flow from financing activities	2,509	745	5,753	3,989
Cash flow for the period	740	11	629	-100
Opening cash and cash equivalents	891	988	994	988
Exchange-rate differences in cash and cash equivalents	42	-5	51	4
Cash and cash equivalents at period-end	1,673	994	1,673	891
Operating cash flow	379	377	1,698	1,696

Parent Company – Condensed income statement

Amounts in SEK million	Jan–Mar 2021	Jan–Mar 2020	Apr 2020–Mar 2021	Jan–Dec 2020
Net sales	23	18	88	83
Central administrative expenses	-49	-45	-179	-176
Other operating income	0	0	0	0
Operating loss	-27	-28	-92	-93
Financial items	-166	-250	1,057	972
Value changes, financial instruments	83	-70	106	-47
Appropriations	0	–	287	287
Profit/loss before tax	-109	-349	1,358	1,119
Recognised tax	22	74	-132	-80
Profit/loss for the period	-87	-274	1,227	1,040
Other comprehensive income	–	–	–	–
Comprehensive income for the period	-87	-274	1,227	1,040

Parent Company – Condensed balance sheet

Amounts in SEK million	31 Mar 2021	31 Mar 2020	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	1	0	0
Equipment	3	3	3
Shares and participations in Group companies	7,718	7,697	7,718
Deferred tax assets	41	59	57
Non-current receivables	32,221	28,030	31,226
Total non-current assets	39,985	35,789	39,005
Current assets			
Current receivables	1,371	5,376	5,220
Current investments	390	–	–
Cash and cash equivalents	150	0	0
Total current assets	1,910	5,376	5,220
TOTAL ASSETS	41,895	41,165	44,225
EQUITY AND LIABILITIES			
Equity	4,746	3,379	4,833
Untaxed reserves			
Tax allocation reserve	43	58	43
Liabilities			
Deferred tax liabilities	28	26	28
Interest-bearing liabilities	36,548	37,307	38,652
Non-interest-bearing liabilities	531	395	669
Total liabilities	37,107	37,728	39,349
TOTAL EQUITY AND LIABILITIES	41,895	41,165	44,225

Other information

Significant events after period-end

Hemsö acquired a university campus in central Uppsala for conversion into a school campus. A ten-year rental agreement for 15,700 sqm has been signed with Uppsala Municipality. The investment amounts to approximately SEK 1 billion.

Employees

At period-end, Hemsö had 146 employees, of whom 61 were women and 85 men. Of these employees, 47 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, 129 are employed in Sweden, six in Germany and 11 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.

During the period, Hemsö offered rent reductions to a small number of tenants due to the pandemic, but these reductions 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. Hemsö's operating, maintenance and administrative expenses are not expected 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 25 investment properties through limited partnerships. Hemsö owns also 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 other half 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 40 per cent of the shares in Turku Technology Properties Oy, which owns 23 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

Stockholm, 29 April 2021

Nils Styf, CEO

This report has not been audited.

Definitions

Financial definitions

Available liquidity

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

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.

Currency exposure

Net of properties, associated companies, cash and foreign currency loans less currency hedging as a percentage of equity.

Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

Interest-coverage ratio

Operating profit in relation to financial items. Based on rolling 12-month outcome.

Investments in associated companies

Equity share value in associated companies and loans to associated companies.

Loan-to-value ratio

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

Loan maturity

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

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.

Operating profit

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

Profit from property management

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

Share of secured debt

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

Short-term borrowings

Loan maturities within 12 months.

Total yield

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

Property-related definitions

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.

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.

Economic occupancy rate

Contracted annual rental income in relation to rental value.

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.

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.

Net operating income

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

NOI margin

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

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.

Rent based on vacancy rate

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

Rental duration

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

Rental income

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

Rental value

Contracted annual rental income plus vacancy rent.

Vacancy rent

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

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 2021	31 Mar 2020
Net operating income according to income statement	2,459	2,323
Adjusted for 12-month holding period	76	22
Adjusted for development properties	-193	-118
Adjusted net operating income	2,343	2,227
Market value of properties	65,528	57,300
Adjusted for development properties	-13,135	-10,030
Adjusted market value	52,393	47,270
Property yield	4.5%	4.7%

Total yield	Apr 2020 – Mar 2021	Apr 2019 – Mar 2020
Net operating income	2,459	2,323
Value change, properties	2,920	2,019
Total	5,379	4,342
Opening property value	57,300	49,559
Closing property value	65,528	57,300
Adjustment of value change for the period	-2,920	-2,019
Adjusted average property value	59,954	52,420
Total yield	9.0%	8.3%

Profit from property management	Jan – Mar 2021	Jan – Mar 2020
Profit after financial items	533	427
Reversal		
<i>Value changes, associated companies</i>	-65	23
<i>Tax, associated companies</i>	13	-4
Profit from property management	481	445

Interest-coverage ratio	Apr 2020 – Mar 2021	Apr 2019 – Mar 2020
Operating profit	2,384	2,164
Net financial items	-511	-440
Interest-coverage ratio	4.7 times	4.9 times

Operating cash flow	Jan – Mar 2021	Jan – Mar 2020
Profit from property management	481	445
Reversal		
<i>Profit from property management participations in associated companies</i>	-10	-7
<i>Depreciation</i>	3	3
<i>Tax paid</i>	-95	-64
Operating cash flow	379	377

Loan-to-value ratio	31 Mar 2021	31 Mar 2020
Interest-bearing liabilities	41,626	37,307
Cash and cash equivalents	-1,283	-994
Current investments	-390	–
Net debt	39,953	36,313
Market value of investment properties	65,528	57,300
Investments in associated companies	796	745
Total	66,324	58,045
Loan-to-value ratio	60.2%	62.6%

Debt-coverage ratio	31 Mar 2021	31 Mar 2020
Cash and cash equivalents	1,283	994
Current investments	390	–
Undrawn committed credit facilities	12,500	11,500
Available liquidity	14,173	12,494
Short-term borrowings	8,862	8,225
Debt-coverage ratio	160%	152%

Share of secured debt	31 Mar 2021	31 Mar 2020
Secured debt outstanding	–	–
Market value of properties	65,528	57,300
Share of secured debt	0.0%	0.0%

NOI margin	Jan – Mar 2021	Jan – Mar 2020
Rental income	857	797
Other property income	6	6
Total property income	863	804
Net operating income	627	594
NOI margin, %	72.6%	73.9%

Questions and more information

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

Financial calendar

Half-year report Jan-Jun 2021 15 July 2021

Interim report Jan-Sep 2021 27 Oct 2021



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