

# Q4

## Year-end report 2020

### Summary, January–December 2020

- » Rental income increased to SEK 3,270 million (3,027).
- » Profit from property management increased to SEK 1,810 million (1,760).
- » Changes in the value of properties amounted to SEK 2,441 million (2,037) and changes in the value of financial instruments to SEK -72 million (-25).
- » Profit after tax for the year increased to SEK 3,333 million (3,111).
- » The market value of investment properties was SEK 62,240 million (55,027).
- » During the year, 32 properties (23) were acquired for SEK 2,483 million (5,242) and 10 properties (16) were divested for SEK 124 million (1,239).

### Significant events during the fourth quarter

- » Hemsö acquired a nursing home portfolio of 10 properties in Germany. The investment amounted to approximately EUR 100 million.
- » Hemsö signed lease agreements and a collaboration agreement with the Stockholm Sjukhem Foundation and Raoul Wallenberg School for a new multi-generational building with a preschool and nursing home in Upplands Väsby.
- » Hemsö acquired four properties in a former regiment on the outskirts of Ystad to create an education cluster.
- » In partnership with the Stora Sköndal Foundation, Hemsö commenced the construction of Sweden's first Carbon neutral certified nursing home, Sköndalsvillan in Tyresö.

### Hemsö in summary

	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Rental income, SEK million	3,270	3,027	838	774
Profit from property management, SEK million	1,810	1,760	403	425
Profit after tax, SEK million	3,333	3,111	1,801	1,114
Operating cash flow, SEK million	1,696	1,628	421	399
Loan-to-value ratio, %	60.0	62.1	60.0	62.1
Interest-coverage ratio, times	4.5	5.1	4.5	5.1
Market value of investment properties, SEK million	62,240	55,027	62,240	55,027
NOI margin, %	73.7	74.8	70.1	71.1
Economic occupancy rate, %	97.9	98.1	97.9	98.1
Rental duration, years	9.8	9.9	9.8	9.9
Lettable area, tsqm	2,005	1,884	2,005	1,884



## CEO statement

In 2020, we were reminded to never take anything for granted, to be prepared for the unexpected and of the importance of having an agile organization that can adapt and change quickly. Hemsö's employees mainly worked from home during the year and continued to maintain our close dialogue with tenants and partners using remote IT solutions.

Thanks to Hemsö's stable business model, the COVID-19 pandemic has not had any significant financial impact and we had good access to capital markets throughout the entire period. We are presenting our strongest year-end ever, in terms of number of new partnerships and profit from property management, which rose 3 per cent to SEK 1.8 billion. In addition, Hemsö's capital structure has continued to improve despite strong growth. In early 2021, we also made a successful issue on the European capital market. Hemsö issued a 7-year EUR 500 million bond with a fixed interest rate of 0.12 per cent. In addition to attractive financing terms, I am also pleased that so many new investors chose to participate in the issue.

### More than 8,000 new school places and 650 new nursing home beds

During the year, the volume of own-developed schools and nursing homes increased in Sweden, Finland and Germany. We signed more than 20 new development projects, representing SEK 320 million in annual rental income and in total SEK 5.6 billion in rental value.

Hemsö also made several acquisitions during the year. The acquisition of a nursing home portfolio in Germany comprising ten properties with a wide geographic spread and diverse tenant mix is strengthening our presence in the country. Hemsö is the fourth-largest owner of nursing homes in Germany – Europe's largest nursing-home market. In Sweden, we expanded our collaboration with municipalities in locations where we see a potential to grow, including Växjö, Ystad and Örebro. We also increased our presence in Västerås by acquiring Kristiansborgsbadet (an aquatics centre) and building rights for a school and student housing. These are located close to our property that houses Mälardalens högskola (MDH), which has now been

granted full university status (Mälardalen University). This is good news for our tenant, for us and for the whole region.

In partnership with the public sector, our signed developments in 2020 will create 8,000 new school places and 650 new nursing home beds. I am proud that Hemsö is a driving force for investing in social infrastructure through more sustainable environments adapted for the people who live and work in our properties.

### Sustainability and innovation – the common denominators for Hemsö's business

During the winter, we signed lease agreements and a collaboration agreement with the Stockholm Sjukhem Foundation and Raoul Wallenberg School for a new nursing home and preschool in Upplands Väsby. The aim of the collaboration agreement is that the tenants will work together to promote intergenerational activities to enrich the lives of both residents and children. This is an exciting innovation project, and the collaboration agreement between our tenants is unique.

We also initiated several pilot projects for digitisation. In one pilot project at nursing homes in southern Sweden, property data is converted into virtual 3D replicas. By collecting the data and feeding it into digital twins, we save time searching and verifying information and have better conditions for making the right decision about what needs to be done in the property.

We are also looking into the use of artificial intelligence (AI) to optimise energy, and have initiated a pilot project with AI techniques in a number of schools. AI is being used to optimise the indoor climate of the buildings at the lowest possible cost, which has both economical and environmental advantages.

These projects are taking place with both municipal and private-sector tenants. We are looking forward to more of this type of collaboration in 2021.

### We strengthen the backbone of our society

Together with the public sector, Hemsö is working every day to strengthen the backbone of our society. We develop and manage sustainable and innovative properties with a focus on the essential public services that will be provided in our buildings. That is how we contribute to solving the major need for schools, nursing homes and other public properties. We feel a deep sense of humility and gratitude for all of those we serve – municipalities, regional and private care providers, and school operators – thank you to everyone for your dedicated efforts during this pandemic! Nurses and other care providers who are working so hard, and teachers and other school staff who are doing everything they can to maintain a sense of normalcy for all children and young people. You are the backbone of our society, and we are strengthening your dedicated efforts.

Nils Styf, CEO

## Vision

We will strengthen the backbone of our society

## Business concept

To sustainably own, manage and develop public properties

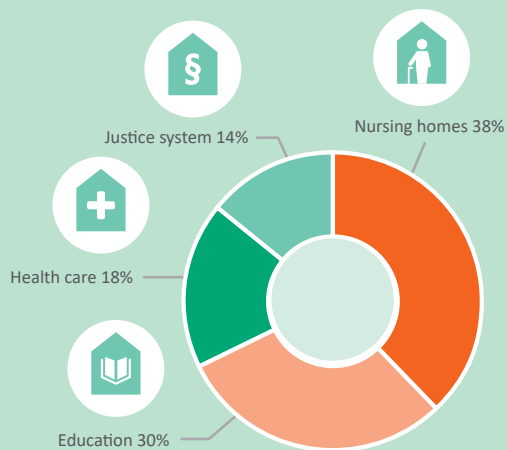
## This is Hemsö

- Hemsö is Sweden's leading private 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 achieve this by sustainable development, ownership and management of public properties.

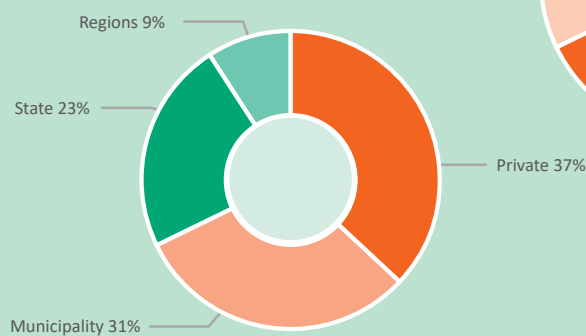
Our focus is on the people who visit, live and work in our properties, and that they have the right conditions for work, learning, security, development and care.

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

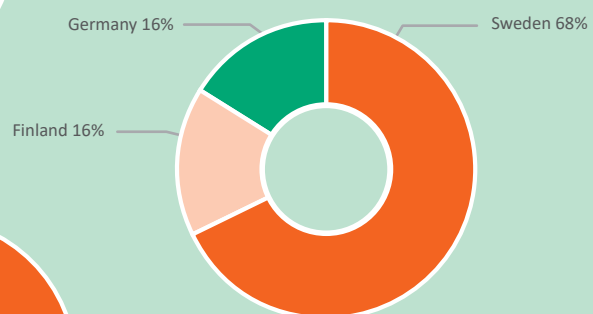
Contracted rent per property category



Contracted rent per customer category



Market value of investment properties



# Income, costs and profit

Profit/loss items relate to the January–December 2020 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 year, rental income amounted to SEK 3,270 million (3,027).

In Sweden, rental income rose 6.6 per cent, mainly the result of completed development projects and acquisitions. Rental income rose 8.3 per cent in Germany and 12.7 per cent in Finland, mainly driven by acquisitions.

Rental income in the comparable portfolio rose SEK 24 million, or 0.9 per cent, due to rent indexation and renegotiations.

At period-end, contracted annual rent amounted to SEK 3,340 million (3,126) and economic vacancies to SEK 74 million (63). The economic occupancy rate declined slightly and was 97.9 per cent (98.1) at period-end.

In 2021, rent due is SEK 168 million, corresponding to 5 per cent of Hemsö's contracted rental income.

The rental duration was 9.8 years (9.9), which is in line with the preceding year.

## Property costs

Property costs increased to SEK 867 million (769), up SEK 98 million, as the result of a larger property portfolio, higher maintenance costs and a non-recurring cost of SEK 14 million attributable to acquisition of the Kadetten property in Stockholm.

In the comparable portfolio, costs increased SEK 28 million, or 4.5 per cent, mainly due to higher costs for routine maintenance.

## Vacancy changes

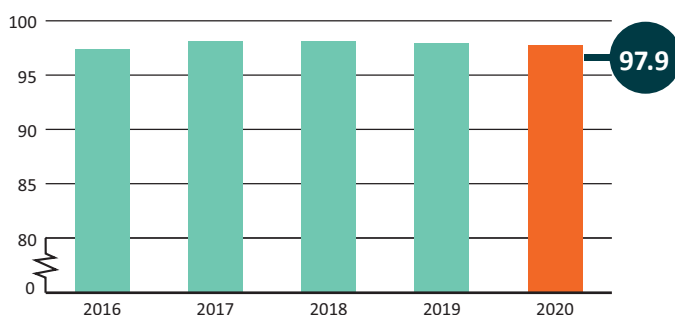
SEK million	Jan–Dec 2020
Opening vacancy	63
Terminated rental agreements	30
Adjusted for vacancy rents	5
New rental agreements	-27
Acquired	4
Divested	-1
<b>Closing vacancy</b>	<b>74</b>

## Rental maturity

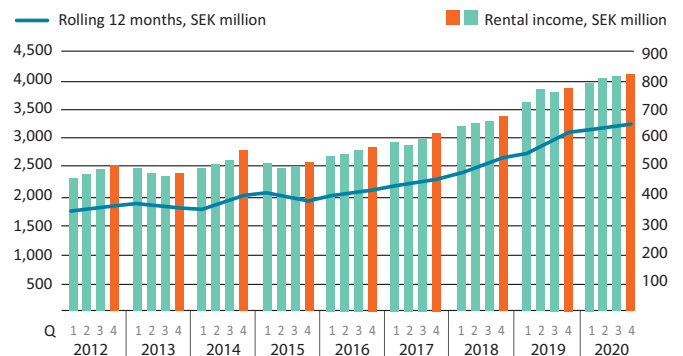
Year	Annual rent, SEK million	Share, %
2021	168	5
2022	215	6
2023	200	6
2024	149	4
2025	194	6
2026	164	5
2027	173	5
2028	257	8
2029	144	4
2030	239	7
>2030	1,463	43
<b>Total</b>	<b>3,366</b>	<b>100</b>

"Annual rent" refers to contracted annual rent before the deduction of discounts amounting to SEK 26 million.

## Economic occupancy rate, %



## Rental income



# SEK 3,270 million

## Rental income

### Net operating income

Net operating income increased to SEK 2,425 million (2,276). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin for the period was 73.7 per cent (74.8), down 1.1 percentage points year-on-year due to increased maintenance costs and a non-recurring item of SEK 14 million.

In the comparable portfolio, net operating income remained largely unchanged at SEK 1,953 million (1,954).

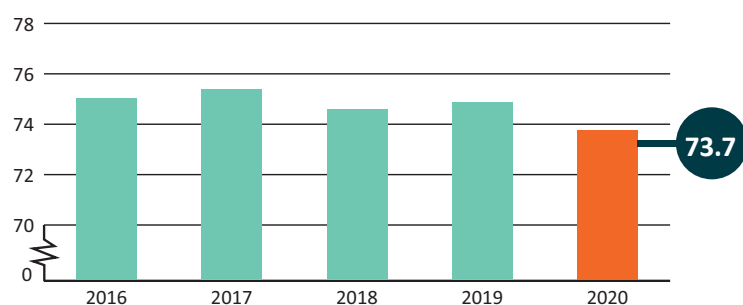
### Comparable portfolio

	31 Dec 2020	31 Dec 2019	Change, %
No. of properties	299	299	–
Market value, SEK million	42,388	40,995	3.4
Property yield, %	4.5	4.8	-0.3

### Amounts in SEK million

	Jan–Dec 2020	Jan–Dec 2019	Change, %
Rental income	2,598	2,574	0.9
Other income	15	11	32.9
Operating costs	-376	-388	-3.0
Maintenance costs	-229	-195	17.4
Other costs	-55	-49	12.6
<b>Net operating income</b>	<b>1,953</b>	<b>1,954</b>	<b>0.0</b>

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



### Administration

Administrative expenses for the year increased to SEK 158 million (135). The increase was mainly attributable to higher personnel costs due to more employees.

### Financial items

Net financial expense for the year was SEK -500 million (-419). The increase was partly due to an increase in interest-bearing debt to SEK 38,652 million (35,542). In November, Hemsö bought back bonds before maturity, triggering a premium of SEK -37 million to compensate for lost interest. The average interest rate was 1.2 per cent (1.3), and the fixed-rate period was 6.2 years (6.4).

### Financial items

SEK million	Jan–Dec 2020	Jan–Dec 2019
Interest income	11	5
Other financial income	57	57
Interest expense	-495	-420
Other financial expenses	-50	-42
Ground leases and leasehold properties	-24	-19
<b>Total financial items</b>	<b>-500</b>	<b>-419</b>

# SEK 2,425 million

## Net operating income

**Profit from property management**

Profit from property management rose 3 per cent to SEK 1,810 million (1,760), mainly due to a larger property portfolio. Non-recurring items, mainly lost-interest compensation, had an impact of SEK -58 million on profit from property management.

# SEK 1,810 million

Profit from property management

**Change in value of investment properties**

Change in the value of properties for the year was SEK 2,441 million (2,037), of which realised value changes amounted to SEK 33 million (54) and unrealised value changes to SEK 2,408 million (1,983).

Unrealised value changes were mainly attributable to lower yield requirements in all countries, but also to property management and development projects in Sweden in particular. The yield on the entire property portfolio, excluding development properties, was 4.5 per cent (4.7).

The total yield was 8.5 per cent (8.7).

Market value,  
investment properties

**SEK 62.2  
billion**

Properties

**392**

Lettable area

**2,005 tsqm**

**Unrealised value changes, properties**

Jan–Dec 2020

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	688	50	171	909
– Market factors	653	499	348	1,500
<b>Total unrealised value changes</b>	<b>1,340</b>	<b>549</b>	<b>520</b>	<b>2,408</b>

**Change in value of property portfolio**

	SEK million	No. of
Market value, opening balance	55,027	370
Acquisitions	2,483	32
Investments in new construction, extension and refurbishment	3,255	
Divestments	-124	-10
Exchange-rate fluctuations	-810	
Unrealised value changes	2,408	
<b>Market value at period-end</b>	<b>62,240</b>	<b>392</b>

**Change in value of financial instruments**

Changes in the value of financial instruments had a negative impact of SEK -72 million (-25) on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -45 million (pos: 66) on profit, mainly attributable to falling market rates. Derivatives attributable to currency risk management had a negative impact of SEK -27 million (-91) on profit.

**Tax**

Recognised tax for the year amounted to SEK -803 million (-621), of which current tax accounted for SEK -115 million (-78) and deferred tax for SEK -688 million (-543). Deferred tax expense mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. At year-end, deferred tax assets amounted to SEK 71 million (77). Deferred tax liabilities amounted to SEK 4,341 million (3,677). Deferred tax assets were netted against deferred tax liabilities and reported on the balance sheet.

**Earnings**

Profit after tax for the year totalled SEK 3,333 million (3,111). The increase was mainly attributable to a higher change in the value of investment properties and higher net operating income year-on-year.

**Cash flow**

Hemsö's cash flow from operating activities before changes in working capital was SEK 1,643 million (1,614). The change in working capital amounted to SEK -118 million (129). Operating cash flow amounted to SEK 1,696 million (1,628). Investing activities had a negative impact of SEK -5,614 million (-7,139) on cash flow, while increased borrowings, redemption, shareholder contributions received and dividends had a positive impact of SEK 3,989 million (5,940) on cash flow from financing activities. Overall, the change in cash and cash equivalents was SEK -100 million (544) 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 83 million (78) and consisted of fees for services to the subsidiaries. In the preceding year, other operating income amounted to SEK 253 million and was related to gains on the sale of shares in subsidiaries.

Administrative expenses increased to SEK -176 million (-164), mainly attributable to higher personnel costs due to more employees. Financial items amounted to SEK 972 million (100). Financial items include profit of SEK 716 million (-52) from participations in Group companies, interest income of SEK 617 million (559), interest expense of SEK -544 million (-462), and exchange-rate differences of SEK 183 million (55). Changes in the value of financial instruments amounted to SEK -47 million (-25) and comprehensive income for the year increased to SEK 1,040 million (301).

**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–Dec 2020	Jan–Dec 2019	Jan–Dec 2020	Jan–Dec 2019	31 Dec 2020	31 Dec 2019
Sweden East	831	781	607	565	18,892	16,942
Sweden West	299	303	200	205	4,377	3,898
Sweden Central/North	686	618	505	443	12,649	11,286
Sweden South	344	323	211	215	6,107	5,342
Germany	470	434	428	403	10,171	8,225
Finland	640	568	474	445	10,044	9,334
<b>Total</b>	<b>3,270</b>	<b>3,027</b>	<b>2,425</b>	<b>2,276</b>	<b>62,240</b>	<b>55,027</b>

Segment identification is based on internal reporting. The Chief Executive Officer 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 62,240 million (55,027), 68 per cent (68) was attributable to Sweden, 16 per cent (17) to Finland and 16 per cent (15) to Germany.

At year-end, Hemsö owned properties in 61 municipalities in Sweden, 48 municipalities in Germany and 21 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.

In Sweden and Finland, Hemsö owns properties for nursing homes, education, health care and the justice system. In Germany, Hemsö owns properties for nursing homes, education and the justice system. At 31 December 2020, Hemsö's property portfolio comprised 392 properties (370) with a total lettable area of 2,005 tsqm (1,884).

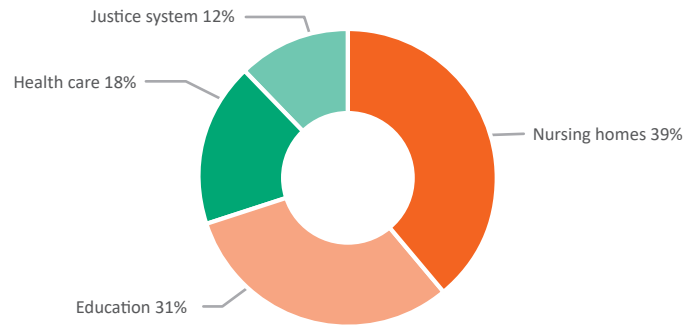
## Properties acquired and divested

Quarter	No. of	Value, SEK million	Area, sqm
<b>Acquisitions</b>			
Q1	8	210	6,630
Q2	9	280	15,003
Q3	3	987	19,611
Q4	12	1,006	31,418
<b>Total</b>	<b>32</b>	<b>2,483</b>	<b>72,662</b>
<b>Divestments</b>			
Q1	2	3	–
Q2	2	70	6,951
Q3	5	35	1,582
Q4	1	16	324
<b>Total</b>	<b>10</b>	<b>124</b>	<b>8,857</b>

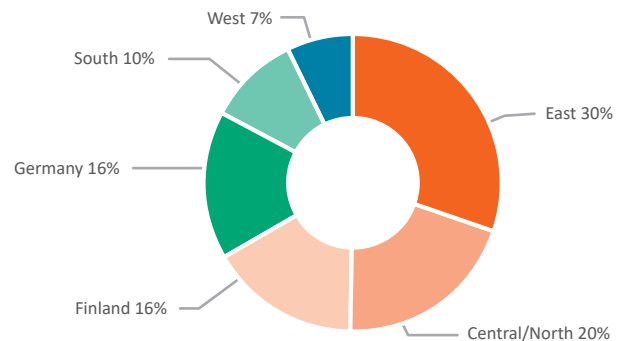
## Investments

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 year, SEK 3,255 million (2,724) was invested, including SEK 2,601 million (2,215) in new construction, while SEK 654 million (508) pertained to improvements and new lettings.

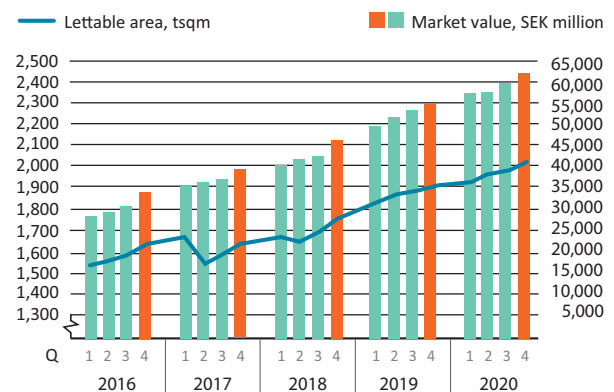
## Market value of investment properties per property category



## Market value of investment properties per segment



## Market value and area of investment properties





### Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	194	118	58	22	392
Lettable area, tsqm	891	594	308	212	2,005
Rental duration, years	9.5	11.5	8.7	8.6	9.8
Property value, SEK million	24,119	19,332	11,267	7,522	62,240
Rental income, SEK million	1,290	1,010	558	412	3,270
Net operating income, SEK million	991	730	383	321	2,425
Economic occupancy rate, %	99.1	98.1	96.0	96.3	97.9
Property yield, %	4.4	4.4	4.8	4.7	4.5

### Tenants

Of Hemsö's total rental income, 94 per cent came from taxpayer-funded operations. 12 of the 20 largest tenants are state, municipal and regional operators. The share of contracted annual rent with public-sector tenants was 63 per cent, where rental agreements with state operators accounted for 23 per cent, municipal operators for 31 per cent and regional operators for 9 per cent. 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.

Hemsö is usually, in Germany, 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 38 million, of which EUR 9 million is secured through pledges. If these pledges are included, 45 per cent of rental income in Germany is derived from public-sector tenants.

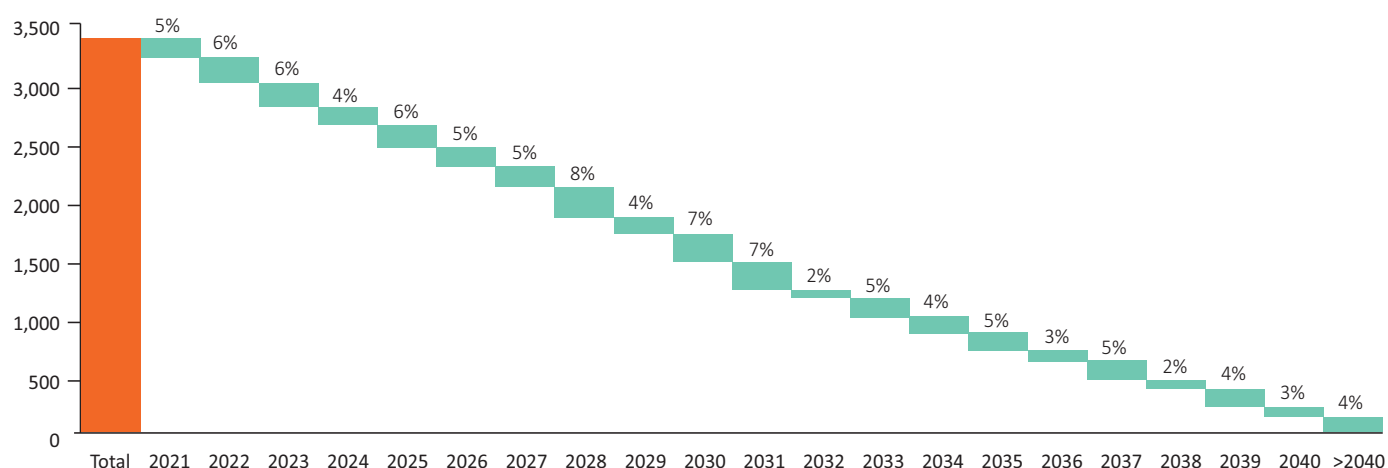
The largest tenants are the Swedish Police Authority, Region Stockholm, the City of Turku, Attendo and the Ministry of Justice in Finland, which together represent 23 per cent of the rental income.

### Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Swedish Police	State	200	6.0	31
Region Stockholm	Region	197	5.9	77
City of Turku (FI)	Municipality	144	4.3	14
Attendo	Private	122	3.6	80
Ministry of Justice (FI)	State	109	3.3	14
Acadamedia	Private	108	3.2	20
Mälardalen University	State	102	3.1	3
City of Västerås	Municipality	83	2.5	17
AWO Hessen Süd (GER)	Private	79	2.4	10
Norrköping Municipality	Municipality	76	2.3	18
Ambea	Private	72	2.2	11
Västra Götaland Region	Region	70	2.1	60
Karolinska Institute	State	64	1.9	7
Alloheim (GER)	Private	58	1.7	8
North Rhine-Westphalia (GER)	State	54	1.6	1
HEWAG (GER)	Private	53	1.6	9
Gävle Municipality	Municipality	52	1.5	19
University of the Arts (FI)	State	43	1.3	3
Esperi Care (FI)	Private	43	1.3	15
Mehiläinen (FI)	Private	43	1.3	8
<b>Total</b>		<b>1,772</b>	<b>53.1</b>	<b>425</b>

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

### Rental maturity, annual rent, SEK million



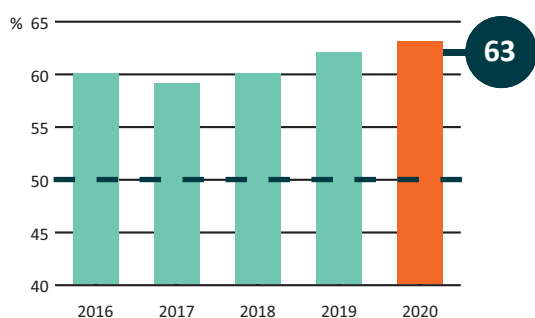
## Property frameworks

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

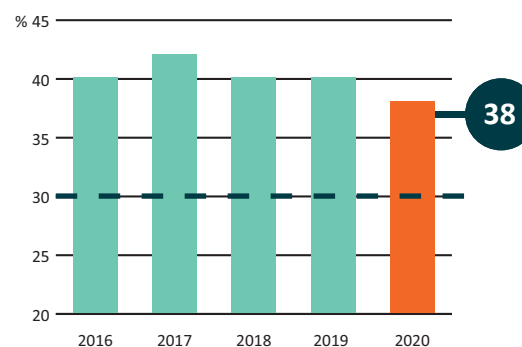
### Public-sector tenants

– At least 50 per cent of rental income



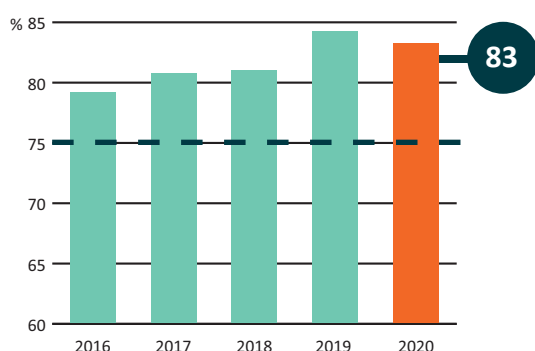
### Nursing homes

– At least 30 per cent of rental income



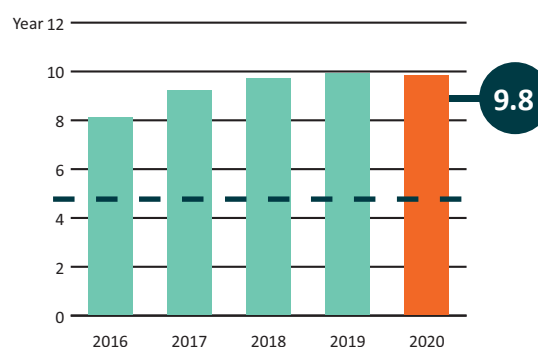
### Metropolitan areas and large cities

– At least 75 per cent of rental income



### Rental duration

– At least 5 years



## Property valuation

Hemsö recognises the investment properties at an estimate of fair value, 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 62,240 million (55,027).

## Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 December 2020. It is important to note that this should not be compared with a forecast for the next 12 months, for example, as it does not include 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 Dec 2020*	31 Dec 2019	Change, %
Rental income	3,340	3,126	
Property costs	-836	-762	
<b>Net operating income</b>	<b>2,504</b>	<b>2,364</b>	<b>6</b>
Central administrative expenses	-150	-135	
Associated companies	45	34	
Financial items	-493	-432	
<b>Profit from property management</b>	<b>1,906</b>	<b>1,831</b>	<b>4</b>

\*Extraordinary items of SEK 14 million in property costs and SEK 7 million in administration have been excluded.

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 development 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 <sup>1,2)</sup>	Health care	SGBC	22,364	1,647	384	106	93	2021
Västerås	Södra Källtorp	Nursing home	SGBC	15,308	553	177	28	100	2021
Gothenburg	Silverkällan	Nursing home	SGBC	13,458	509	387	31	96	2022
Zossen	Dabendorf	Education	–	16,250	474	138	25	100	2021
Staffanstorps	IES Staffanstorps	Education	SGBC	6,950	301	275	16	100	2022
Trelleborg	IES Trelleborg	Education	SGBC	7,524	274	226	19	100	2022
Tyresö	Sköndalsvillan	Nursing home	SGBC	6,000	263	221	14	96	2022
Norrköping	NOD-huset	Health care	SGBC	4,495	258	70	13	89	2021
Borlänge	Paradisiskolan	Education	–	9,200	250	76	17	100	2021
Södertälje	Hantverkaren	Nursing home	SGBC	4,982	185	130	12	100	2021
Oulu	Linnanmaa	Justice system	BREEAM	5,919	170	95	13	100	2021
Büttelborn	Büttelborn	Nursing home	–	6,193	166	144	11	100	2021
Solna	Bagartorp <sup>3)</sup>	Education	Nordic Swan	4,456	187	77	11	100	2021
Joensuu	Conservatory	Education	BREEAM	3,374	126	73	10	100	2021
<b>Total</b>				<b>126,473</b>	<b>5,363</b>	<b>2 474</b>	<b>327</b>		

 Public-sector tenant  Private-sector tenant

<sup>1)</sup> The development project is conducted in a joint venture with SveaNor.

<sup>2)</sup> The property is sold and will be transferred upon completion of the development project.

<sup>3)</sup> Municipal guarantee.

## 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 5,363 million, of which the remaining investment amount is SEK 2,960 million. During the fourth quarter, two development projects were completed. One is a nursing home in Kristianstad Municipality

with 60 apartments, a 15-year rental agreement and annual rental income of SEK 10 million. The investment amounted to SEK 134 million. The other completed development project is a nursing home in Luleå Municipality with 144 apartments, a 20-year rental agreement and annual rental income of SEK 21 million. The investment amounted to SEK 278 million.

## Development projects completed, 2020

Completed	Municipality	Development projects	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate, %
Q2	Stockholm	Rinkeby Police station	Justice system	–	11,703	491	15	28	100
Q3	Halmstad	Fyllinge	Nursing home	SGBC	3,804	98	15	8	100
Q3	Solna	Patienten 1	Health care	SGBC	21,258	2,321	18	104	100
Q4	Kristianstad	Villa Boulevard	Nursing home	SGBC	4,477	134	15	10	100
Q4	Luleå	Kronan	Nursing home	SGBC	11,000	278	20	21	100
<b>Total</b>					<b>52,242</b>	<b>3,321</b>	<b>17</b>	<b>171</b>	

 Public-sector tenant  Private-sector tenant

# Sustainability

## Energy and climate

Important work for achieving a sustainably developed property portfolio is to continuously improve the properties' energy performance.

Hemsö's overall aim is 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 working with how GHG emissions from new construction can be reduced.

Carbon footprint calculations and emissions reduction requirements in the design and construction process are key components for reducing climate impact. The effect of optimising properties, working systematically with energy projects and adding new energy-efficient buildings to the portfolio through new construction are continuing to yield results, and leading to a downward trend for energy consumption in the portfolio. The results for the fourth quarter were positively impacted by energy-saving projects conducted during the summer and recently completed solar PV projects. The energy target of increasing energy efficiency by 3 per cent per year, was during 2020 exceeded for the comparable portfolio.

## Environmental certification

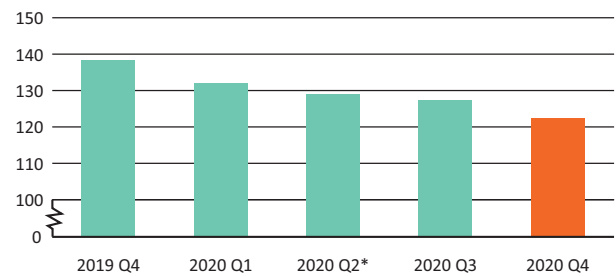
At the end of the fourth quarter, Hemsö had 56 environmentally certified buildings (36).

These comprised 32 SGBC, four LEED, one BREEAM, 18 BREEAM In-Use and one DGNB certifications. The number of certified buildings and their share of the market value of the portfolio is steadily increasing due to the growing number of own-produced buildings, where Hemsö imposes demands on environmental certification.

Efforts to gradually certify existing buildings have been taking place since 2018, which has also contributed to this increase.



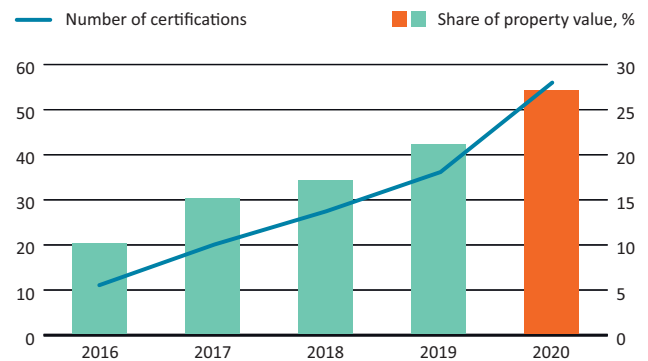
Energy consumption, Kwh/m<sup>2</sup>\*\*



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

\*Pertains to the June 2019–May 2020 period.

Environmentally certified properties\*



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



## Energy project in Finland

A large heat pump system for both heating and cooling was installed in the Satakunnankatu 23 property in Finland. The heat pumps are designed to supply about 95 per cent of annual energy requirements and the remaining amount is supplied by district heating.

The project has led to reduced energy costs and significantly lower carbon emissions. The use of district heating is minimised and the electricity used to run the system comes from renewable electricity. The annual reduction of CO2 emissions is 616 tCO2, representing a 90 per cent decrease compared with the previous level.

## Associated companies

At 31 December 2020, Hemsö owned shares in two associated companies, Turku Technology Properties Oy (TTP) and Lanthem Samhällsfastigheter AB (Lanthen).

These companies are reported in Hemsö's consolidated accounts using the equity method. The carrying amount of the shares is SEK 136 million (121) in Lanthen and SEK 563 million (514) in TTP. Total investments in associated companies amounted to SEK 698 million (635).

### Turku Technology Properties (TTP)

In April 2019, Hemsö acquired 35 per cent of the shares in TTP. In March 2020, Hemsö acquired an additional 5 per cent of the shares in the company and thereby became the largest shareholder with a holding of 40 per cent. 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 Frilarsarettet 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. In August 2020, another educational property was completed in the area, in which the Turku University of Applied Sciences holds a 25-year rental agreement for 15,000 sqm. The property has a LEED Platinum certification.

### Profit from associated companies, SEK million

Jan–Dec 2020	TTP	Lanthen	Total
Profit from property management	35	8	43
Value changes, properties	-10	10	0
Value changes, financial instruments	-38	–	-38
Tax	-1	-3	-5
<b>Profit/loss recognised</b>	<b>-14</b>	<b>15</b>	<b>1</b>



TTP	31 Dec 2020	31 Dec 2019
Shareholding, %	40	35
Rental value, SEK million	316	283
No. of properties	23	19
Economic occupancy rate, %	96	99
Market value of investment properties, SEK million	3,946	3,816
Rental duration, years	8	6
Share of public-sector tenants, %	64	59

### Lanthen

In autumn 2017, Hemsö entered into a partnership with Lantmännen Fastigheter AB by forming a joint venture, Lanthen 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 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. Ownership of Lanthen Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.



Lanthen	31 Dec 2020	31 Dec 2019
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	432	408
Rental duration, years	9	10
Share of public-sector tenants, %	30	30

## Financing

The aim of Hemsö's financing activities is to secure a stable capital structure, and an optimal net financial position within the given risk limits. Hemsö's loan-to-value ratio should not exceed 70 per cent, and the interest-coverage ratio should be at least 2.5. At year-end, the loan-to-value ratio was 60.0 per cent (62.1) and the interest-coverage ratio was 4.5 times (5.1). The interest-coverage ratio declined due to the redemption of bonds during the autumn, with a negative impact of SEK -37 million on net financial income.

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

### Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	A	F1+	Stable	1 Apr 2020
Standard & Poor's	A-	A-2	Stable	25 Mar 2020

### Interest-bearing liabilities

At year-end, Hemsö's interest-bearing liabilities amounted to SEK 38,652 million (35,542).

In the fourth quarter, Hemsö issued bonds totalling SEK 2,000 million in the Swedish capital market. Hemsö also issued its second bond in NOK, corresponding to SEK 200 million. The bond has a 10-year maturity. The currency and interest-rate risk related to these borrowings was eliminated with derivatives.

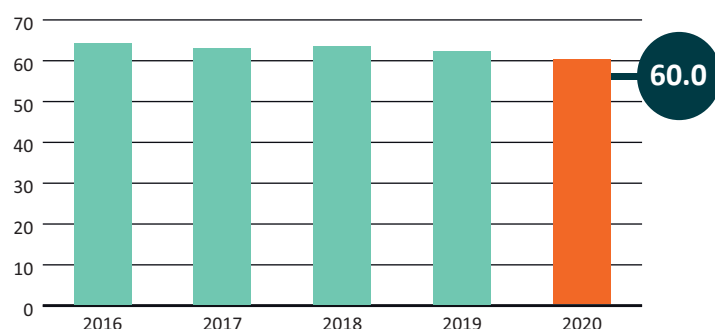
### Sources of funding, SEK million

	Q4 2020	Q4 2019
Bonds, SEK	14,052	12,989
Bonds, EUR	13,707	14,053
Bonds, NOK	1,155	–
Bonds, AUD	313	–
<b>Total bonds</b>	<b>29,227</b>	<b>27,042</b>
<i>Of which sustainability bonds</i>	<i>3,802</i>	<i>1,000</i>
Commercial papers	5,023	5,074
European Investment Bank	2,848	1,843
Nordic Investment Bank	800	800
Schuldschein	753	783
<b>Total interest-bearing liabilities</b>	<b>38,652</b>	<b>35,542</b>
<i>Of which sustainable financing</i>	<i>7,450</i>	<i>3,643</i>

### Capital structure, SEK million

	Q4 2020	Q4 2019
Interest-bearing liabilities	38,652	35,542
Cash and cash equivalents	891	988
<b>Net debt</b>	<b>37,761</b>	<b>34,554</b>
Market value of investment properties	62,240	55,027
Investments in associated companies	698	635
<b>Total</b>	<b>62,938</b>	<b>55,662</b>
<b>Loan-to-value ratio</b>	<b>60.0%</b>	<b>62.1%</b>
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

### Loan-to-value ratio, %



At year-end, Hemsö had undrawn committed credit facilities totalling SEK 12,500 million (12,661), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents amounted to SEK 891 million (988) and available liquidity totalled SEK 13,391 million (13,649). The debt-coverage ratio was 141 per cent (173).

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

At year-end, the nominal value of the interest-rate derivatives was SEK 6,300 million (6,300). Derivatives attributable to currency risk management consists of two instruments, single currency interest-rate derivatives, which corresponded to SEK 1,396 million (0), and foreign exchange derivatives, which amounted to a nominal value of SEK 764 million (0). Currency exposure amounted to 10.3 per cent (14.9\*) of equity.

At year-end, the average loan maturity was 6.7 years (7.4) and the average fixed-rate period was 6.2 years (6.4). The average interest rate was 1.2 per cent (1.3).

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

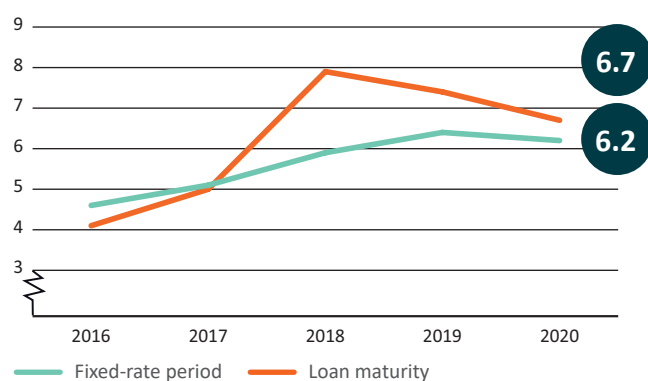
	Q4 2020	Q4 2019
Banks	7,500	6,500
Third Swedish National Pension Fund	5,000	5,000
EIB	0	1,161
<b>Total committed credit facilities</b>	<b>12,500</b>	<b>12,661</b>
Cash and cash equivalents	891	988
<b>Available liquidity</b>	<b>13,391</b>	<b>13,649</b>
Short-term borrowings	9,524	7,898
Debt-coverage ratio	141%	173%

#### Currency exposure, SEK million

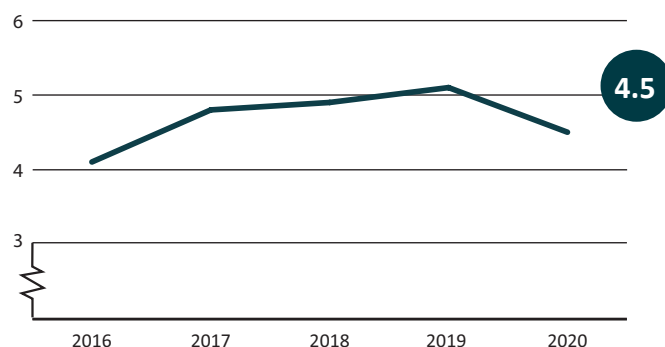
	Q4 2020	Q4 2019
Properties EUR	20,215	17,559
Associated companies EUR	563	514*
Cash, EUR	-43	291
<b>Assets EUR</b>	<b>20,735</b>	<b>18,364</b>
Debt, EUR	16,508	15,879
Currency swaps EUR	1,396	–
<b>Exposure EUR</b>	<b>2,831</b>	<b>2,485</b>
Debt, NOK and AUD	1,468	–
Currency swaps, NOK and AUD	-1,468	–
<b>Exposure, NOK and AUD</b>	<b>0</b>	<b>0</b>
Currency hedging	-764	–
<b>Currency exposure</b>	<b>2,067</b>	<b>2,485</b>
Equity	20,082	16,714
<b>Currency exposure</b>	<b>10.3%</b>	<b>14.9%*</b>

\*In 2020, the definition of currency exposure was changed to also include associated companies in EUR.

#### 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%	60.0
Loan maturity	At least 3 years	6.7
Debt-coverage ratio	At least 125%	141
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)	4.5
Fixed-rate period	Average fixed-rate period, 3–8 years	6.2
Fixed-rate maturity	Max. 40% within 12 months	29
<b>Counterparty risk</b>		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
<b>Currency risk</b>		
Currency exposure	Max. 20 per cent of equity	10.3



Hemsö is developing an upper secondary school in Stockholm



First sod turned for Sköndalsvillan in Tyresö

## Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2021	7,497	4,497	12	11,093	29
2022	6,746	3,246	8	1,050	3
2023	5,455	3,455	9	2,850	7
2024	5,000	1,000	3	2,000	5
2025	2,350	2,350	6	1,150	3
2026	5,802	5,802	15	5,002	13
2027	100	100	0	0	0
2028	100	100	0	500	1
2029	3,471	3,471	9	3,471	9
>2029	9,609	9,609	25	11,536	30
<b>Total</b>	<b>46,129</b>	<b>33,629</b>	<b>87</b>	<b>38,652</b>	<b>100</b>
Commercial papers		5,023	13		
<b>Total</b>		<b>38,652</b>	<b>100</b>		



## Quarterly overview Q4 2020

Amounts in SEK million	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Income statement</b>									
Property income	845	829	816	804	780	764	774	727	676
Property costs	-252	-203	-202	-210	-226	-170	-193	-180	-208
<b>Net operating income</b>	<b>592</b>	<b>626</b>	<b>614</b>	<b>594</b>	<b>554</b>	<b>594</b>	<b>581</b>	<b>547</b>	<b>468</b>
Central administrative expenses	-45	-39	-33	-42	-29	-36	-37	-33	-48
Profit/loss from participations in associated companies	8	12	-8	-11	27	-48	17	2	6
<b>Operating profit</b>	<b>555</b>	<b>599</b>	<b>573</b>	<b>541</b>	<b>552</b>	<b>510</b>	<b>561</b>	<b>516</b>	<b>426</b>
Financial items	-157	-124	-105	-114	-109	-110	-107	-93	-80
<b>Profit after financial items</b>	<b>398</b>	<b>475</b>	<b>468</b>	<b>427</b>	<b>443</b>	<b>400</b>	<b>454</b>	<b>423</b>	<b>346</b>
– of which Profit from property management *	<b>403</b>	<b>478</b>	<b>485</b>	<b>445</b>	<b>425</b>	<b>466</b>	<b>446</b>	<b>423</b>	<b>342</b>
Value change, properties	1,809	299	223	110	758	460	691	128	1,166
Value change, financial instruments	20	27	-49	-70	154	-76	-53	-51	-2
<b>Profit before tax</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>	<b>500</b>	<b>1,510</b>
Current tax	-3	-29	-49	-34	-25	-16	-10	-26	11
Deferred tax	-421	-119	-79	-68	-216	-135	-124	-68	-318
<b>Profit for the period</b>	<b>1,801</b>	<b>653</b>	<b>515</b>	<b>364</b>	<b>1,114</b>	<b>633</b>	<b>958</b>	<b>406</b>	<b>1,203</b>
Other comprehensive income	-145	0	-104	161	-66	12	78	63	-4
<b>Comprehensive income for the period</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>	<b>469</b>	<b>1,199</b>
<b>Balance sheet</b>									
Investment properties	62,240	59,658	57,533	57,300	55,027	53,218	51,614	49,559	46,236
Right-of-use assets	605	611	612	629	582	431	433	302	–
Other assets	1,456	1,399	1,393	1,451	1,348	1,331	1,326	787	720
Cash and cash equivalents and short-term investments	891	1,249	1,173	994	988	2,122	2,333	3,585	450
<b>Total assets</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>	<b>54,233</b>	<b>47,406</b>
Equity	20,082	18,443	16,789	17,239	16,714	15,667	15,022	14,668	13,199
Deferred tax liabilities	4,270	3,875	3,763	3,706	3,600	3,401	3,263	3,142	3,067
Derivatives	231	293	287	287	211	366	305	285	281
Interest-bearing liabilities	38,652	38,431	38,136	37,307	35,542	36,008	35,638	34,418	29,728
Lease liabilities	605	611	612	629	582	431	433	302	–
Non-interest-bearing liabilities	1,353	1,264	1,124	1,206	1,296	1,229	1,045	1,418	1,131
<b>Total equity and liabilities</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>	<b>54,233</b>	<b>47,406</b>
<b>Key ratios</b>									
<b>Financial ratios</b>									
Loan-to-value ratio, %	60.0	61.6	63.5	62.6	62.1	62.9	63.6	62.0	63.1
Interest-coverage ratio, times**	4.5	5.0	5.0	4.9	5.1	5.1	5.3	5.1	4.9
Operating cash flow, SEK million	421	445	453	377	399	432	417	380	329
<b>Property-related key ratios</b>									
Property yield, %**	4.5	4.6	4.7	4.7	4.7	4.8	4.8	4.9	4.9
Total yield, %**	8.5	6.8	7.3	8.3	8.7	9.9	9.2	9.2	9.7
Economic occupancy rate, %	97.9	97.9	98.1	98.1	98.1	97.7	98.0	97.9	98.3
NOI margin, %	73.7	75.5	75.3	73.9	71.0	77.7	75.2	75.3	69.2
No. of properties	392	381	383	376	370	364	362	368	365
Lettable area, tsqm	2,005	1,954	1,923	1,890	1,884	1,833	1,830	1,800	1,732

\* Hemsö has updated the definition of 'Profit from property management', which now excludes changes in value, and tax on share of profit of associated companies. Profit from property management for previous quarters has been restated using the new definition.

\*\* Based on rolling 12-month outcome.

## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Rental income	3,270	3,027	838	774
Other income	23	19	7	6
Operating costs	-488	-472	-127	-131
Maintenance costs	-287	-221	-82	-68
Other property costs	-92	-77	-43	-27
<b>Net operating income</b>	<b>2,425</b>	<b>2,276</b>	<b>592</b>	<b>554</b>
Central administrative expenses	-158	-135	-45	-29
Profit/loss from participations in associated companies	1	-2	8	27
– of which profit from property management	43	38	13	9
– of which changes in value	-38	-39	7	32
– of which tax	-5	-1	-12	-14
<b>Operating profit</b>	<b>2,268</b>	<b>2,139</b>	<b>555</b>	<b>552</b>
Financial items	-500	-419	-157	-109
<b>Profit after financial items</b>	<b>1,768</b>	<b>1,720</b>	<b>398</b>	<b>443</b>
– of which Profit from property management	<b>1,810</b>	<b>1,760</b>	<b>403</b>	<b>425</b>
Value change, investment properties	2,441	2,037	1,809	758
Value change, financial instruments	-72	-25	20	154
<b>Profit before tax</b>	<b>4,136</b>	<b>3,732</b>	<b>2,226</b>	<b>1,355</b>
Current tax	-115	-78	-3	-25
Deferred tax	-688	-543	-421	-216
<b>Profit for the period</b>	<b>3,333</b>	<b>3,111</b>	<b>1,801</b>	<b>1,114</b>
<b>Profit for the period attributable to</b>				
Parent Company shareholders	3,255	2,948	1,768	1,050
Non-controlling interests	78	163	33	64
<b>Other comprehensive income</b>				
Profit for the period	3,333	3,111	1,801	1,114
Translation difference	-88	87	-145	-66
<b>Comprehensive income for the period</b>	<b>3,245</b>	<b>3,198</b>	<b>1,656</b>	<b>1,048</b>
<b>Comprehensive income for the period attributable to</b>				
Parent Company shareholders	3,169	3,035	1,626	984
Non-controlling interests	76	163	30	64

## Group – Condensed statement of financial position

Amounts in SEK million	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
Investment properties	62,240	55,027
Right-of-use assets	605	582
Participations in associated companies	698	635
Other non-current assets	31	94
<b>Total non-current assets</b>	<b>63,574</b>	<b>56,338</b>
Current receivables	727	619
Cash and cash equivalents	891	988
<b>Total current assets</b>	<b>1,618</b>	<b>1,607</b>
<b>TOTAL ASSETS</b>	<b>65,193</b>	<b>57,945</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>20,082</b>	<b>16,714</b>
Deferred tax liabilities	4,270	3,600
Non-current interest-bearing liabilities	29,128	27,644
Lease liabilities	605	582
Derivatives	231	211
<b>Total non-current liabilities</b>	<b>34,233</b>	<b>32,037</b>
Current interest-bearing liabilities	9,524	7,898
Other current liabilities	1,353	1,296
<b>Total current liabilities</b>	<b>10,877</b>	<b>9,194</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>65,193</b>	<b>57,945</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 2019	1	6,356	126	6,369	347	13,199
Dividends	–	-500	–	-221	–	-721
Shareholder contributions received	–	1,000	–	–	–	1,000
Contributions from minority interests	–	–	–	–	39	39
Reclassification of capital contribution, 2015	–	-21	–	21	–	–
Adjustment of translation reserve	–	–	22	-22	–	–
Comprehensive income (1 Jan 2019–31 Dec 2019)	–	–	87	2,948	163	3,198
<b>Closing equity, 31 Dec 2019</b>	<b>1</b>	<b>6,835</b>	<b>235</b>	<b>9,095</b>	<b>548</b>	<b>16,714</b>
Opening equity, 1 Jan 2020	1	6,835	235	9,095	548	16,714
Dividends	–	-300	–	-560	–	-860
Shareholder contributions received	–	1,000	–	–	–	1,000
Acquisition of non-controlling interests	–	–	–	–	-17	-17
Comprehensive income	–	–	-86	13,255	76	3,245
<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>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
<b>Operating activities</b>				
Profit from property management	1,810	1,760	402	425
<i>Adjusted for non-cash items in profit from property management</i>				
Profit from property management participations in associated companies	-43	-38	-13	-8
Depreciation	12	12	5	4
<i>Adjusted for other non-cash items</i>				
Exchange differences, unrealised	-21	40	-3	-98
Capital gain/loss and disposals	-33	-54	0	-18
Tax paid	-83	-106	27	-22
<b>Cash flow before changes in working capital</b>	<b>1,643</b>	<b>1,614</b>	<b>419</b>	<b>283</b>
Increase (+)/decrease (-) in working capital	-118	129	-156	68
<b>Cash flow from operating activities</b>	<b>1,525</b>	<b>1,743</b>	<b>263</b>	<b>351</b>
<b>Investing activities</b>				
Acquisition of properties	-2,483	-5,242	-1,006	-978
Investments in new construction, extension and refurbishment	-3,255	-2,724	-771	-717
Property divestments	148	1,288	15	179
Investment in financial non-current assets	-86	-461	0	-2
Other non-current assets	61	0	62	–
<b>Cash flow from investing activities</b>	<b>-5,614</b>	<b>-7,139</b>	<b>-1,699</b>	<b>-1,518</b>
<b>Financing activities</b>				
Interest-bearing loans raised	8,783	9,892	2,203	1,705
Repayment of interest-bearing liabilities	-4,955	-4,174	-1,150	-1,724
Financial instruments realised	21	-95	19	–
Shareholder contributions received	1,000	1,000	–	–
Contributions from non-controlling interests	–	38	–	-1
Dividends paid	-860	-721	–	–
<b>Cash flow from financing activities</b>	<b>3,989</b>	<b>5,940</b>	<b>1,072</b>	<b>-20</b>
<b>Cash flow for the period</b>	<b>-100</b>	<b>544</b>	<b>-365</b>	<b>-1,187</b>
Opening cash and cash equivalents	988	450	1,249	2,122
Exchange-rate differences in cash and cash equivalents	4	-6	6	53
<b>Cash and cash equivalents at period-end</b>	<b>891</b>	<b>988</b>	<b>891</b>	<b>988</b>
<b>Operating cash flow</b>	<b>1,696</b>	<b>1,628</b>	<b>421</b>	<b>399</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Net sales	83	78	26	34
Central administrative expenses	-176	-164	-46	-46
Other operating income	0	253	0	0
<b>Operating profit</b>	<b>-93</b>	<b>167</b>	<b>-20</b>	<b>-12</b>
Financial items	972	100	542	-171
Value changes, financial instruments	-47	-25	50	155
Appropriations	287	77	272	77
<b>Profit before tax</b>	<b>1,119</b>	<b>319</b>	<b>844</b>	<b>49</b>
Recognised tax	-80	-18	-97	-35
<b>Profit for the period</b>	<b>1,040</b>	<b>301</b>	<b>747</b>	<b>14</b>
Other comprehensive income	–	–	–	–
<b>Comprehensive income for the period</b>	<b>1,040</b>	<b>301</b>	<b>747</b>	<b>14</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	31 Dec 2020	31 Dec 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	0	0
Equipment	3	3
Shares and participations in Group companies	7,718	7,697
Deferred tax assets	57	43
Non-current receivables	31,226	26,674
<b>Total non-current assets</b>	<b>39,005</b>	<b>34,417</b>
<b>Current assets</b>		
Current receivables	5,220	5,250
Cash and cash equivalents	0	0
<b>Total current assets</b>	<b>5,220</b>	<b>5,250</b>
<b>TOTAL ASSETS</b>	<b>44,225</b>	<b>39,667</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	4,833	3,653
<b>Untaxed reserves</b>		
Tax allocation reserve	43	58
<b>Liabilities</b>		
Deferred tax liabilities	28	26
Interest-bearing liabilities	38,652	35,542
Non-interest-bearing liabilities	669	388
<b>Total liabilities</b>	<b>39,349</b>	<b>35,956</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>44,225</b>	<b>39,667</b>

# Other information

## Significant events after period-end

On 19 January 2021, Hemsö issued a 7-year EUR 500 million bond on the European capital market. The coupon rate was set at zero, with an effective annual interest rate of 0.12 per cent.

## Employees

At period-end, Hemsö had 135 employees, of whom 57 were women and 78 men. Of these employees, 42 worked with asset and property management and 22 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 120 are employed in Sweden, seven in Germany and eight 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 rental discounts to a small number of tenants due to the pandemic. These discounts did not add up to any major 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 material impact on the company's operating cash flow. For more detailed information, refer to page 112, Note 30 in the 2019 Annual Report. In addition to the above, no changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 70–75 of the 2019 Annual Report.

## Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2019 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 property Princeton 1, located in Hagastaden. The company was sold in 2020, but will not be transferred until 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 principles of accounting and measurement were applied as in the 2019 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 are reported as 0 in text and tables.

## New and revised IFRSs effective on or after 1 January 2020

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, 5 February 2021

Nils Styf, CEO

This report has not been audited.

# Definitions

## Financial definitions

### Share of secured debt

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

### 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.

### Operating cash flow

Profit from property management after reversal of depreciation and profit from property management in associated companies less tax paid.

### Interest-coverage ratio

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

### Operating profit

Net operating income plus share of profit of associated companies and central 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, discounts 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 discounts 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. Secure housing facilities are 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	31 Dec 2020	31 Dec 2019
Net operating income on the income statement	2,425	2,276
Adjusted for 12-month holding period	-18	-11
Adjusted for development properties	-150	-87
<b>Adjusted for net operating income</b>	<b>2,258</b>	<b>2,178</b>
Market value of properties	62,240	55,027
Adjusted for development properties	-12,089	-8,888
<b>Adjusted market value</b>	<b>50,151</b>	<b>46,139</b>
<b>Property yield</b>	<b>4.5%</b>	<b>4.7%</b>

Total yield	Jan–Dec 2020	Jan–Dec 2019
Net operating income	2,425	2,276
Value change, properties	2,441	2,037
<b>Total</b>	<b>4,866</b>	<b>4,313</b>
Opening property value	55,027	46,236
Closing property value	62,240	55,027
Adjustment of value change for the period	-2,441	-2,037
<b>Adjusted average property value</b>	<b>57,413</b>	<b>49,613</b>
<b>Total yield</b>	<b>8.5%</b>	<b>8.7%</b>

Profit from property management	31 Dec 2020	31 Dec 2019
Profit/loss after financial items	1,768	1,720
Reversal		
<i>Value changes, associated companies</i>	38	39
<i>Tax, associated companies</i>	5	1
<b>Profit from property management</b>	<b>1,810</b>	<b>1,760</b>



<b>Interest-coverage ratio</b>	<b>Jan–Dec 2020</b>	<b>Jan–Dec 2019</b>
Operating profit	2,268	2,139
Net financial items	-500	-419
<b>Interest-coverage ratio</b>	<b>4.5 times</b>	<b>5.1 times</b>

<b>Operating cash flow</b>	<b>Jan–Dec 2020</b>	<b>Jan–Dec 2019</b>
Profit from property management	1,810	1,760
Reversal		
<i>Profit from property management participations in associated companies</i>	-43	-38
<i>Depreciation</i>	12	12
<i>Tax paid</i>	-83	-106
<b>Operating cash flow</b>	<b>1,696</b>	<b>1,628</b>

<b>Loan-to-value ratio</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Interest-bearing debt	38,652	35,542
Cash and cash equivalents	-891	-988
<b>Net debt</b>	<b>37,761</b>	<b>34,554</b>
Market value of investment properties	62,240	55,027
Investments in associated companies	698	635
Total	62,938	55,662
<b>Loan-to-value ratio</b>	<b>60.0%</b>	<b>62.1%</b>

<b>Debt-coverage ratio</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Cash and cash equivalents	891	988
Undrawn committed credit facilities	12,500	12,661
Available liquidity	13,391	13,649
Short-term borrowings	9,524	7,898
<b>Debt-coverage ratio</b>	<b>141%</b>	<b>173%</b>

<b>Share of secured debt</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
Secured debt outstanding	0	0
Market value of properties	62,240	55,027
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

**Questions and more information**

For more information, please contact:

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

**Financial calendar**

Annual Report	31 March 2021
Interim report Jan–Mar 2021	29 April 2021
Annual General Meeting	29 April 2021
Half-year report Jan–Jun 2021	15 July 2021
Interim report Jan–Sep 2021	27 Oct 2021

