

# Q2

## Half-year report 2020

### Summary January–June 2020

- » Rental income increased to SEK 1,608 million (1,492).
- » Profit from property management increased to SEK 930 million (869).
- » Changes in the value of properties amounted to SEK 333 million (819) and changes in value of financial instruments to SEK -119 million (-104).
- » Profit after tax for the period declined to SEK 879 million (1,364).
- » The market value of investment properties was SEK 57,533 million (51,614).
- » During the period, 17 properties (13) were acquired for SEK 490 million (3,786) and four properties (15) were divested for SEK 73 million (77).

### Significant events during the second quarter

- » In partnership with municipalities in Sweden and Finland, Hemsö started up several construction projects for nursing homes and schools. We will thereby create 350 new nursing home beds and 5,000 new school places.
- » Hemsö commenced the development of new schools in Staffanstorp, Trelleborg, Nacka, Kungälv, Gothenburg, Borås and Joensuu (Finland) and new nursing homes in Gothenburg, Täby and Upplands Väsby.
- » Hemsö acquired one educational property for the justice system in Wiesbaden (Germany). The investment amounted to SEK 700 million and a 15-year rental agreement was signed with the German state.
- » In Finland, Hemsö acquired one university building in central Helsinki and one upper secondary school in Jyväskylä.
- » Hemsö received a long-term credit rating of 'A' with a stable outlook from Fitch Ratings.

### Hemsö in summary

|  | Jan–Jun 2020 | Jan–Jun 2019 | Jul 2019–Jun 2020 | Jan–Dec 2019 |
|--|--------------|--------------|-------------------|--------------|
| Rental income, SEK million                         | 1,608        | 1,492        | 3,143             | 3,027        |
| Profit from property management, SEK million*      | 930          | 869          | 1,821             | 1,760        |
| Profit after tax, SEK million                      | 879          | 1,364        | 2,626             | 3,111        |
| Operating cash flow, SEK million                   | 830          | 797          | 1,661             | 1,628        |
| Loan-to-value ratio, %                             | 63.5         | 63.6         | 63.5              | 62.1         |
| Interest-coverage ratio, times                     | 5.0          | 5.3          | 5.0               | 5.1          |
| Market value of investment properties, SEK million | 57,533       | 51,614       | 57,533            | 55,027       |
| NOI margin, %                                      | 74.6         | 75.2         | 74.5              | 74.8         |
| Economic occupancy rate, %                         | 98.1         | 98.0         | 98.1              | 98.1         |
| Lettable area, tsqm                                | 1,923        | 1,831        | 1,923             | 1,884        |
| Rental duration, years                             | 9.9          | 9.8          | 9.9               | 9.9          |

\* Hemsö updated the definition of Profit from property management, which now excludes value changes and tax on profit from participations in associated companies. Profit from property management for previous periods has been restated in line with the new definition.

## CEO statement

As we summarise the second quarter, we can confirm that Hemsö remains the leading player in the development of sustainable social infrastructure. Hemsö's stable financial performance has continued, despite the effects of the COVID-19 pandemic on our business environment, which has led to a significant deterioration in financial conditions. However, I see no economic effects of the pandemic on Hemsö's operations since the last quarterly report. Profit from property management rose 7 per cent in the first half-year to SEK 930 million.

The greatest short-term risks of COVID-19, mainly in the form of turbulence in capital markets, lower rental income and impacts on ongoing construction projects, have declined.

### Access to capital markets

Hemsö's access to various sources of funding remains favourable – from both banks and capital markets. While credit margins have increased slightly, the current levels are not particularly high from a long-term perspective. We have credit facilities of SEK 11.5 billion, but none of these were needed during the period. At present, we see no material refinancing risk despite continued market volatility and unpredictable prices.

While Hemsö has no major need for financing in the short term, the company issued bonds – since the last quarterly report – totalling approximately SEK 2.7 billion with maturities ranging from 3–15 years. Interest expenses are in parity with our current average interest rate, despite slightly longer loan maturities and fixed-rate periods.

### Stable rental income

The proportion of rental income paid is normal for Hemsö, despite the COVID-19 pandemic. At today's date, more than 99 per cent of the overdue rental income has been paid.

### Ongoing and completed construction projects

Most development projects have progressed without any change in either schedule or costs, and for those few projects affected, the changes are only marginal.

During and after the end of the quarter, we completed five construction projects with a total investment volume of approximately SEK 3 billion, which are generating SEK 160 million in annual rental income and have 80 per cent public-sector tenants. The largest development project is the new St Erik Eye Hospital in Stockholm, which will be the largest eye hospital in Sweden and the most modern of its type in Europe. The new police headquarters in Rinkeby, a nursing home in Halmstad, Nakterhus School in Haninge and rehab clinic renovations on behalf of Karolinska University Hospital and Danderyd Hospital in Huddinge were also completed.



### New school places and nursing home beds

More children are being born and we are living longer – the major need and demand for social infrastructure for different stages of life has never been greater. It is gratifying that, already in first six months of this year, we have been able to help the public sector with safe and motivational environments for thousands of people, both young and old.

Since the last quarterly report, we have signed rental agreements for 12 major refurbishment or new construction projects. These include schools, nursing homes and police headquarters corresponding to 92,000 sqm, SEK 215 million in annual rental income, a 17-year rental duration and have 66 per cent public-sector tenants. A more important key figure is that by undertaking these development projects, we will create more than 5,000 school places and 350 nursing home beds. These include the new Stavsborg School for 1,200 students with Nacka Municipality as the tenant, a new nursing home with 86 beds with Täby Municipality as the tenant and a new conservatory in Finland for more than 600 music students with the City of Joensuu as the tenant.

### Government support

Hemsö stands strong against the challenges of the ongoing crisis and we have therefore decided not to claim government support in the form of reduced employer contributions and subsidised rental discounts. It is important that the government's financial resources be instead directed to those companies directly affected by the COVID-19 pandemic.

Hemsö's vision is to be the best property company for public services. All of Hemsö's employees are focused on running our business as normally as possible despite the surrounding uncertainty. Neither our customer focus nor delivery capacity has been affected, even though many employees have been working from home. Hemsö will continue to contribute with properties that are developed with the needs of children, young people and the elderly in mind. I firmly believe that this is the best way for Hemsö to support the social economy and sustainable social development, while we continue to serve as a long-term property partner to the public sector.

Nils Styf, CEO

### Vision

To be the best property company for public services.

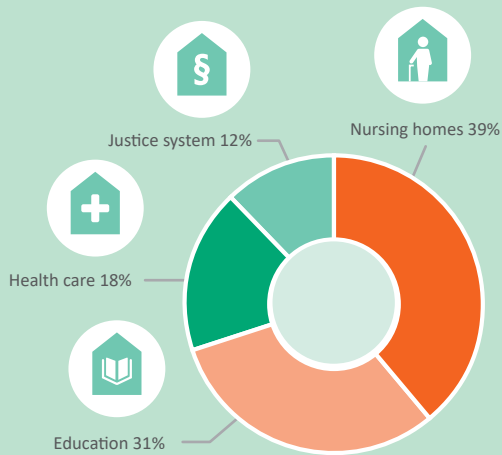
### Mission

To sustainably own, manage and develop properties for public use.

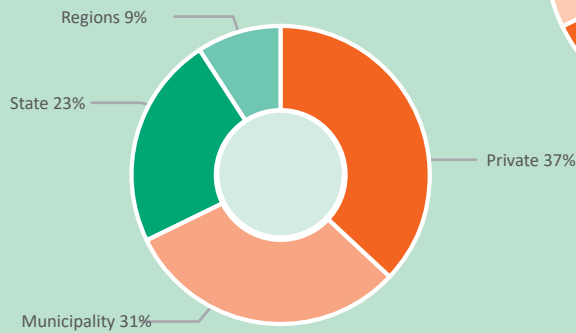
### THIS IS HEMSÖ

- 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 be the best property company for public services. This means that Hemsö will create added value for its customers, and be the long-term property partner for the public sector and private operators of public services.
- 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 57.5 billion.
- Hemsö has a credit rating of ‘A’ from Fitch Ratings and ‘A-’ from Standard & Poor’s.

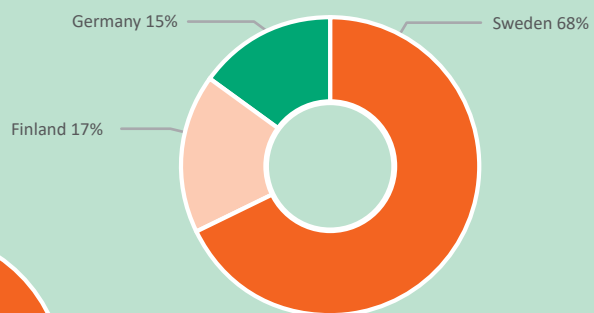
Contracted rent per property category



Contracted rent per customer category



Market value of investment properties



# Income, costs and profit

Profit/loss items relate to the January–June period of 2020, and are compared with the year-earlier period. Balance-sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year.

## Rental income

During the period, rental income amounted to SEK 1,608 million (1,492).

Rental income rose 8 per cent in Germany and 24 per cent in Finland, mainly driven by acquisitions. In Sweden, rental income rose 4 per cent, mainly the result of acquisitions and completed development projects.

Rental income in the comparable portfolio rose SEK 26 million, or 2 per cent, due to rent indexation and renegotiations.

At period-end, contracted annual rent amounted to SEK 3,247 million (3,017) and economic vacancies to SEK 60 million (69). The economic occupancy rate rose slightly and was 98.1 per cent (98.0) at period-end.

Rental maturity 2020 amounts to SEK 112 million, corresponding to 3 per cent of Hemsö's contracted rental income.

The rental duration increased to 9.9 years (9.8), the result of completed development projects and renegotiations.

## Property costs

Property costs amounted to SEK 412 million (373), up SEK 40 million. In the comparable portfolio, costs increased SEK 12 million, or 4 per cent, mainly the result of increased maintenance measures to raise the quality of the property portfolio.

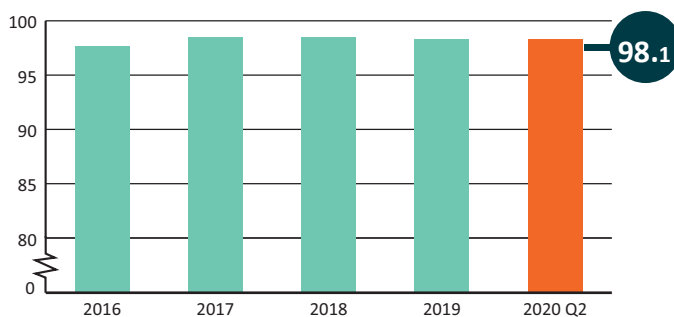
## Vacancy changes

| SEK million                  | Jan–Jun 2020 |
|------------------------------|--------------|
| Opening vacancy              | 63           |
| Terminated rental agreements | 10           |
| Adjusted for vacancy rents   | -4           |
| New rental agreements        | -13          |
| Acquired                     | 4            |
| Divested                     | 0            |
| <b>Closing vacancy</b>       | <b>60</b>    |

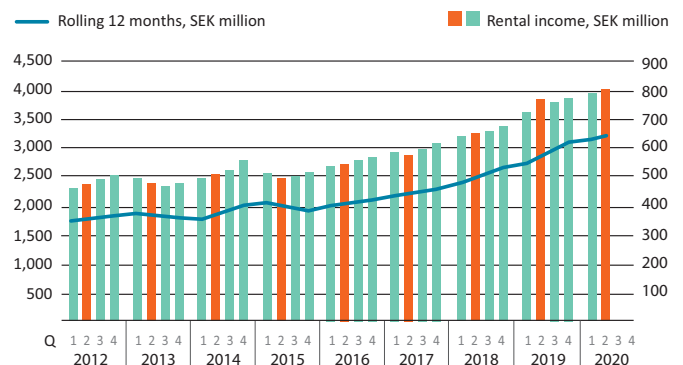
## Rental maturity

| Year         | Annual rent, SEK million | Share, %   |
|--------------|--------------------------|------------|
| 2020         | 112                      | 3          |
| 2021         | 249                      | 8          |
| 2022         | 194                      | 6          |
| 2023         | 213                      | 6          |
| 2024         | 105                      | 3          |
| 2025         | 174                      | 5          |
| 2026         | 132                      | 4          |
| 2027         | 142                      | 4          |
| 2028         | 248                      | 8          |
| 2029         | 124                      | 4          |
| >2029        | 1,596                    | 49         |
| <b>Total</b> | <b>3,288</b>             | <b>100</b> |

## Economic occupancy rate, %



## Rental income



# SEK 1,608 million

## Rental income

### Net operating income

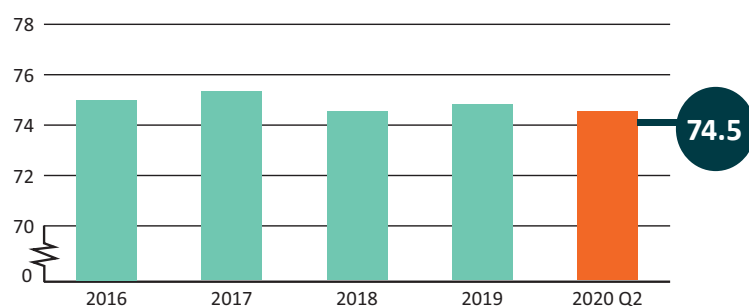
Net operating income increased to SEK 1,208 million (1,128). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin for the period was 74.6 per cent (75.2), down 0.6 percentage points year-on-year, and was attributable to increased maintenance costs.

In the comparable portfolio, net operating income rose SEK 1,013 million (997), or 1.6 per cent.

### Comparable portfolio

|                             | 30 Jun 2020  | 30 Jun 2019  | Change, %  |
|-----------------------------|--------------|--------------|------------|
| No. of properties           | 310          | 310          | –          |
| Market value, SEK million   | 42,081       | 40,728       | 3.3        |
| Property yield, %           | 4.7          | 4.8          | 2.3        |
| Amounts in SEK million      |              |              |            |
|                             | Jan–Jun 2020 | Jan–Jun 2019 | Change, %  |
| Rental income               | 1,330        | 1,304        | 2.0        |
| Other income                | 8            | 5            | 50.6       |
| Operating costs             | -202         | -216         | -6.3       |
| Maintenance costs           | -101         | -79          | 28.0       |
| Other costs                 | -22          | -18          | 22.9       |
| <b>Net operating income</b> | <b>1,013</b> | <b>997</b>   | <b>1.6</b> |

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



### Administration

Administrative expenses for the period rose to SEK 74 million (70). The increase was mainly attributable to higher personnel costs due to more employees.

### Financial items

Net financial expense rose to SEK -219 million (-200) for the period, due to an increase in interest-bearing debt to SEK 38,136 million (35,638). The average interest rate was 1.3 per cent (1.3), while the fixed-rate period was extended to 6.7 years (5.8).

### Financial items

| SEK million                     | Jan–Jun 2020 | Jan–Jun 2019 |
|---------------------------------|--------------|--------------|
| Interest income                 | 2            | 3            |
| Other financial income          | 37           | 27           |
| Interest expense                | -223         | -200         |
| Other financial expenses        | -23          | -21          |
| Interest expense, ground leases | -12          | -9           |
| <b>Total financial items</b>    | <b>-219</b>  | <b>-200</b>  |

# SEK 1,208 million

## Net operating income

**Profit from property management**

Profit from property management rose 7 per cent to SEK 930 million (869), mainly attributable to a larger property portfolio.

# SEK 930 million

Profit from property management

Market value,  
investment properties

## SEK 57.5 billion

Properties

## 383

Lettable area

## 1,923 tsqm

**Value change, investment properties**

Changes in the value of properties for the period amounted to SEK 333 million (819), of which realised value changes amounted to SEK 2 million (60) and unrealised value changes to SEK 331 million (759).

Unrealised value changes were attributable to property management and development projects in Sweden, Germany and Finland. The yield on the entire property portfolio, excluding development properties, was 4.7 per cent (4.8).

The total yield was 7.3 per cent (9.2).

**Unrealised value changes, properties**

Jan–Jun 2020

| SEK million                                    | Sweden     | Germany   | Finland   | Total      |
|--|------------|-----------|-----------|------------|
| Attributable to                                |            |           |           |            |
| – Property management and development projects | 269        | 12        | 25        | 306        |
| – Market factors                               | 25         | –         | –         | 25         |
| <b>Total unrealised value changes</b>          | <b>294</b> | <b>12</b> | <b>25</b> | <b>331</b> |

### Change in value of property portfolio

|  | SEK million   | No. of     |
|--|---------------|------------|
| Market value, opening balance                                | 55,027        | 370        |
| Acquisitions   | 490           | 17         |
| Investments in new construction, extension and refurbishment | 1,591         |            |
| Divestments  | -73           | -4         |
| Exchange-rate fluctuations                                   | 166           |            |
| Unrealised value changes                                     | 331           |            |
| <b>Market value at period-end</b>                            | <b>57,533</b> | <b>383</b> |

### Change in value of financial instruments

Changes in the value of financial instruments had a negative impact of SEK -119 million (-104) on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -98 million (-23) on profit and were mainly attributable to falling market rates. Derivatives attributable to currency risk management had a negative impact of SEK -21 (-81) on profit.

### Tax

Recognised tax for the period amounted to SEK -230 million (-228), of which current tax accounted for SEK -83 million (-36) and deferred tax for SEK -147 million (-192). 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 82 million (81). Deferred tax liabilities amounted to SEK 3,845 million (3,344). Deferred tax assets were netted against deferred tax liabilities and recognised on the balance sheet.

### Earnings

Profit after tax for the period totalled SEK 879 million (1,364). The decline was mainly attributable to lower positive unrealised value changes year-on-year.

### Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 816 million (849). The change in working capital amounted to SEK -128 million (12). Operating cash flow was SEK 830 million (797). Investing activities had a negative impact of SEK -2,097 million (-4,580) on cash flow, while increased borrowings, loan repayments and dividends had a positive impact of SEK 1,602 million (5,660) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 192 million (1,941) 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 37 million (30) and consisted of fees for services to the subsidiaries. In the preceding year, other operating income amounted to SEK 254 million and was related to gains on the sale of shares in subsidiaries.

Administrative expenses increased to SEK -87 million (-77), mainly attributable to higher personnel costs due to more employees. Financial items amounted to SEK 385 million (259). Financial items include profit of SEK 381 million (247) from participations in Group companies, interest income of SEK 296 million (277), interest expense of SEK -246 million (-189), and exchange-rate differences of SEK -46 million (-76). Changes in the value of financial instruments amounted to SEK -108 million (-104) and comprehensive income for the period declined to SEK 264 million (367).

### Segment information

| Amounts in SEK million | Profit/loss items per segment |              |                      |              | Asset items per segment               |               |
|------------------------|-------------------------------|--------------|----------------------|--------------|---------------------------------------|---------------|
|                        | Rental income                 |              | Net operating income |              | Market value of investment properties |               |
|                        | Jan–Jun 2020                  | Jan–Jun 2019 | Jan–Jun 2020         | Jan–Jun 2019 | 30 Jun 2020                           | 30 Jun 2019   |
| Sweden East            | 390                           | 400          | 290                  | 280          | 17,760                                | 15,027        |
| Sweden West            | 150                           | 158          | 102                  | 109          | 4,062                                 | 3,662         |
| Sweden Central/North   | 342                           | 303          | 249                  | 219          | 11,770                                | 10,785        |
| Sweden South           | 175                           | 159          | 114                  | 108          | 5,591                                 | 4,925         |
| Germany                | 228                           | 212          | 208                  | 203          | 8,536                                 | 7,795         |
| Finland                | 323                           | 260          | 245                  | 209          | 9,814                                 | 9,420         |
| <b>Total</b>           | <b>1,608</b>                  | <b>1,492</b> | <b>1,208</b>         | <b>1,128</b> | <b>57,533</b>                         | <b>51,614</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: Sweden: East, West, Central/North, South, and Germany and Finland.

# Property portfolio

Of the total property value of SEK 57,533 million (51,614), 68 per cent (67) was attributable to Sweden, 17 per cent (18) to Finland and 15 per cent (15) to Germany.

At period-end, Hemsö owned properties in 60 municipalities in Sweden, 46 municipalities in Germany and 25 municipalities in Finland. The largest share of the market value of investment properties (84 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 30 June 2020, Hemsö's property portfolio comprised 383 properties (362) with a total lettable area of 1,923 tsqm (1,831).

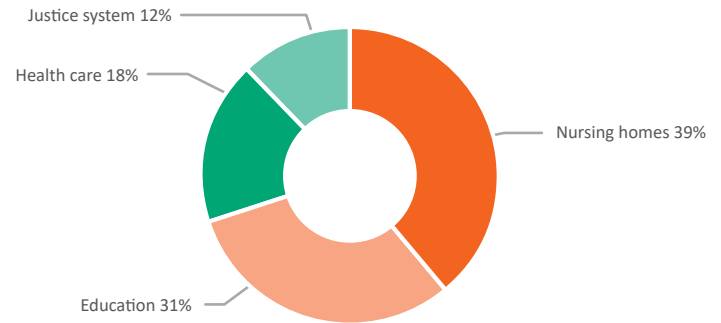
## Properties acquired and divested

| Quarter             | No. of    | Value, SEK million | Area, sqm     |
|---------------------|-----------|--------------------|---------------|
| <b>Acquisitions</b> |           |                    |               |
| Q1                  | 8         | 210                | 6,630         |
| Q2                  | 9         | 280                | 15,003        |
| <b>Total</b>        | <b>17</b> | <b>490</b>         | <b>21,633</b> |
| <b>Divestments</b>  |           |                    |               |
| Q1                  | 2         | 3                  | –             |
| Q2                  | 2         | 70                 | 6,951         |
| <b>Total</b>        | <b>4</b>  | <b>73</b>          | <b>6,951</b>  |

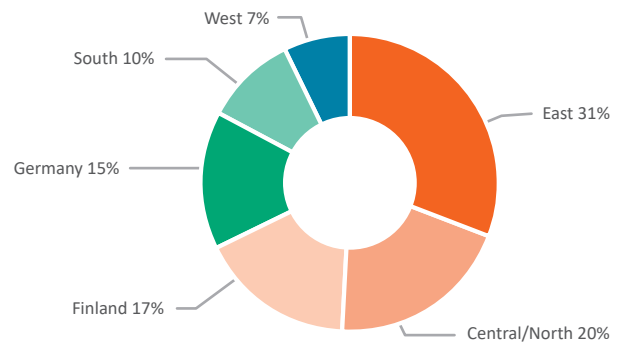
## Investments

Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 1,591 million (1,385) was invested, of which SEK 1,339 million (1,115) was related to new construction and SEK 252 million (270) to improvements and new lettings.

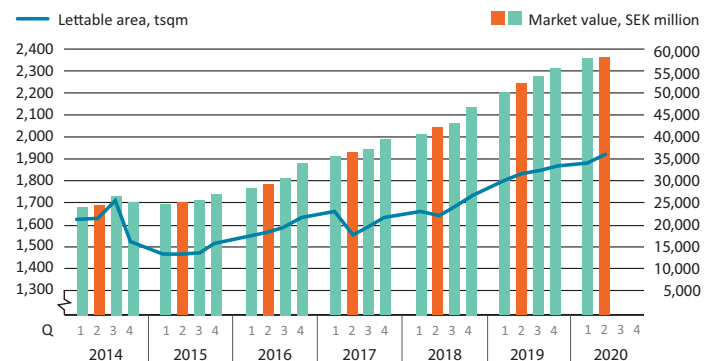
## Market value of investment properties per property category



## Market value of investment properties per segment



## Market value and area of investment properties





|  | Nursing homes | Education | Health care | Justice system | Total  |
|--|---------------|-----------|-------------|----------------|--------|
| No.  | 193           | 112       | 60          | 18             | 383    |
| Lettable area, tsqm                                | 844           | 576       | 304         | 199            | 1,923  |
| Rental duration, years                             | 9.5           | 11.8      | 8.8         | 8.0            | 9.9    |
| Market value of investment properties, SEK million | 22,419        | 18,019    | 10,483      | 6,612          | 57,533 |
| Rental income, SEK million                         | 652           | 506       | 265         | 186            | 1,608  |
| Net operating income, SEK million                  | 497           | 386       | 182         | 143            | 1,208  |
| Economic occupancy rate, %                         | 99.4          | 98.0      | 97.1        | 95.7           | 98.1   |
| Property yield, %                                  | 4.6           | 4.6       | 5.1         | 4.8            | 4.7    |

### Tenants

94 per cent of Hemsö’s total rental income is derived 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 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 34 million, of which EUR 9 million is secured through pledges. If pledges are included, 40 per cent of rental income in Germany is derived from public-sector tenants.

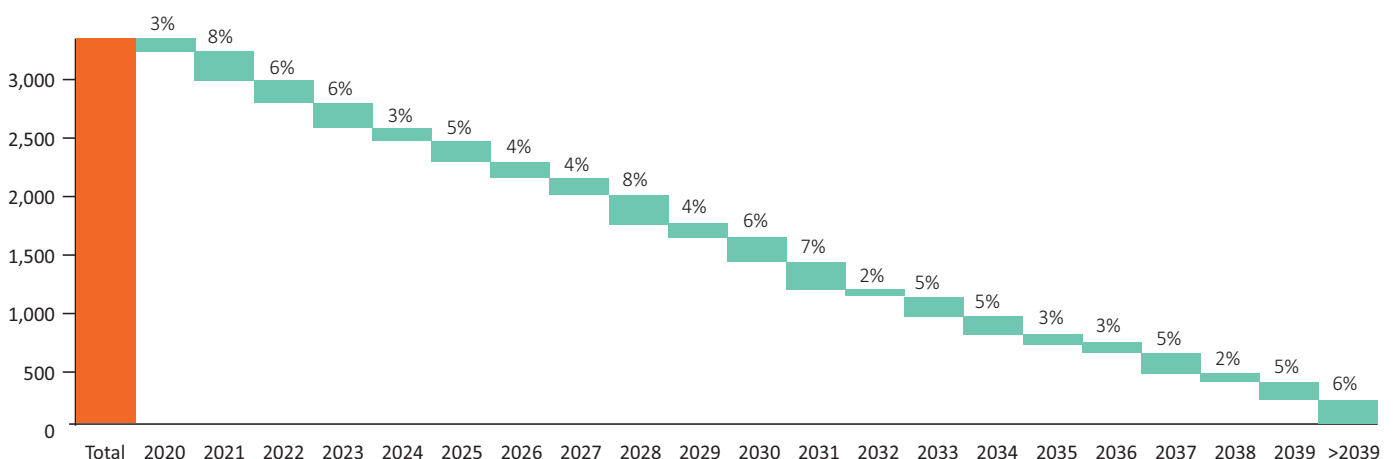
The largest tenants are Region Stockholm, the Swedish Police Authority, the City of Turku (Finland), Attendo and the Ministry of Justice in Finland, which together represent 24 per cent of rental income.

### Hemsö’s 20 largest tenants

| Tenant                               | Category     | Annual rent, SEK million | Share, %    | No. of rental agreements |
|--------------------------------------|--------------|--------------------------|-------------|--------------------------|
| Region Stockholm                     | Region       | 197                      | 6.1         | 75                       |
| Swedish Police                       | State        | 184                      | 5.7         | 32                       |
| City of Turku (FI)                   | Municipality | 145                      | 4.5         | 15                       |
| Attendo                              | Private      | 122                      | 3.8         | 80                       |
| Ministry of Justice (FI)             | State        | 115                      | 3.5         | 14                       |
| Academedialia                        | Private      | 111                      | 3.4         | 20                       |
| Mälardalen University                | State        | 102                      | 3.1         | 3                        |
| AWO Hessen Süd (DE)                  | Private      | 85                       | 2.6         | 11                       |
| City of Västerås                     | Municipality | 83                       | 2.6         | 17                       |
| Norrköping Municipality              | Municipality | 73                       | 2.2         | 18                       |
| Västra Götaland Region               | Region       | 70                       | 2.2         | 60                       |
| Karolinska Institute                 | State        | 69                       | 2.1         | 10                       |
| Ambea                                | Private      | 62                       | 1.9         | 10                       |
| Alloheim (DE)                        | Private      | 61                       | 1.9         | 8                        |
| North Rhine-Westphalia (DE)          | State        | 58                       | 1.8         | 1                        |
| HEWAG (DE)                           | Private      | 55                       | 1.7         | 9                        |
| Gävle Municipality                   | Municipality | 52                       | 1.6         | 19                       |
| University of the Arts Helsinki (FI) | State        | 45                       | 1.4         | 3                        |
| Esperi Care (FI)                     | Private      | 45                       | 1.4         | 15                       |
| Mehiläinen (FI)                      | Private      | 44                       | 1.4         | 8                        |
| <b>Total</b>                         |              | <b>1,780</b>             | <b>54.8</b> | <b>428</b>               |

Public-sector tenant (green box) Private-sector tenant (white box) (FI) = Finland (DE) = Germany

### Rental maturity, annual rent, SEK million



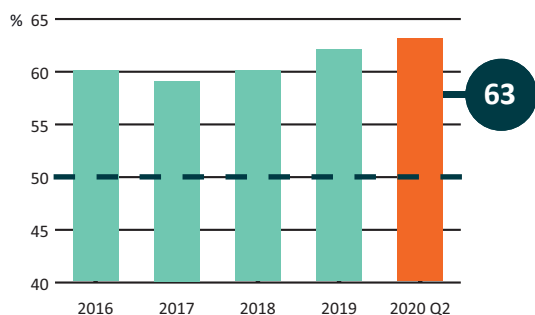
## Property frameworks

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.

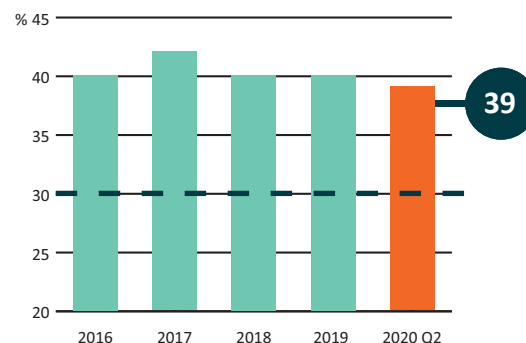
### Public-sector tenants

– At least 50 per cent of rental income



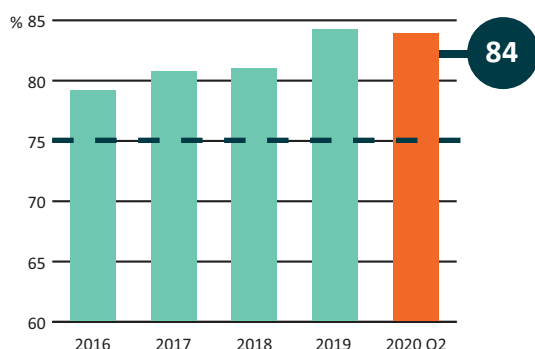
### Nursing homes

– At least 30 per cent of rental income



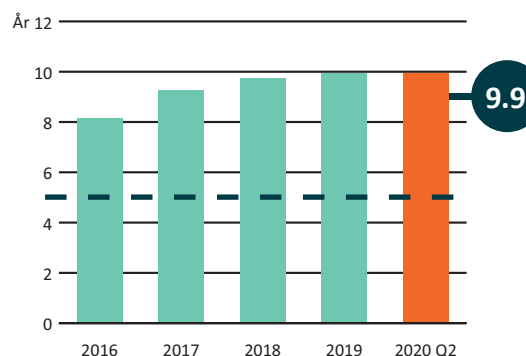
### Metropolitan areas and large cities

– At least 75 per cent of rental income



### Rental duration

– At least 5 years



## Property valuation

Hemsö recognises its 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 fair 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 57,533 million (51,614).

## Earning capacity

The table reflects Hemsö's earning capacity on an annual basis at 30 June 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 actual outcome over the past 12 months. Net financial

## Earning capacity

| SEK million                            | 30 Jun 2020  | 30 Jun 2019  | Change, % |
|--|--------------|--------------|-----------|
| Rental income                          | 3,247        | 3,017        |           |
| Property costs                         | -799         | -767         |           |
| <b>Net operating income</b>            | <b>2,449</b> | <b>2,250</b> | <b>9</b>  |
| Central administrative expenses        | -139         | -150         |           |
| Associated companies                   | 32           | 49           |           |
| Financial items                        | -474         | -422         |           |
| <b>Profit from property management</b> | <b>1,867</b> | <b>1,727</b> | <b>8</b>  |

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 |
|--------------|---------------------------|----------------|----------------|----------------|-------------------------|-----------------------------------|---------------------------------------|-------------------|-----------------|
| Solna        | Patienten <sup>1)</sup>   | Health care    | SGBC           | 21,258         | 2,287                   | 268                               | 104                                   | 99                | 2020            |
| Stockholm    | Princeton <sup>1,2)</sup> | Health care    | SGBC           | 22,364         | 1,595                   | 557                               | 107                                   | 93                | 2021            |
| Gothenburg   | Silverkällan              | Nursing home   | SGBC           | 13,458         | 501                     | 442                               | 32                                    | 96                | 2022            |
| Zossen       | Dabendorf                 | Education      | Green Building | 15,500         | 496                     | 310                               | 26                                    | 100               | 2021            |
| Luleå        | Kronan                    | Nursing home   | SGBC           | 12,005         | 281                     | 69                                | 21                                    | 100               | 2020            |
| Borlänge     | Paradisskolan             | Education      | –              | 9,200          | 250                     | 174                               | 17                                    | 100               | 2021            |
| Norrköping   | NOD-huset                 | Health care    | SGBC           | 4,495          | 248                     | 147                               | 13                                    | 89                | 2021            |
| Södertälje   | Hantverkaren              | Nursing home   | SGBC           | 4,982          | 185                     | 182                               | 12                                    | 100               | 2021            |
| Oulu         | Linnanmaa                 | Justice system | BREEAM         | 5,919          | 178                     | 178                               | 14                                    | 100               | 2021            |
| Västerås     | Södra Källtorp            | Nursing home   | SGBC           | 5,333          | 174                     | 142                               | 8                                     | 100               | 2021            |
| Kristianstad | Villa Boulevard           | Nursing home   | SGBC           | 4,477          | 135                     | 42                                | 9                                     | 89                | 2021            |
| Solna        | Bagartorp <sup>3)</sup>   | Education      | Nordic Swan    | 3,112          | 133                     | 99                                | 7                                     | 100               | 2021            |
| Joensuu      | Conservatory              | Education      | BREEAM         | 3,374          | 133                     | 133                               | 10                                    | 100               | 2021            |
| Halmstad     | Fyllinge                  | Nursing home   | SGBC           | 3,804          | 99                      | 1                                 | 8                                     | 100               | 2020            |
| <b>Total</b> |                           |                |                | <b>129,281</b> | <b>6,697</b>            | <b>2,743</b>                      | <b>388</b>                            |                   |                 |

Public-sector tenant  Private-sector tenant

<sup>1)</sup> Development projects are conducted in joint ventures with SveaNor

<sup>2)</sup> The property is sold and transferred upon completion of the 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 6,697 million, of which the remaining investment amount is SEK

2,743 million. During the period, one development project was completed in the fully let police headquarters in Rinkeby. The investment amount was SEK 480 million, with a 15-year rental agreement and annual rent of SEK 28 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    | Police HQ Rinkeby    | Justice system | –             | 11,703    | 480                     | 15                     | 28                                    | 100               |

Public-sector tenant  Private-sector tenant



## Hemsö developing new school in Nacka

In partnership with Nacka Municipality, Hemsö is developing a new elementary school in Älta to replace the current Stavsborg School premises. The estimated investment amount is SEK 500 million, and a 25-year rental agreement has been signed with Nacka Municipality.

The new Stavsborg School will be a modern and effective school with a strong focus on sustainability and space efficiency. The building will be certified according to Sweden Green Building Council (SGBC), Silver rating, with a Gold rating for energy. The lettable area will be 13,000 sqm, with plans to accommodate 1,200 students from Years 1–9 and scheduled for completion by the autumn school term of 2023.

# 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 CO<sub>2</sub> emissions for existing buildings by 2035. Hemsö's climate strategy also includes a study into how the climate impact of new construction can be reduced through carbon calculation and climate-smart design.

The effect of optimising properties and working systematically with energy projects is continuing to yield results, and leading to a downward trend for energy consumption in the portfolio. The COVID-19 pandemic had some effect, since buildings stood empty during the period due to, for example, distance education in schools, and operating hours were optimised on the basis of changed needs. Electricity use also declined during the second quarter due to the fact that more photovoltaic systems have now been put into operation.

## Environmental certification

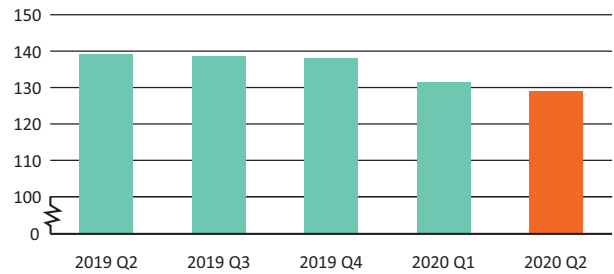
At the end of the second quarter, Hemsö had 44 environmentally certified buildings.

These comprised 24 SGBC, four LEED, one BREEAM, 14 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.

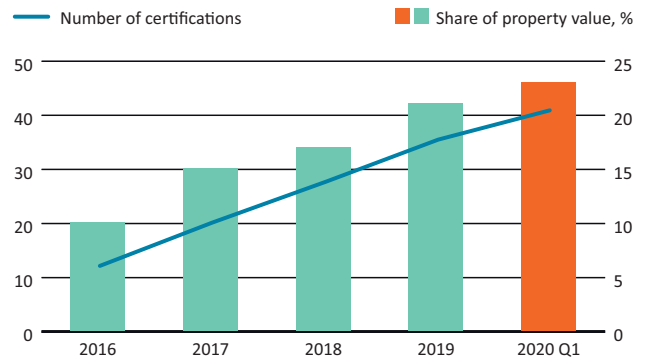
Efforts to gradually certify existing buildings have been taking place since 2018, which has also contributed to this increase.



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



Environmentally certified properties\*



\*Environmental certifications with SGBC, Silver or an equivalent level of certification.



## Hemsö's first aquifer thermal energy storage

A large geothermal energy project has been taking place in the Klostergården property in Lund, in the form of an aquifer to store thermal energy. The technology is primarily used to provide heating and cooling to large public buildings. The principle involves the storage and recovery of solar energy by means of a heat exchanger in a well system, where solar energy is stored in the subsurface using groundwater as the medium of heat transfer. This technology can be used effectively in areas where groundwater flows freely, such as eskers. These areas are also called groundwater wells or aquifers. The total heated area of the building served by the geothermal energy system will be 48 tsqm. The total reduction in CO<sub>2</sub> emissions will be about 180 tonnes per year.

## Associated companies

At 30 June 2020, 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 in Lanthem is SEK 124 million (115) and the carrying amount of the shares in TTP is SEK 582 million (553). Total investments in associated companies amounted to SEK 706 million (739).

### Profit from associated companies, SEK million

| Jan–Jun 2020                         | TTP        | Lanthem  | Total      |
|--------------------------------------|------------|----------|------------|
| Profit from property management      | 12         | 4        | 16         |
| Value changes, properties            | -2         | –        | -2         |
| Value changes, financial instruments | -41        | –        | -41        |
| Tax                                  | 8          | -1       | 7          |
| <b>Profit/loss recognised</b>        | <b>-23</b> | <b>3</b> | <b>-20</b> |

### 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 is therefore the largest shareholder with a shareholding 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 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. The company is currently constructing another educational property in the area, in which the Turku University of Applied Sciences holds a 25-year rental agreement for 15,000 sqm. The property is scheduled for completion in 2020 and will hold LEED Platinum certification.



| TTP  | 30 Jun 2020 | 30 Jun 2019 |
|--|-------------|-------------|
| Shareholding, %                                    | 40          | 35          |
| Rental value, SEK million                          | 283         | 279         |
| No. of properties                                  | 20          | 17          |
| Economic occupancy rate, %                         | 98          | 98          |
| Market value of investment properties, SEK million | 4,048       | 3,866       |
| Rental duration, years                             | 6           | 7           |
| Share of public-sector tenants, %                  | 61          | 60          |

### Lanthem

In autumn 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. Future development projects will mainly belong to these two property categories.

Ownership of Lanthem Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.



| Lanthem  | 30 Jun 2020 | 30 Jun 2019 |
|--|-------------|-------------|
| Shareholding, %                                    | 50          | 50          |
| Rental value, SEK million                          | 21          | 21          |
| No. of properties                                  | 5           | 4           |
| Economic occupancy rate, %                         | 100         | 100         |
| Market value of investment properties, SEK million | 408         | 377         |
| Rental duration, years                             | 10          | 11          |
| 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 limits. Hemsö's loan-to-value ratio should not exceed 70 per cent, and the interest-coverage ratio should be at least 2.0. At period-end, the loan-to-value ratio was 63.5 per cent (63.6) and the interest-coverage ratio was 5.0 times (5.3).

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 period-end, Hemsö's interest-bearing liabilities amounted to SEK 38,136 million (35,638).

During the period, Hemsö issued bonds totalling SEK 1,400 million in the Swedish capital market. Hemsö also issued its first bond in NOK, corresponding to SEK 950 million, to Norwegian investors. The currency and interest-rate risk related to these borrowings was eliminated with derivatives.

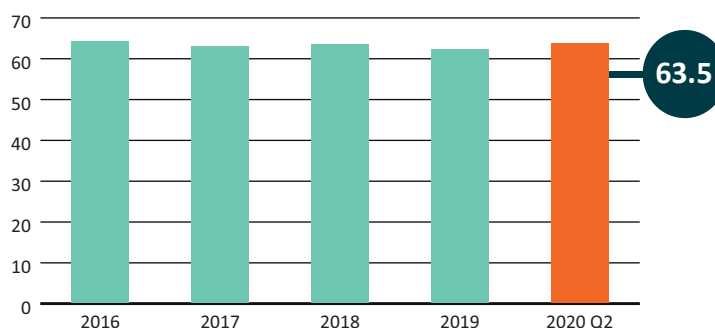
### Sources of funding, SEK million

|   | Q2 2020       | Q2 2019       |
|---|---------------|---------------|
| Bonds, SEK                                | 12,402        | 14,759        |
| Bonds, EUR                                | 14,774        | 13,968        |
| Bonds, NOK                                | 981           | –             |
| <b>Total bonds</b>                        | <b>28,157</b> | <b>28,727</b> |
| <i>Of which sustainability bonds</i>      | <i>2,929</i>  | <i>1,000</i>  |
| Commercial papers                         | 5,439         | 4,509         |
| European Investment Bank                  | 2,950         | 800           |
| Nordic Investment Bank                    | 800           | 800           |
| Schuldschein                              | 790           | 802           |
| <b>Total interest-bearing liabilities</b> | <b>38,136</b> | <b>35,638</b> |
| <i>Of which sustainable finance</i>       | <i>6,680</i>  | <i>2,600</i>  |

### Capital structure, SEK million

|                                       | Q2 2020       | Q2 2019       |
|---------------------------------------|---------------|---------------|
| Interest-bearing liabilities          | 38,136        | 35,638        |
| Current investments                   | –             | 470           |
| Cash and cash equivalents             | 1,173         | 1,863         |
| <b>Net debt</b>                       | <b>36,963</b> | <b>33,305</b> |
| Market value of investment properties | 57,533        | 51,614        |
| Investments in associated companies   | 706           | 739           |
| <b>Total</b>                          | <b>58,239</b> | <b>52,353</b> |
| <b>Loan-to-value ratio</b>            | <b>63.5%</b>  | <b>63.6%</b>  |
| <b>Share of secured debt</b>          | <b>0.0%</b>   | <b>0.0%</b>   |

### Loan-to-value ratio, %



At period-end, Hemsö had undrawn committed credit facilities totalling SEK 11,500 million (12,700), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents amounted to SEK 1,173 million (1,863) and available liquidity to SEK 12,673 million (15,033). The debt-coverage ratio was 138 per cent (158).

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

At period-end, the nominal value of interest-rate derivatives was SEK 6,300 million (6,850), and derivatives in relation to currency hedging corresponded to SEK 934 million. Hemsö had no outstanding foreign exchange derivatives and the currency exposure amounted to 5.4 per cent (15.9) of the Group's equity.

At period-end, the average loan maturity was 7.1 years (7.4) and the average fixed-rate period was 6.7 years (5.8). The average interest rate was 1.3 per cent (1.3).

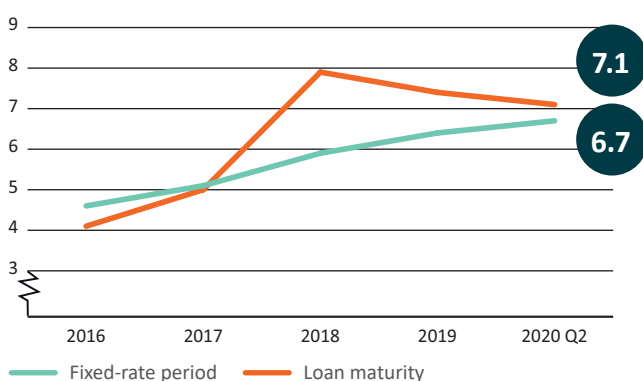
#### Committed credit facilities and underwriting commitments, SEK million

|                                     | Q2 2020       | Q2 2019       |
|-------------------------------------|---------------|---------------|
| Banks                               | 6,500         | 6,500         |
| Third Swedish National Pension Fund | 5,000         | 4,000         |
| EIB                                 | 0             | 2,200         |
| <b>Total</b>                        | <b>11,500</b> | <b>12,700</b> |
| Current investments                 | –             | 470           |
| Cash and cash equivalents           | 1,173         | 1,863         |
| <b>Available liquidity</b>          | <b>12,673</b> | <b>15,033</b> |
| Short-term borrowing                | 9,209         | 9,509         |
| Debt-coverage ratio                 | 138%          | 158%          |

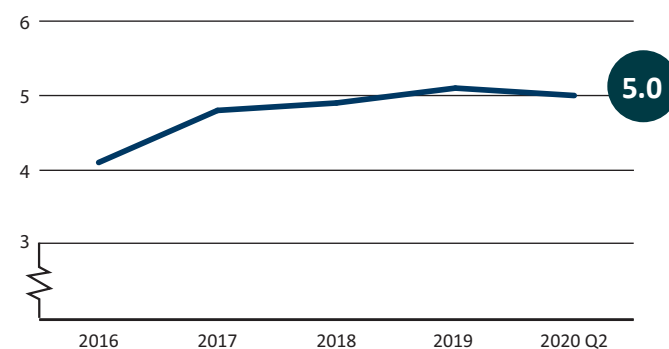
#### Currency exposure, SEK million

|                           | Q2 2020       | Q2 2019       |
|---------------------------|---------------|---------------|
| Properties, EUR           | 18,350        | 17,215        |
| Associated companies, EUR | 582           | 553           |
| Cash, EUR                 | 617           | 469           |
| <b>Assets, EUR</b>        | <b>19,549</b> | <b>18,237</b> |
| Debt, EUR                 | 17,714        | 14,770        |
| Currency swaps, EUR       | 934           | –             |
| <b>Exposure, EUR</b>      | <b>901</b>    | <b>3,467</b>  |
| Debt, NOK                 | 981           | –             |
| Currency swaps, NOK       | -981          | –             |
| <b>Exposure, NOK</b>      | <b>0</b>      | <b>0</b>      |
| Currency hedging          | –             | -1,080        |
| <b>Currency exposure</b>  | <b>901</b>    | <b>2,387</b>  |
| Equity                    | 16,789        | 15,022        |
| <b>Currency exposure</b>  | <b>5.4%</b>   | <b>15.9%</b>  |

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



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



## Summary of financial policy

| Financing risk            | Policy  | Outcome   |
|---------------------------|---|-----------|
| Loan-to-value ratio       | Max. 70%                                      | 63.5      |
| Loan maturity             | At least 3 years                              | 7.1       |
| Debt-coverage ratio       | At least 125%                                 | 138       |
| Share of secured debt     | Max. 20%                                      | 0.0       |
| <b>Interest-rate risk</b> |   |           |
| Interest-coverage ratio   | At least 2.0 times (rolling 12-month period)  | 5.0       |
| Fixed-rate period         | Average fixed-rate period, 3–8 years          | 6.7       |
| Fixed-rate maturity       | Max. 40% within 12 months                     | 30        |
| <b>Counterparty risk</b>  |   |           |
| Financial instruments     | Bank with a minimum credit rating of A- (S&P) | Fulfilled |
| <b>Currency risk</b>      |   |           |
| Currency exposure         | Max. 20 % of the equity                       | 5.4       |



Education in Joensuu, Finland



Nursing home in Bylegård, Täby

## Loan maturity and fixed-rate period

| Year              | Loan maturity                 |                    |            | Fixed-rate period |            |
|-------------------|-------------------------------|--------------------|------------|-------------------|------------|
|                   | Credit agreement, SEK million | Drawn, SEK million | Share, %   | SEK million       | Share, %   |
| 2020              | 240                           | 240                | 1          | 10,027            | 26         |
| 2021              | 5,682                         | 5,182              | 14         | 1,280             | 3          |
| 2022              | 8,744                         | 2,744              | 7          | 1,050             | 3          |
| 2023              | 3,356                         | 2,356              | 6          | 1,750             | 5          |
| 2024              | 5,000                         | 1,000              | 3          | 2,000             | 5          |
| 2025              | 1,450                         | 1,450              | 4          | 850               | 2          |
| 2026              | 6,049                         | 6,049              | 16         | 5,249             | 14         |
| 2027              | 100                           | 100                | 0          | 0                 | 0          |
| 2028              | 100                           | 100                | 0          | 500               | 1          |
| >2028             | 13,477                        | 13,477             | 35         | 15,430            | 41         |
| <b>Total</b>      | <b>44,197</b>                 | <b>32,697</b>      | <b>86</b>  | <b>38,136</b>     | <b>100</b> |
| Commercial papers |                               | 5,439              | 14         |                   |            |
| <b>Total</b>      |                               | <b>38,136</b>      | <b>100</b> |                   |            |



## Quarterly overview Q2 2020

| Amounts in SEK million                                  | Q2 2020       | Q1 2020       | Q4 2019       | Q3 2019       | Q2 2019       | Q1 2019       | Q4 2018       | Q3 2018       | Q2 2018       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Income statement</b>                                 |               |               |               |               |               |               |               |               |               |
| Property income   | 816           | 804           | 780           | 764           | 774           | 727           | 676           | 653           | 650           |
| Property costs  | -202          | -210          | -226          | -170          | -193          | -180          | -208          | -145          | -148          |
| <b>Net operating income</b>                             | <b>614</b>    | <b>594</b>    | <b>554</b>    | <b>594</b>    | <b>581</b>    | <b>547</b>    | <b>468</b>    | <b>508</b>    | <b>502</b>    |
| Central administrative expenses                         | -33           | -42           | -29           | -36           | -37           | -33           | -48           | -33           | -36           |
| Profit/loss from participations in associated companies | -8            | -11           | 27            | -48           | 17            | 2             | 6             | 2             | 2             |
| <b>Operating profit</b>                                 | <b>573</b>    | <b>541</b>    | <b>552</b>    | <b>510</b>    | <b>561</b>    | <b>516</b>    | <b>426</b>    | <b>477</b>    | <b>468</b>    |
| Financial items   | -105          | -114          | -109          | -110          | -107          | -93           | -80           | -96           | -102          |
| <b>Profit after financial items</b>                     | <b>468</b>    | <b>427</b>    | <b>443</b>    | <b>400</b>    | <b>454</b>    | <b>423</b>    | <b>346</b>    | <b>381</b>    | <b>366</b>    |
| <i>- of which Profit from property management*</i>      | <i>485</i>    | <i>445</i>    | <i>425</i>    | <i>466</i>    | <i>446</i>    | <i>423</i>    | <i>342</i>    | <i>381</i>    | <i>366</i>    |
| Value change, properties                                | 223           | 110           | 758           | 460           | 691           | 128           | 1,166         | 94            | 622           |
| Value change, financial instruments                     | -49           | -70           | 154           | -76           | -53           | -51           | -2            | 63            | 2             |
| <b>Profit before tax</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>  | <b>538</b>    | <b>990</b>    |
| Current tax   | -49           | -34           | -25           | -16           | -10           | -26           | 11            | -4            | -39           |
| Deferred tax  | -79           | -68           | -216          | -135          | -124          | -68           | -318          | -100          | -14           |
| <b>Profit for the period</b>                            | <b>515</b>    | <b>364</b>    | <b>1,114</b>  | <b>633</b>    | <b>958</b>    | <b>406</b>    | <b>1,203</b>  | <b>434</b>    | <b>937</b>    |
| Other comprehensive income                              | -104          | 161           | -66           | 12            | 78            | 63            | -4            | -5            | 5             |
| <b>Comprehensive income for the period</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>429</b>    | <b>942</b>    |
| <b>Balance sheet</b>                                    |               |               |               |               |               |               |               |               |               |
| Investment properties                                   | 57,533        | 57,300        | 55,027        | 53,218        | 51,614        | 49,559        | 46,236        | 42,573        | 41,597        |
| Right-of-use assets                                     | 612           | 629           | 582           | 431           | 433           | 302           | –             | –             | –             |
| Other assets  | 1,393         | 1,451         | 1,348         | 1,331         | 1,326         | 787           | 720           | 929           | 770           |
| Cash and cash equivalents and short-term investments    | 1,173         | 994           | 988           | 2,122         | 2,333         | 3,585         | 450           | 1,500         | 1,223         |
| <b>Total assets</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>45,002</b> | <b>43,590</b> |
| Equity  | 16,789        | 17,239        | 16,714        | 15,667        | 15,022        | 14,668        | 13,199        | 12,053        | 11,624        |
| Deferred tax liabilities                                | 3,763         | 3,706         | 3,600         | 3,401         | 3,263         | 3,142         | 3,067         | 2,750         | 2,651         |
| Derivatives   | 287           | 287           | 211           | 366           | 305           | 285           | 281           | 350           | 512           |
| Interest-bearing liabilities                            | 38,136        | 37,307        | 35,542        | 36,008        | 35,638        | 34,418        | 29,728        | 28,738        | 27,786        |
| Lease liabilities                                       | 612           | 629           | 582           | 431           | 433           | 302           | –             | –             | –             |
| Non-interest-bearing liabilities                        | 1,124         | 1,206         | 1,296         | 1,229         | 1,045         | 1,418         | 1,131         | 1,111         | 1,017         |
| <b>Total equity and liabilities</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>45,002</b> | <b>43,590</b> |
| <b>Key ratios</b>                                       |               |               |               |               |               |               |               |               |               |
| <b>Financial ratios</b>                                 |               |               |               |               |               |               |               |               |               |
| Loan-to-value ratio, %                                  | 63.5          | 62.6          | 62.1          | 62.9          | 63.6          | 62.0          | 63.1          | 63.7          | 63.6          |
| Interest-coverage ratio, times**                        | 5.0           | 4.9           | 5.1           | 5.1           | 5.3           | 5.1           | 4.9           | 4.7           | 4.7           |
| Operating cash flow, SEK million                        | 453           | 377           | 399           | 432           | 417           | 380           | 329           | 366           | 350           |
| <b>Property-related key ratios</b>                      |               |               |               |               |               |               |               |               |               |
| Property yield, %**                                     | 4.7           | 4.7           | 4.7           | 4.8           | 4.8           | 4.9           | 4.9           | 5.1           | 5.1           |
| Total yield, %**  | 7.3           | 8.3           | 9.0           | 9.9           | 9.2           | 9.2           | 9.7           | 9.2           | 9.5           |
| Economic occupancy rate, %                              | 98.1          | 98.1          | 98.1          | 97.7          | 98.0          | 97.9          | 98.3          | 98.1          | 98.3          |
| NOI margin, %   | 75.3          | 73.9          | 71.0          | 77.7          | 75.2          | 75.3          | 69.2          | 77.8          | 77.2          |
| No. of properties                                       | 383           | 376           | 370           | 364           | 362           | 368           | 365           | 353           | 349           |
| Lettable area, tsqm                                     | 1,923         | 1,890         | 1,884         | 1,833         | 1,830         | 1,800         | 1,732         | 1,679         | 1,651         |

\* 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 in accordance with the new definition.

\*\* Based on rolling 12-month outcome

## Group – Condensed statement of comprehensive income

| Amounts in SEK million                                     | Jan–Jun 2020 | Jan–Jun 2019 | Apr–Jun 2020 | Apr–Jun 2019 | Jul 2019–Jun 2020 | Jan–Dec 2019 |
|--|--------------|--------------|--------------|--------------|-------------------|--------------|
| Rental income  | 1,608        | 1,492        | 811          | 769          | 3,143             | 3,027        |
| Other income   | 12           | 9            | 5            | 5            | 22                | 19           |
| Operating costs  | -253         | -251         | -117         | -118         | -473              | -472         |
| Maintenance costs  | -121         | -90          | -65          | -57          | -252              | -221         |
| Other property costs                                       | -38          | -32          | -19          | -18          | -83               | -77          |
| <b>Net operating income</b>                                | <b>1,208</b> | <b>1,128</b> | <b>614</b>   | <b>581</b>   | <b>2,356</b>      | <b>2,276</b> |
| Central administrative expenses                            | -74          | -70          | -33          | -37          | -140              | -135         |
| Profit/loss from participations in associated companies    | -20          | 19           | -8           | 17           | -41               | -2           |
| - of which profit from property management                 | 16           | 11           | 8            | 9            | 42                | 38           |
| - of which changes in value                                | -42          | 10           | -20          | 10           | -92               | -39          |
| - of which tax   | 7            | -3           | 4            | -2           | 9                 | -1           |
| <b>Operating profit</b>                                    | <b>1,114</b> | <b>1,077</b> | <b>573</b>   | <b>561</b>   | <b>2,176</b>      | <b>2,139</b> |
| Financial items  | -219         | -200         | -105         | -107         | -438              | -419         |
| <b>Profit after financial items</b>                        | <b>895</b>   | <b>877</b>   | <b>468</b>   | <b>454</b>   | <b>1,738</b>      | <b>1,720</b> |
| - of which Profit from property management                 | <b>930</b>   | <b>869</b>   | <b>485</b>   | <b>446</b>   | <b>1,821</b>      | <b>1,760</b> |
| Value change, investment properties                        | 333          | 819          | 223          | 691          | 1,551             | 2,037        |
| Value change, financial instruments                        | -119         | -104         | -49          | -53          | -40               | -25          |
| <b>Profit before tax</b>                                   | <b>1,109</b> | <b>1,592</b> | <b>642</b>   | <b>1,092</b> | <b>3,249</b>      | <b>3,732</b> |
| Current tax  | -83          | -36          | -49          | -10          | -125              | -78          |
| Deferred tax   | -147         | -192         | -79          | -124         | -498              | -543         |
| <b>Profit for the period</b>                               | <b>879</b>   | <b>1,364</b> | <b>515</b>   | <b>958</b>   | <b>2,626</b>      | <b>3,111</b> |
| <b>Profit for the period attributable to</b>               |              |              |              |              |                   |              |
| Parent Company shareholders                                | 848          | 1,321        | 495          | 948          | 2,474             | 2,948        |
| Non-controlling interests                                  | 31           | 43           | 19           | 10           | 151               | 163          |
| <b>Other comprehensive income</b>                          |              |              |              |              |                   |              |
| Profit for the period                                      | 879          | 1,364        | 515          | 958          | 2,626             | 3,111        |
| Translation difference                                     | 56           | 141          | -104         | 78           | 2                 | 87           |
| <b>Comprehensive income for the period</b>                 | <b>935</b>   | <b>1,505</b> | <b>410</b>   | <b>1,036</b> | <b>2,628</b>      | <b>3,198</b> |
| <b>Comprehensive income for the period attributable to</b> |              |              |              |              |                   |              |
| Parent Company shareholders                                | 903          | 1,462        | 394          | 1,026        | 2,476             | 3,035        |
| Non-controlling interests                                  | 31           | 43           | 17           | 10           | 151               | 163          |

## Group – Condensed statement of financial position

| Amounts in SEK million                   | 30 Jun 2020   | 30 Jun 2019   | 31 Dec 2019   |
|--|---------------|---------------|---------------|
| <b>ASSETS</b>                            |               |               |               |
| Investment properties                    | 57,533        | 51,614        | 55,027        |
| Right-of-use assets                      | 612           | 433           | 582           |
| Participations in associated companies   | 706           | 668           | 635           |
| Receivables from associated companies    | –             | 71            | –             |
| Other non-current assets                 | 94            | 95            | 94            |
| <b>Total non-current assets</b>          | <b>58,946</b> | <b>52,881</b> | <b>56,338</b> |
| Current receivables                      | 592           | 492           | 619           |
| Current investments                      | –             | 470           | –             |
| Cash and cash equivalents                | 1,173         | 1,863         | 988           |
| <b>Total current assets</b>              | <b>1,765</b>  | <b>2,825</b>  | <b>1,607</b>  |
| <b>TOTAL ASSETS</b>                      | <b>60,711</b> | <b>55,706</b> | <b>57,945</b> |
| <b>EQUITY AND LIABILITIES</b>            |               |               |               |
| <b>Equity</b>                            | <b>16,789</b> | <b>15,022</b> | <b>16,714</b> |
| Deferred tax liabilities                 | 3,763         | 3,263         | 3,600         |
| Non-current interest-bearing liabilities | 28,927        | 26,130        | 27,644        |
| Lease liabilities                        | 612           | 433           | 582           |
| Derivatives                              | 287           | 305           | 211           |
| <b>Total non-current liabilities</b>     | <b>33,589</b> | <b>30,131</b> | <b>32,037</b> |
| Current interest-bearing liabilities     | 9,209         | 9,508         | 7,898         |
| Non-interest-bearing liabilities         | 1,124         | 1,045         | 1,296         |
| <b>Total current liabilities</b>         | <b>10,333</b> | <b>10,553</b> | <b>9,194</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>      | <b>60,711</b> | <b>55,706</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 | Share of equity from 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            |
| Comprehensive income (1 Jan 2019–30 Jun 2019)  | –             | –                           | 141                 | 1,321             | 43   | 1,505         |
| <b>Closing equity, 30 Jun 2019</b>             | <b>1</b>      | <b>6,856</b>                | <b>267</b>          | <b>7,469</b>      | <b>429</b>                                     | <b>15,022</b> |
| Reclassification of capital contribution, 2015 | –             | -21                         | –                   | 21                | –  | –             |
| Adjustment of translation reserve              | –             | –                           | 22                  | -22               | –  | –             |
| Comprehensive income (1 Jul 2019–31 Dec 2019)  | –             | –                           | -54                 | 1,627             | 119  | 1,692         |
| <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          |
| Comprehensive income                           | –             | –                           | 56                  | 848               | 31   | 935           |
| <b>Closing equity, 30 Jun 2020</b>             | <b>1</b>      | <b>6,535</b>                | <b>291</b>          | <b>9,383</b>      | <b>579</b>                                     | <b>16,789</b> |

## Group – Condensed statement of cash flows

| Amounts in SEK million   | Jan–Jun 2020  | Jan–Jun 2019  | Apr–Jun 2020 | Apr–Jun 2019  | Jul 2019–Jun 2020 | Jan–Dec 2019  |
|--|---------------|---------------|--------------|---------------|-------------------|---------------|
| <b>Operating activities</b>  |               |               |              |               |                   |               |
| Profit from property management  | 930           | 877           | 485          | 454           | 1,821             | 1,760         |
| <i>Adjusted for non-cash items in profit from property management</i>  |               |               |              |               |                   |               |
| Profit from property management participations in associated companies | -16           | -19           | -9           | -17           | -43               | -38           |
| Depreciation   | 5             | 6             | 2            | 4             | 11                | 12            |
| <i>Adjusted for other non-cash items</i>                               |               |               |              |               |                   |               |
| Exchange differences, unrealised                                       | -13           | 112           | -36          | 74            | -85               | 40            |
| Capital gain/loss and disposals  | -2            | -60           | -3           | -60           | 4                 | -54           |
| Tax paid   | -89           | -67           | -25          | -24           | -128              | -106          |
| <b>Cash flow before changes in working capital</b>                     | <b>816</b>    | <b>849</b>    | <b>415</b>   | <b>431</b>    | <b>1,580</b>      | <b>1,614</b>  |
| Increase (+)/decrease (-) in working capital                           | -128          | 12            | -139         | -266          | -11               | 129           |
| <b>Cash flow from operating activities</b>                             | <b>687</b>    | <b>861</b>    | <b>275</b>   | <b>165</b>    | <b>1,569</b>      | <b>1,743</b>  |
| <b>Investing activities</b>  |               |               |              |               |                   |               |
| Acquisition of properties  | -490          | -3,786        | -280         | -1,438        | -1,946            | -5,242        |
| Investments in new construction, extension and refurbishment           | -1,591        | -1,385        | -740         | -661          | -2,930            | -2,724        |
| Property divestments   | 72            | 1,119         | 71           | 1,100         | 241               | 1,288         |
| Investment in financial non-current assets                             | -87           | -528          | -1           | -528          | -20               | -461          |
| Other non-current assets   | 0             | –             | 0            | –             | 0                 | 0             |
| <b>Cash flow from investing activities</b>                             | <b>-2,097</b> | <b>-4,580</b> | <b>-951</b>  | <b>-1,527</b> | <b>-4,656</b>     | <b>-7,139</b> |
| <b>Financing activities</b>  |               |               |              |               |                   |               |
| Interest-bearing loans raised  | 5,643         | 6,867         | 3,316        | 1,106         | 8,668             | 9,892         |
| Repayment of interest-bearing liabilities                              | -3,185        | -1,445        | -1,597       | -238          | -5,914            | -4,174        |
| Financial instruments realised   | 4             | -80           | -2           | -33           | -11               | -95           |
| Shareholder contributions received                                     | –             | 1,000         | –            | –             | –                 | 1,000         |
| Contributions from non-controlling interests                           | –             | 39            | –            | 39            | -1                | 38            |
| Dividends paid   | -860          | -721          | -860         | -721          | -860              | -721          |
| <b>Cash flow from financing activities</b>                             | <b>1,602</b>  | <b>5,660</b>  | <b>857</b>   | <b>153</b>    | <b>1,882</b>      | <b>5,940</b>  |
| <b>Cash flow for the period</b>  | <b>192</b>    | <b>1,941</b>  | <b>181</b>   | <b>-1,209</b> | <b>-1,205</b>     | <b>544</b>    |
| Opening balance, cash and cash equivalents                             | 988           | 450           | 994          | 3,584         | 2,333             | 450           |
| Exchange-rate differences in cash and cash equivalents                 | -7            | -58           | -2           | -42           | 45                | -6            |
| <b>Closing cash and cash equivalents</b>                               | <b>1,173</b>  | <b>2,333</b>  | <b>1,173</b> | <b>2,333</b>  | <b>1,173</b>      | <b>988</b>    |
| <b>Operating cash flow</b>   | <b>830</b>    | <b>797</b>    | <b>453</b>   | <b>417</b>    | <b>1,661</b>      | <b>1,628</b>  |

## Parent Company – Condensed income statement

| Amounts in SEK million                     | Jan–Jun 2020 | Jan–Jun 2019 | Jul 2019–Jun 2020 | Jan–Dec 2019 |
|--|--------------|--------------|-------------------|--------------|
| Net sales                                  | 37           | 30           | 84                | 78           |
| Central administrative expenses            | -87          | -77          | -172              | -164         |
| Other operating income                     | 0            | 254          | -1                | 253          |
| <b>Operating profit/loss</b>               | <b>-50</b>   | <b>207</b>   | <b>-89</b>        | <b>167</b>   |
| Financial items                            | 385          | 259          | 226               | 100          |
| Value changes, financial instruments       | -108         | -104         | -29               | -25          |
| Appropriations                             | 15           | –            | 93                | 77           |
| <b>Profit before tax</b>                   | <b>243</b>   | <b>362</b>   | <b>201</b>        | <b>319</b>   |
| Recognised tax                             | 21           | 5            | -3                | -18          |
| <b>Profit for the period</b>               | <b>264</b>   | <b>367</b>   | <b>198</b>        | <b>301</b>   |
| Other comprehensive income                 | –            | –            | –                 | –            |
| <b>Comprehensive income for the period</b> | <b>264</b>   | <b>367</b>   | <b>198</b>        | <b>301</b>   |

## Parent Company – Condensed balance sheet

| Amounts in SEK million                       | 30 Jun 2020   | 30 Jun 2019   | 31 Dec 2019   |
|--|---------------|---------------|---------------|
| <b>ASSETS</b>                                |               |               |               |
| <b>Non-current assets</b>                    |               |               |               |
| Intangible assets                            | 0             | 1             | 0             |
| Equipment                                    | 2             | 3             | 3             |
| Shares and participations in Group companies | 7,690         | 7,658         | 7,697         |
| Deferred tax assets                          | 66            | 63            | 43            |
| Non-current receivables                      | 28,340        | 26,568        | 26,674        |
| <b>Total non-current assets</b>              | <b>36,099</b> | <b>34,293</b> | <b>34,417</b> |
| <b>Current assets</b>                        |               |               |               |
| Current receivables                          | 5,657         | 5,131         | 5,250         |
| Current investments                          | –             | 470           | –             |
| Cash and cash equivalents                    | 0             | 0             | 0             |
| <b>Total current assets</b>                  | <b>5,657</b>  | <b>5,601</b>  | <b>5,250</b>  |
| <b>TOTAL ASSETS</b>                          | <b>41,756</b> | <b>39,894</b> | <b>39,667</b> |
| <b>EQUITY AND LIABILITIES</b>                |               |               |               |
| Equity                                       | 3,057         | 3,718         | 3,653         |
| <b>Untaxed reserves</b>                      |               |               |               |
| Tax allocation reserve                       | 43            | 34            | 58            |
| <b>Liabilities</b>                           |               |               |               |
| Deferred tax liabilities                     | 26            | 25            | 26            |
| Interest-bearing liabilities                 | 38,136        | 35,638        | 35,542        |
| Non-interest-bearing liabilities             | 495           | 479           | 388           |
| <b>Total liabilities</b>                     | <b>38,657</b> | <b>36,142</b> | <b>35,956</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>          | <b>41,756</b> | <b>39,894</b> | <b>39,667</b> |

# Other information

## Significant events after period-end

In July, Hemsö signed a planning agreement with the Swedish Police to work together on the design of a new modern police headquarters in central Borlänge to replace the current police headquarters. A land-use agreement was signed with Borlänge Municipality and construction is scheduled for completion in summer 2024.

## Employees

At period-end, Hemsö had 128 employees, of whom 58 were women and 70 men. Of these employees, 44 worked with asset and property management and 18 with development projects. Other employees worked with administration, accounting, finance, IT, legal affairs, communication, management, HR and transactions. Of all employees, 114 were employed in Sweden, seven in Germany and seven in Finland.

## Risks and uncertainties

COVID-19 – Hemsö has analyzed all of the company's material risks in view of 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, but 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 financial items 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 50 per cent of the shares in Scandinavian Life Science AB and Scandinavian Life Science Två AB. These companies own two properties in Hagastaden. The other half of the shares are owned by SveaNor.

In addition, Hemsö and Lantmännen each own 50 per cent of the shares of Lanthem Samhällsfastigheter AB. This company is not included in the consolidated financial statements. Lanthem Samhällsfastigheter owns five investment properties through subsidiaries.

Hemsö also owns 40 per cent of the shares in Turku Technology Properties Oy, which owns 20 public properties in Turku through subsidiaries. This company is not included in the consolidated financial statements.

## 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, and 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 2020

No new or amended standards or interpretations issued by the IASB have had any effect on this interim report, and the accounting policies applied by Hemsö.

**Signing of the report**

The Board of Directors and Chief Executive Officer hereby certify that this interim report provides a true and fair view of the Parent Company and the Group's operations, financial

position and earnings and describes significant risks and uncertainties faced by the company and companies included in the Group.

Stockholm, 10 July 2020

*Pär Nuder, Chairman of the Board*

*Åsa Bergström, Board member*

*Bengt Hellström, Board member*

*Kerstin Hessius, Board member*

*David Mindus, Board member*

*Johan Thorell, Board member,*

*Nils Styf, Chief Executive Officer*

This report has not been audited.

# Definitions

## Financial definitions

### Share of secured debt

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

### Loan-to-value ratio

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

### Property yield

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

### Available liquidity

Cash and cash equivalents, short-term investments and 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 less 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.

## Property-related definitions

### Net operating income

Rental income less operating and maintenance costs, property tax and ground rent. As of 1 January 2019, ground rent is no longer 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 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

The areas of the properties for which tenants can be debited rent at period-end.

### Rent based on vacancy rate

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

### Vacancy rent

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

### NOI margin

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



## Key ratio calculations

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide useful supplemental information for investors and company management since they enable

evaluation of the company's earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable with the measures used by other companies. Amounts in SEK million.

| Property yield                                     | 30 Jun 2020   | 30 Jun 2019   |
|--|---------------|---------------|
| Net operating income according to income statement | 2,356         | 2,104         |
| Adjusted for 12-month holding period               | -13           | 115           |
| Adjusted for development properties                | -129          | -107          |
| <b>Adjusted net operating income</b>               | <b>2,214</b>  | <b>2,112</b>  |
| Market value of investment properties              | 57,533        | 51,614        |
| Adjusted for development properties                | -10,432       | -7,867        |
| <b>Adjusted market value</b>                       | <b>47,101</b> | <b>43,747</b> |
| <b>Property yield</b>                              | <b>4.7%</b>   | <b>4.8%</b>   |

| Total yield                             | Jul 2019–Jun 2020 | Jul 2018–Jun 2019 |
|---|-------------------|-------------------|
| Net operating income                    | 2,356             | 2,104             |
| Value change, properties                | 1,551             | 2,079             |
| <b>Total</b>                            | <b>3,907</b>      | <b>4,183</b>      |
| Opening property value                  | 51,614            | 41,597            |
| Closing property value                  | 57,533            | 51,614            |
| Adjustment of value change for the year | -1,551            | -2,079            |
| <b>Adjusted average property value</b>  | <b>53,798</b>     | <b>45,566</b>     |
| <b>Total yield</b>                      | <b>7.3%</b>       | <b>9.2%</b>       |

| Profit from property management            | Jan–Jun 2020 | Jan–Jun 2019 |
|--|--------------|--------------|
| Profit/loss after financial items          | 895          | 877          |
| Reversal                                   |              |              |
| <i>Value changes, associated companies</i> | 42           | -10          |
| <i>Tax, associated companies</i>           | -7           | 3            |
| <b>Profit from property management</b>     | <b>930</b>   | <b>869</b>   |

| <b>Interest-coverage ratio</b> | <b>Jul 2019–Jun 2020</b> | <b>Jul 2018–Jun 2019</b> |
|--------------------------------|--------------------------|--------------------------|
| Operating profit               | 2,176                    | 1,981                    |
| Financial items                | -438                     | -377                     |
| <b>Interest-coverage ratio</b> | <b>5.0 times</b>         | <b>5.3 times</b>         |

| <b>Operating cash flow</b>  | <b>Jan–Jun 2020</b> | <b>Jan–Jun 2019</b> |
|---|---------------------|---------------------|
| Profit from property management   | 930                 | 869                 |
| Reversal  |                     |                     |
| <i>Profit from property management participations in associated companies</i> | -16                 | -11                 |
| <i>Depreciation</i>   | 5                   | 6                   |
| <i>Tax paid</i>   | -89                 | -67                 |
| <b>Operating cash flow</b>  | <b>830</b>          | <b>797</b>          |

| <b>Loan-to-value ratio</b>            | <b>30 Jun 2020</b> | <b>30 Jun 2019</b> |
|---------------------------------------|--------------------|--------------------|
| Interest-bearing debt                 | 38,136             | 35,638             |
| Cash and cash equivalents             | -1,173             | -1,863             |
| Current investments                   | –                  | -470               |
| <b>Net debt</b>                       | <b>36,963</b>      | <b>33,305</b>      |
| Market value of investment properties | 57,533             | 51,614             |
| Investments in associated companies   | 706                | 739                |
| Total                                 | 58,239             | 52,353             |
| <b>Loan-to-value ratio</b>            | <b>63.5%</b>       | <b>63.6%</b>       |

| <b>Debt-coverage ratio</b>          | <b>30 Jun 2020</b> | <b>30 Jun 2019</b> |
|-------------------------------------|--------------------|--------------------|
| Cash and cash equivalents           | 1,173              | 1,863              |
| Current investments                 | –                  | 470                |
| Undrawn committed credit facilities | 11,500             | 12,700             |
| Available liquidity                 | 12,673             | 15,033             |
| Short-term borrowing                | 9,209              | 9,509              |
| <b>Debt-coverage ratio</b>          | <b>138%</b>        | <b>158%</b>        |

| <b>Share of secured debt</b>          | <b>30 Jun 2020</b> | <b>30 Jun 2019</b> |
|---------------------------------------|--------------------|--------------------|
| Secured debt outstanding              | –                  | –                  |
| Market value of investment properties | 57,533             | 51,614             |
| <b>Share of secured debt</b>          | <b>0.0%</b>        | <b>0.0%</b>        |

**Questions and more information**

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

**Financial calendar**

Interim report Jan–Sep 2020

27 October 2020

