

Q1

Interim report 2020

Summary January–March 2020

- » Rental income increased to SEK 797 million (723).
- » Profit from property management increased to SEK 445 million (423).
- » Changes in the value of properties amounted to SEK 110 million (128) and changes in value of financial instruments to SEK -70 million (-51).
- » Profit after tax for the period declined to SEK 364 million (406).
- » The market value of investment properties was SEK 57,300 million (49,559).
- » During the period, eight properties (5) were acquired for SEK 210 million (2,348) and two properties (1) were divested for SEK 3 million (58).

Significant events during the first quarter

- » Letter of intent signed with Uddevalla Municipality regarding the acquisition of a property and development portfolio. The

agreement relates to the acquisition of nursing homes, pre-schools and the new construction and refurbishment of premises for elementary school and elderly care.

- » S&P confirmed Hemsö's long-term credit rating of "A-". Hemsö received the long-term credit rating of "A" from Fitch Ratings.
- » Three nursing homes were acquired in Germany, in addition to land for the planned new construction of a nursing home. The investment, excluding the new construction, amounted to SEK 270 million.
- » Hemsö raised funds corresponding to SEK 1.1 billion from EIB, to invest in new construction and refurbishment for energyefficient social infrastructure. Hemsö also issued bonds totalling SEK 1.1 billion within the company's sustainability bond framework.
- » Hemsö and Sveanor divested the jointly owned Princeton 1 property in Hagastaden, Stockholm. The underlying property value amounts to SEK 2.6 billion. The completion of the sale will take place in the second quarter of 2021.

Hemsö in summary

	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Jan–Dec 2019
Rental income, SEK million	797	723	3,101	3,027
Profit from property management, SEK million	445	423	1,782	1,760
Profit after tax, SEK million	364	406	3,069	3,111
Operating cash flow, SEK million	377	380	1,625	1,628
Loan-to-value ratio, %	62.6	62.0	62.6	62.1
Interest-coverage ratio, times	4.9	5.1	4.9	5.1
Market value of investment properties, SEK million	57,300	49,559	57,300	55,027
NOI margin, %	73.9	75.3	74.4	74.8
Economic occupancy rate, %	98.1	97.9	98.1	98.1
Rental duration, years	9.8	9.7	9.8	9.9
Lettable area, tsqm	1,890	1,800	1,890	1,884



CEO statement

2020 began in a similar way to recent quarters with a stable increase in profit from property management, strong financial ratios and a broadened partnership with the public sector. However, the solid financial performance for the quarter does not reflect the extraordinary changes that have taken place in Europe since the middle of the quarter. It is therefore only natural that my comments concentrate on COVID-19 and its impact on Hemsö.

Hemsö's financing and credit rating

I see the greatest financial risk in access to financing. However, we have created a strong capital structure over the past number of years. At the end of the quarter, we had a loan maturity and fixed-rate period of 7.3 years and 6.9 years, respectively. Hemsö's shareholders have already decided to inject an additional SEK 1 billion in new equity in 2020. At the same time, Hemsö raised the Third Swedish National Pension Fund's underwriting commitment from SEK 4 billion to SEK 5 billion. Hemsö's available liquidity amounted to SEK 12.5 billion at the end of the quarter.

On 25 March 2020, Standard & Poor's also affirmed Hemsö's long-term issue credit rating of A- with a stable outlook. The report summarised their position as follows: "We expect that the effects of COVID-19 will have a limited impact on the company's financial performance."

On 1 April 2020, Fitch Ratings published for the first time a credit rating of Hemsö, when we received a long-term credit rating of "A" with a stable outlook. At the same time, we received the short-term credit rating of "F1+", which is the highest possible level.

Two credit ratings help to increase understanding of the company's business model and financial risk profile. It is reassuring that both reports are recent and take account of the uncertainties related to COVID-19 and its impact on the market, but also specifically on Hemsö as a company. Two leading rating institutes concluded that COVID-19 is not expected to have a material impact on Hemsö's creditworthiness despite the prevailing circumstances.

Hemsö has very good access to capital, both equity from our shareholders and debt loans from the capital and banking markets. I do not expect any refinancing risk in either the short or the long term.

Rental income expected to remain stable

Hemsö's rental income is derived either directly from public-sector tenants or taxpayer-funded tenants and I therefore expect rental income to remain stable. We have a very small share of tenants who may encounter financial problems and where we may need to offer support in the form of monthly rental payments or rental discounts. We have classified tenants deemed to have a high risk of being affected negatively. It concerns about 70 minor tenants with operations such as restaurants, cafés, stores, gyms, sports clubs, physiotherapists and small, private rehab clinics. However, these tenants account for less than 1 per cent of Hemsö's total rental value. It cannot be ruled out that other private-sector tenants in the school, health care and nursing home sectors may experience

financial problems despite running taxpayer-funded operations. I believe, however, that this risk is small and the companies that may have problems are mainly those that had poorly managed finances already before the crisis.

Of Hemsö's annual rental income 64 per cent is paid quarterly in advance and 36 per cent monthly in advance. Hemsö has agreed to receive monthly payments during the second quarter accounting for 3 per cent of the quarterly rent, or 2 per cent of the total rental value. In addition, rental discounts or deferrals have been agreed corresponding to 0.16 per cent of the rental value for the second quarter. To date, 99 per cent of the rent due for the second quarter has been received.

Ongoing construction projects

Hemsö has extensive project partnerships with the public sector, primarily in ongoing construction projects of schools and nursing homes with the municipalities as tenants. The development projects are fully let before construction starts and about 80 per cent of the rental value is from public-sector tenants, which means low revenue risk. However, there is a risk of delays and cost increases due to COVID-19.

The clearest risk is for delays to deliveries of building materials from countries such as Portugal, Italy and China and the risk of sickness among construction workers. We have introduced action plans to minimise these risks. Currently, no work on the construction projects, including Finland and Germany, has been stopped. I expect any delays and cost increases will be minor and that these will only have a marginal impact on Hemsö's financial position or on specific projects.

Despite the prevailing uncertainty, during the quarter construction began on new projects and we signed agreements with municipalities on future partnerships. For example, construction began on Stockholm's first Nordic Swan-ecolabelled school in Solna and a partnership agreement was signed with Uddevalla Municipality to develop a number of schools and nursing homes with the municipality as tenant with long-term rental agreements.

Our strategy remains firm

Municipalities were faced with major challenges even before the COVID-19 pandemic. These will become even greater in the future. The demographic trends will mean demand for schools and nursing homes will not decrease despite the obvious fact that we are entering a deep economic crisis.

Hemsö's low-risk business model and the strengths we have built up in the company become clearer in tougher market conditions. Hemsö aims to be a long-term property partner to the public sector, and that applies in both good times and bad. Our strategy remains firm and it is important that we maintain business as usual to support our suppliers, tenants and the public sector.

Nils Styf, CEO

Vision

To be the best property company for public services

Mission

To sustainably own, manage and develop public properties

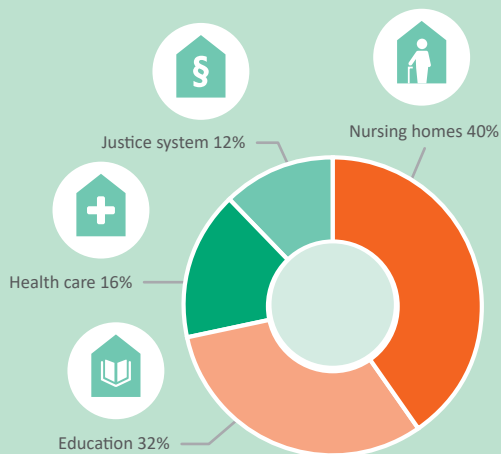
This is Hemsö

- Hemsö is Sweden's leading private owner of public properties.
- The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.
- Hemsö owns properties in Sweden, Germany and Finland.
- Our vision is to be the best property company for public services.

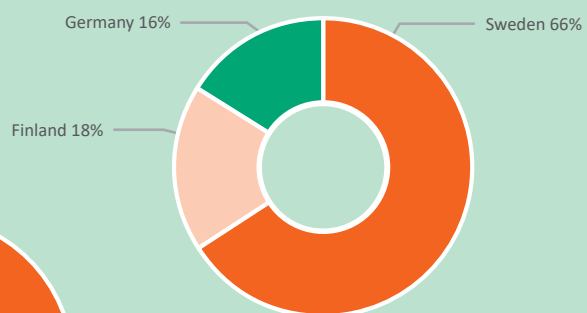
This means that Hemsö will create added value for its customers, and be the long-term property partner for the public sector and private operators of public services.

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

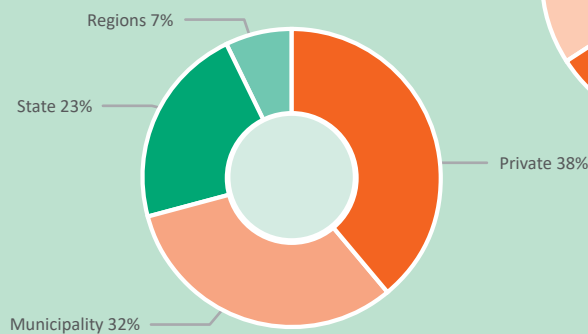
Contracted rent per property category



Market value of investment properties



Contracted rent per customer category



Income, costs and profit

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

Rental income

During the period, rental income amounted to SEK 797 million (723).

Rental income rose 9 per cent in Germany, and 51 per cent in Finland, mainly driven by acquisitions. In Sweden, rental income rose 2 per cent, mainly the result of acquisitions and completed development projects.

Rental income in the comparable portfolio increased SEK 13 million, or 2 per cent, due to rental indexing and renegotiations.

At period-end, contracted annual rent amounted to SEK 3,205 million (2,904) and economic vacancies to SEK 63 million (64). The economic occupancy rate rose slightly and was 98.1 per cent (97.9) at period-end.

Rental maturity 2020 amounts to SEK 150 million, which corresponds to 5 percent of Hemsö's contracted rental income.

The rental duration increased to 9.8 years (9.7), the result of completed development projects and renegotiations.

Property costs

Property costs amounted to SEK 210 million (180), up SEK 30 million. Costs in the comparable portfolio increased SEK 14 million, or 9 per cent, mainly due to maintenance measures to improve the quality of the property portfolio.

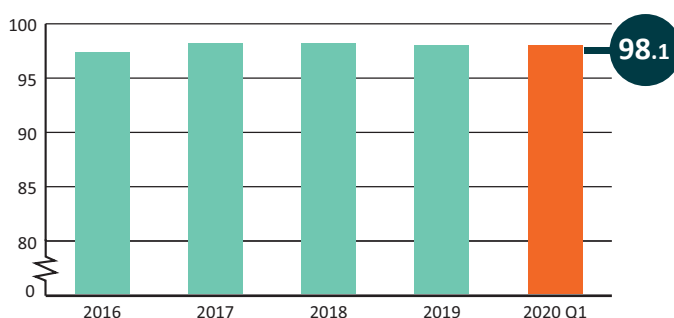
Vacancy changes

SEK million	Jan–Mar 2020
Opening vacancy	64
Terminated rental agreements	4
Adjusted for vacancy rents	2
New rental agreements	-11
Acquired	4
Divested	–
Closing vacancy	63

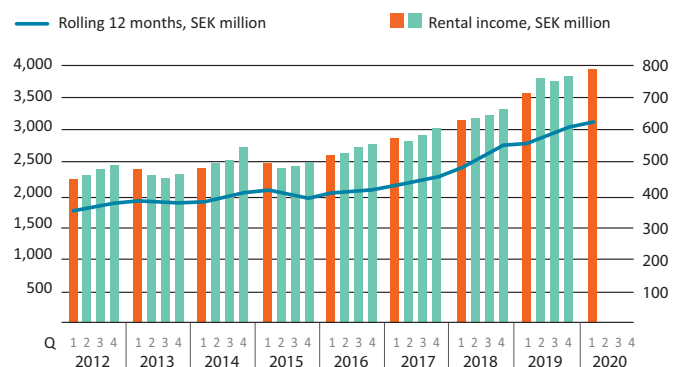
Rental maturity

Year	Annual rent, SEK million	Share, %
2020	150	5
2021	229	7
2022	209	6
2023	222	7
2024	96	3
2025	176	5
2026	131	4
2027	138	4
2028	252	8
2029	134	4
>2029	1,488	46
Total	3,224	100

Economic occupancy rate, %



Rental income



SEK 797 million

Rental income

Net operating income

Net operating income increased to SEK 594 million (547). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin was 73.9 per cent (75.3) for the period, down 1.4 percentage points year-on-year.

Net operating income in the comparable portfolio remained unchanged.

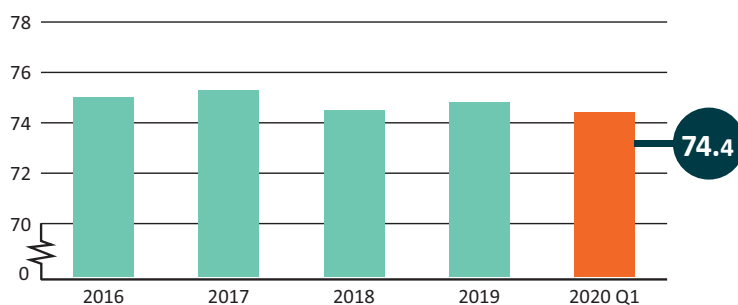
Comparable portfolio

	31 Mar 2020	31 Mar 2019	Change, %
No. of properties	311	311	–
Market value, SEK million	42,574	39,906	6.7
Property yield, %	4.7	4.9	-2.6

Amounts SEK million	Jan–Mar 2020	Jan–Mar 2019	Change, %
Rental income	662	650	2.0
Other income	4	3	72.8
Operating costs	-108	-116	-6.7
Maintenance costs	-48	-27	74.6
Other costs	-11	-9	19.0
Net operating income	500	499	0.0

Pertains to properties owned and held throughout the entire period, from 1 January 2019 until 31 March 2020 (excl. 42 development properties).

NOI margin, rolling 12-month period, %



Administration

Administrative expenses for the period rose to SEK 42 million (33). The increase was mainly attributable to higher personnel costs resulting from more employees and higher consultancy costs in development projects.

Financial items

Net financial items rose year-on-year to SEK -114 million (-93), due to an increase of SEK 37,307 million (34,418) in interest-bearing liabilities. The average interest rate remained unchanged at 1.3 per cent (1.3). The rental duration was extended to 6.9 years (5.2).

Financial items

SEK million	Jan–Mar 2020	Jan–Mar 2019
Interest income	1	2
Other financial income	18	13
Interest expense	-117	-94
Other financial expenses	-9	-10
Interest expense, site leaseholds and leasehold estates	-7	-4
Total financial items	-114	-93

SEK 594 million

Net operating income

Profit from property management

Profit from property management rose 5 per cent to SEK 445 million (423), mainly the result of a larger property portfolio.

SEK 445 million

Profit from property management

Property value

SEK 57.3 billion

Properties

376

Lettable area

1,890 tsqm

Value change, investment properties

Changes in the fair value of investment properties for the period amounted to SEK 110 million (128), of which realised value change accounted for SEK -1 million (0) and unrealised value change for SEK 111 million (128). Unrealised value changes were attributable to property management and project development in Sweden. The yield on the entire property portfolio, excluding development properties, was 4.7 per cent (4.9).

The total yield was 8.3 per cent (9.2).

Unrealised value changes

SEK million	Jan–Mar 2020
Sweden	
Property management and development-related value change	111
General market value change	–
Subtotal Sweden	111
Germany	
Property management and development-related value change	–
General market value change	–
Subtotal Germany	–
Finland	
Property management and development-related value change	–
General market value change	–
Subtotal Finland	–
Total unrealised value changes	111

Change in value of property portfolio

	SEK million	No. of
Market value, opening balance	55,027	370
Acquisitions	210	8
Investments in new construction, extension and refurbishment	851	
Divestments/disposals	-3	-2
Exchange-rate fluctuations	1,103	
Unrealised value changes	111	
Carrying amount at period-end	57,300	376

Value change of financial instruments

Changes in value of financial instruments had a negative impact of SEK -70 million (-51) on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -77 million (-4) on profit and were mainly attributable to falling market rates. Foreign exchange derivatives had a positive impact of SEK 7 million (-47) on profit, attributable to currency risk management in connection with property acquisitions in EUR.

Tax

Recognised tax for the period amounted to SEK -102 million (-94), of which current tax accounted for SEK -34 million (-26) and deferred tax for SEK -68 million (-68). Deferred tax expense mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. At period-end, deferred tax assets amounted to SEK 83 million (75). Deferred tax liabilities amounted to SEK 3,789 million (3,217). Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

Earnings

Profit after tax for the period totalled SEK 364 million (406). The decline was mainly attributable to lower positive value changes year-on-year.

Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 401 million (418). The change in working capital amounted to SEK 11 million (278). Operating cash flow was SEK 377 million (380). Investing activities had a negative impact of SEK -1,146 million (-3,355) on cash flow, while increased borrowings, payment and redemption of financial instruments had a positive impact of SEK 745 million (5,810) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 11 million (3,151) 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 18 million (15) and consisted of fees for services to the subsidiaries. Other operating income amounted, the previous year, to SEK 14 million and pertained to gains on sales of shares in subsidiaries. Administrative expenses increased to SEK -45 million (-38). Financial expense amounted to SEK -250 million (46). Financial items include interest income of SEK 153 million (135), interest expense of SEK -134 million (-104) and exchange-rate differences of SEK -269 million (15). Changes in the value of financial instruments amounted to SEK -70 million (-51) and comprehensive income for the period declined to SEK -274 million (-13).

Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan–Mar 2020	Jan–Mar 2019	Jan–Mar 2020	Jan–Mar 2019	31 Mar 2020	31 Mar 2019
Sweden East	193	202	143	153	17,433	15,107
Sweden West	75	80	49	51	3,963	3,848
Sweden Central/North	171	151	121	106	11,546	10,561
Sweden South	84	79	54	51	5,436	4,838
Germany	114	105	105	104	8,890	7,527
Finland	160	106	122	82	10,032	7,678
Total	797	723	594	547	57,300	49,559

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 57,300 million (49,559), 66 per cent (70) was attributable to Sweden, 18 per cent (15) to Finland and 16 per cent (15) to Germany.

At period-end, Hemsö owned properties in 60 municipalities in Sweden, 45 municipalities in Germany and 21 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 only properties for nursing homes, education and the justice system. At 31 March 2020, Hemsö's property portfolio comprised 376 properties (368) with a total lettable area of 1,890 tsqm (1,800).

Properties acquired and divested

Quarter	No. of	Value, SEK million	Area, sqm
Acquisitions			
Q1	8	210	6,630
Total	8	210	6,630
Divestments			
Q1	2	3	–
Total	2	3	–

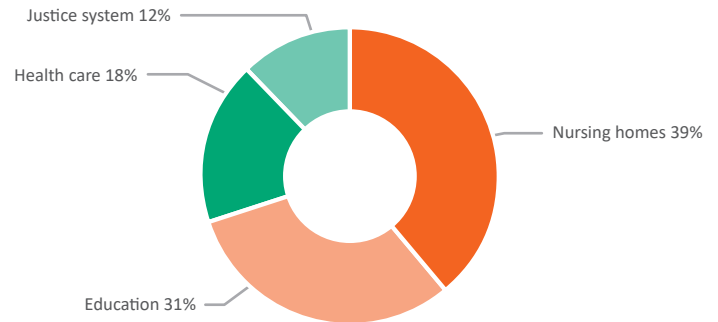
Property transactions

During the period, eight properties (5) were acquired for SEK 210 million (2,348) and two properties (1) were divested for SEK 3 million (58).

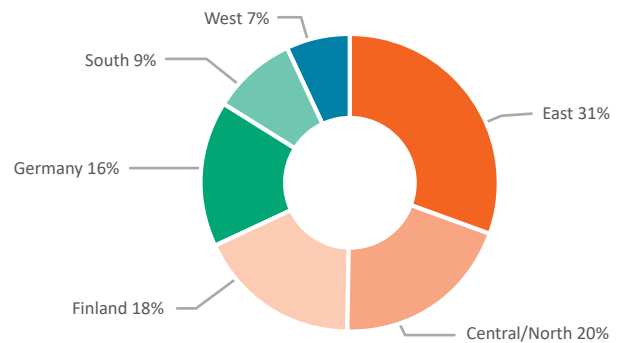
Investments

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. SEK 851 million (724) was invested during the period, of which SEK 738 million (605) pertained to new construction, and SEK 113 million (119) to improvements and new lettings.

Market value of investment properties per property category



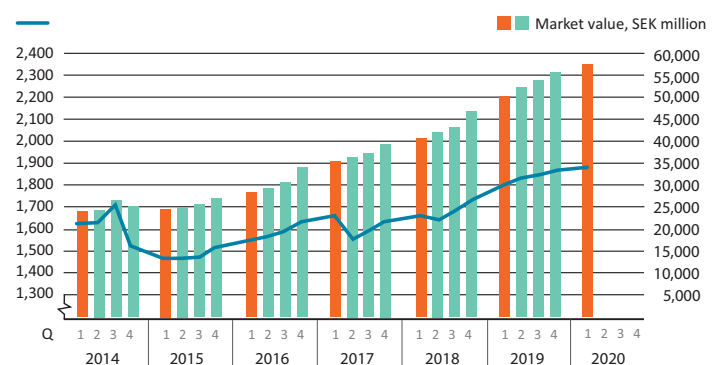
Market value of investment properties per segment



SEK 57,300 million

Market value of investment properties

Market value and area of investment properties



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	190	109	60	17	376
Lettable area, tsqm	840	566	294	189	1,890
Rental duration, years	9.7	12.0	7.2	7.7	9.8
Property value, SEK million	22,582	17,793	10,298	6,627	57,300
Rental income, SEK million	322	252	131	92	797
Net operating income, SEK million	243	193	87	70	594
Economic occupancy rate, %	99.5	98.3	96.5	95.2	98.1
Property yield, %	4.6	4.7	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 62 per cent, where rental agreements with state operators accounted for 23 per cent, municipal operators for 32 per cent and regional operators for 7 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.

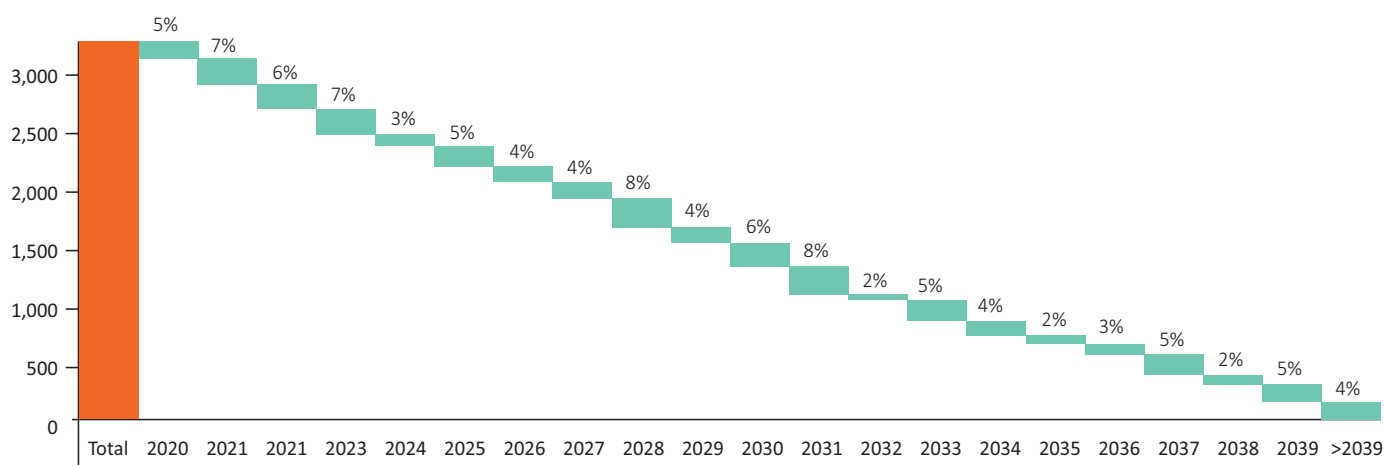
The largest tenants are the Swedish Police Authority, the City of Turku (Finland), Attendo and the Ministry of Justice (Finland), which together represent 18 per cent of rental income.

Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. of rental agreements
Swedish Police	State	156	4.9	31
City of Turku (FI)	Municipality	154	4.8	14
Attendo	Private	138	4.3	77
Ministry of Justice (FI)	State	121	3.8	14
Academedialia	Private	113	3.5	21
Region Stockholm	Region	111	3.5	72
Mälardalen University	State	102	3.2	3
AWO Hessen Süd (DE)	Private	89	2.8	11
City of Västerås	Municipality	83	2.6	17
Norrköping Municipality	Municipality	73	2.3	18
Västra Götaland Region	Region	70	2.2	59
Karolinska Institute	State	65	2.0	8
Alloheim (DE)	Private	64	2.0	8
Ambea	Private	62	1.9	10
North Rhine-Westphalia (DE)	State	61	1.9	1
HEWAG (DE)	Private	58	1.8	9
Gävle Municipality	Municipality	52	1.6	19
University of the Arts Helsinki (FI)	State	48	1.5	3
Esperi Care (FI)	Private	48	1.5	15
Mehiläinen (FI)	Private	47	1.5	8
Total		1,715	53.5	418

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

Rental maturity, annual rent SEK million



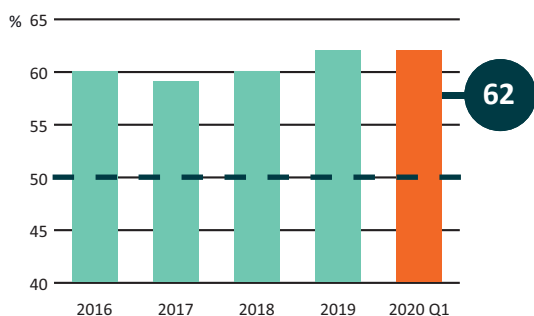
Property frameworks

To clarify the company's strategy, Hemsö has four property frameworks. 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.

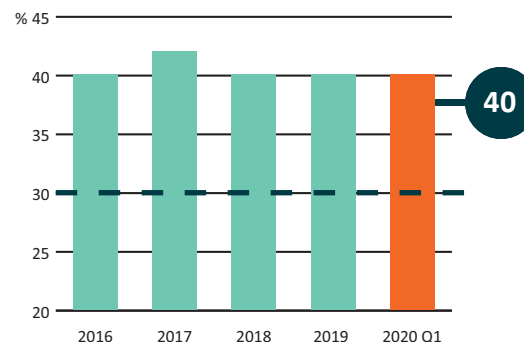
Public-sector tenants

– At least 50 per cent of the rental income



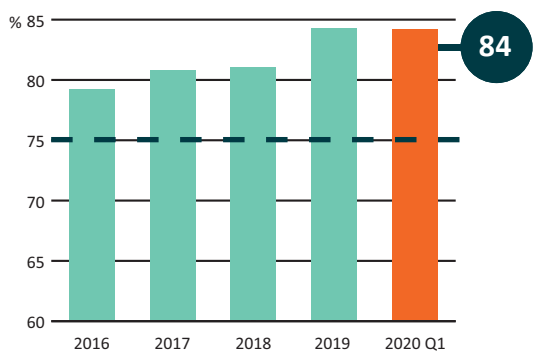
Nursing homes

– At least 30 per cent of rental income



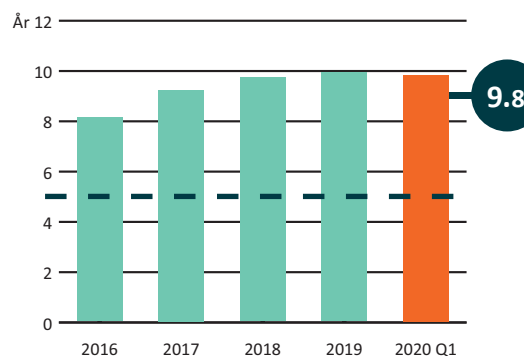
Metropolitan areas and large cities

– At least 75 per cent



Rental duration

– At least 5 years



Property valuation

Hemsö recognises its investment properties at fair value, in accordance with IAS 40. The internal fair value of properties is determined 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 57,300 million (49,559).

Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 March 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 operating 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	31 Mar 2020	31 Mar 2019	Change, %
Rental income	3,205	2,904	
Property costs	-791	-702	
Net operating income	2,414	2,202	10
Central administrative expenses	-144	-149	
Associated companies	31	7	
Financial items	-427	-396	
Profit from property management	1,874	1,664	13

items are 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. Profit from participations in associated companies does not include changes in fair value and is calculated using the same assumptions as for Hemsö with consideration for the size of the participation.

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 rental value, SEK million	Occupancy rate, %	Completed, year
Solna	Patienten ¹⁾	Health care	SGBC	21,258	2,254	373	104	99	2020
Stockholm	Princeton ^{1,2)}	Health care	SGBC	22,364	1,577	617	107	93	2021
Västerås	Södra Källtorp	Nursing home	SGBC	14,219	555	409	29	100	2021
Zossen	Dabendorf	Education	Green Building	15,500	503	371	26	100	2021
Stockholm	Police HQ Rinkeby	Justice system	SGBC	11,703	480	0	28	100	2020
Luleå	Kronan	Nursing home	SGBC	12,005	284	94	21	100	2020
Borlänge	Paradisskolan	Education	–	9,200	252	215	17	100	2021
Norrköping	NOD-huset	Health care	SGBC	4,495	247	173	13	89	2021
Solna	RWS Solna ³⁾	Education	Nordic Swan	4,600	198	189	11	100	2021
Kristianstad	Villa Boulevard	Nursing home	SGBC	4,477	135	61	9	89	2020
Halmstad	Fyllinge	Nursing home	SGBC	3,804	99	12	8	100	2020
Total				123,625	6,583	2,513	374		

Public-sector tenant Private-sector tenant

¹ The development projects are conducted in joint ventures with SveaNor

² Property is sold and will be transferred in 2021

³ 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 6,583

million, of which the remaining investment amount is SEK 2,513 million. No development projects were completed in the first quarter of 2020.



Stockholm's first Nordic Swan-ecolabelled school in Bagartorp, Solna

Hemsö is developing a new high school and sports centre in the Bagartorp residential area in Solna in partnership with the City of Solna.

The tenant will be the Raoul Wallenberg School. The school will accommodate 360 pupils and is expected to be ready for occupancy by the autumn term of 2021. The aim is that the new school will receive a Nordic Swan ecolabel and thus become the first Nordic Swan-ecolabelled school in the Stockholm region.

Sustainability

Energy and climate

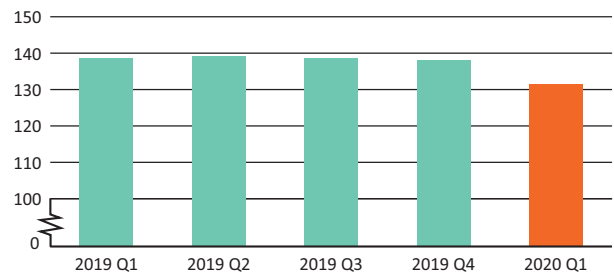
Important work for achieving a sustainably developed property portfolio is to continuously improve the properties' energy performance.

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 consumption and net-zero CO₂ 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 the optimisation of properties and systematic work with energy projects is producing results which yielded the downward trend for energy consumption in the portfolio. The sharp decrease in the first quarter of 2020 was partly due to the mild winter weather, but also a result of the completion of several large-scale energy projects.



Energy consumption, Kwh/m²



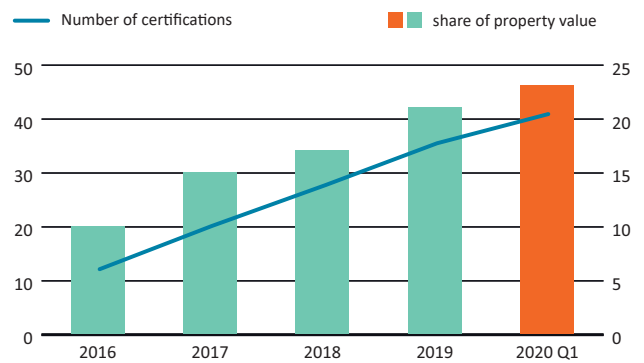
Environmental certification

At the end of the first quarter, Hemsö had 41 environmental certified properties.

The certifications comprised 21 Sweden Green Building Council, 14 BREEAM In-Use, four LEED, one BREEAM and one DGNB. The number of certified buildings and their share of the market value of the portfolio is steadily rising as the number of self-produced buildings increases, where Hemsö imposes requirements on environmental certification.

Since 2018, work has been ongoing to gradually certify existing buildings, which has also contributed to this increase.

Environmentally certified properties*



*Environmental certifications with SGBC-certified, Silver rating or the equivalent level of certification.



Zero CO2 certification pilot project

Hemsö's Forellen project, a nursing home under construction in Tyresö, is one of six pilot projects in Sweden to receive the new Zero CO₂ certification. Zero CO₂ was developed by the Sweden Green Building Council (SGBC) and aims to achieve net-zero climate impact from a new building. The pilot project is helping to enhance skills at Hemsö and to develop certification criteria, which is an important contribution to the industry's sustainability performance.

Associated companies

At 31 March 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 122 million (113) and the carrying amount of the shares in TTP is SEK 623 million (-). Total investments in associated companies amounted to SEK 745 million (184).

Profit from associated companies, SEK million

Jan–Mar 2020	TTP	Lanthem	Total
Profit from property management	5	2	7
Value changes, properties	4	–	4
Value changes, financial instruments	-27	–	-27
Tax	4	0	4
Profit/loss recognised	-13	2	-11

Turku Technology Properties (TTP)

Hemsö acquired 35 per cent of shares in TTP in April 2019. In March 2020, Hemsö acquired an additional 5 per cent of shares in the company is therefore the largest shareholder with a holding of 40 per cent. The City of Turku owns 35 per cent of the company. The other owners are the Turku University of Applied Sciences, OP-bank and the Eschnerska 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	31 Mar 2020	31 Mar 2019
Shareholding, %	40	–
Rental value, SEK million	286	–
No. of properties	21	–
Economic occupancy rate, %	99	–
Market value of investment properties, SEK million	4,185	–
Rental duration, years	6	–
Share of public-sector tenants, %	57	–

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	31 Mar 2020	31 Mar 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	375
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 62.6 per cent (62.0) and the interest-coverage ratio was 4.9 times (5.1).

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

Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 37,307 million (34,418).

During the period, Hemsö issued bonds totalling SEK 600 million in the Swedish capital market and EUR 55 million in European markets. Just over 1.1 billion of these were sustainability bonds. In addition, Hemsö utilised an additional EUR 104 million, corresponding to SEK 1.1 billion, from a line of credit from the European Investment Bank (EIB).

The EIB's loans will be used to finance social infrastructure investments classified as nearly zero-energy buildings (NZEBs) and are included in Hemsö's sustainable finance. The loan from EIB is unsecured, with a 15-year term and a fixed interest rate.

Hemsö's ratings

Rating Agency	Long-term	Short-term	Outlook	Report date
Fitch Ratings	A	F1+	Stable	4/1/2020
Standard & Poor's	A-	A-2	Stable	3/25/2020

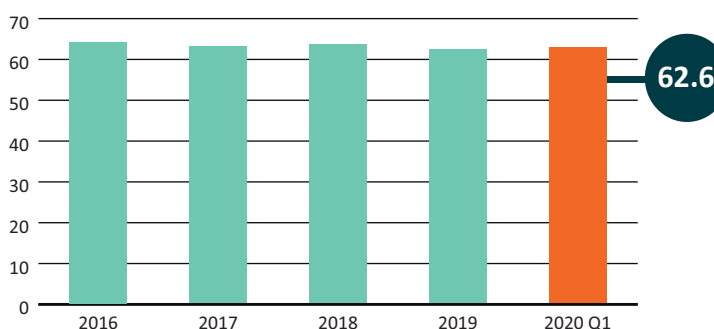
Sources of funding, SEK million

	Q1 2020	Q1 2019
Bonds, SEK	12,603	14,899
Bonds, EUR	15,539	13,459
Total bonds	28,142	28,358
<i>Of which sustainability bonds</i>	<i>2,110</i>	<i>1,000</i>
Commercial papers	4,473	4,460
European Investment Bank	3,062	800
Nordic Investment Bank	800	800
Schuldschein	831	–
Secured loans	–	–
Interest-bearing liabilities	37,307	34,418
<i>Of which sustainable financing</i>	<i>5,971</i>	<i>2,600</i>

Capital structure, SEK million

	Q1 2020	Q1 2019
Interest-bearing liabilities	37,307	34,418
Current investments	–	–
Cash and cash equivalents	994	3,585
Net debt	36,313	30,833
Market value of investment properties	57,300	49,559
Investments in associated companies	745	184
Total	58,045	49,743
Loan-to-value ratio	62.6%	62.0%
Share of secured debt	0.0%	0.0%

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 994 million (3,585) and available liquidity totalled SEK 12,494 million (16,285). The debt-coverage ratio was 152 per cent (205).

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

At period-end, the nominal value of the interest-rate derivatives was SEK 6,300 million (6,350). Hemsö had no outstanding foreign exchange derivatives and the currency exposure was 8 per cent (11) of the Group's equity.

At period-end, the average loan maturity was 7.3 years (7.4) and the average fixed-rate period was 6.9 years (5.2). The average interest rate was 1.3 per cent (1.3).

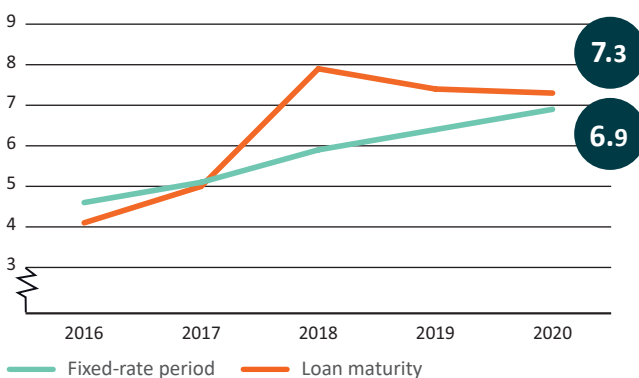
Committed credit facilities and underwriting commitments, SEK million

	Q1 2020	Q1 2019
Banks	6,500	6,500
Third Swedish National Pension Fund	5,000	4,000
EIB	–	2,200
Total	11,500	12,700
Cash and cash equivalents	994	3,585
Available liquidity	12,494	16,285
Short-term loans	8,225	7,950
Debt-coverage ratio	152%	205%

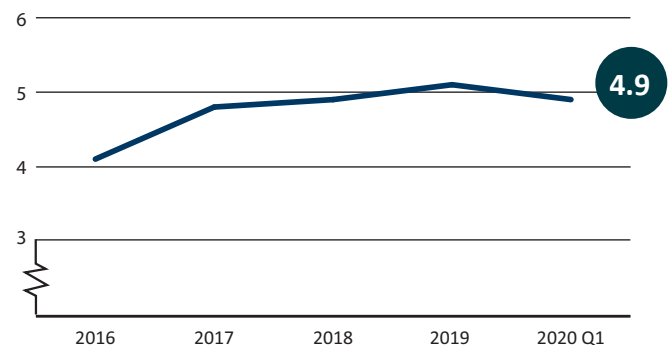
Currency exposure, SEK million

	Q1 2020	Q1 2019
Properties, EUR	18,922	15,205
Associated companies, EUR	623	–
Cash, EUR	521	-108
Cash, EUR	20,066	15,097
Debt, EUR	18,632	13,459
Exposure, EUR	1,434	1,638
Currency hedging	–	–
Currency exposure	1,434	1,638
Equity	17,239	14,668
Currency exposure	8.3%	11.2%

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%	62.6%
Loan maturity	At least 3 years	7.3 years
Debt-coverage ratio	At least 125%	152%
Share of secured debt	Max. 20%	0.0%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 times (rolling 12-month period)	4.9 times
Fixed-rate period	Average fixed-rate period, 3–8 years	6.9 years
Fixed-rate maturity	Max. 40% within 12 months	28%
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20 % of the Group's equity	8.3%



High school, Solna

Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2020	1,840	1,840	5	10,177	27
2021	5,764	5,264	14	1,250	3
2022	8,744	2,744	7	1,050	3
2023	2,806	1,806	5	1,750	5
2024	5,000	1,000	3	2,000	5
2025	600	600	2	–	–
2026	6,320	6,320	17	5,520	15
2027	100	100	–	–	–
2028	100	100	–	500	1
>2028	13,060	13,060	35	15,060	40
Total	44,335	32,835	88	37,307	100
Commercial papers		4,473	12		
Total		37,307	100		

Quarterly overview Q1 2020

Amounts in SEK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Income statement									
Property income	804	780	764	774	727	676	653	650	640
Property costs	-210	-226	-170	-193	-180	-208	-145	-148	-168
Net operating income	594	554	594	581	547	468	508	502	472
Central administrative expenses	-42	-29	-36	-37	-33	-48	-33	-36	-30
Profit/loss from participations in associated companies	-11	27	-48	17	2	6	2	2	1
Operating profit	541	552	510	561	516	426	477	468	443
Financial items	-114	-109	-110	-107	-93	-80	-96	-102	-93
Profit after financial items	427	443	400	454	423	346	381	366	350
<i>- Of which Profit from property management*</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>	<i>351</i>
Change in value, properties	110	758	460	691	128	1,166	94	622	178
Value change, financial instruments	-70	154	-76	-53	-51	-2	63	2	28
Profit before tax	467	1,355	784	1,092	500	1,510	538	990	556
Current tax	-34	-25	-16	-10	-26	11	-4	-39	-4
Deferred tax	-68	-216	-135	-124	-68	-318	-100	-14	-34
Profit for the period	364	1,114	633	958	406	1,203	434	937	518
Other comprehensive income	161	-66	12	78	63	-4	-5	5	26
Comprehensive income for the period	525	1,048	645	1,036	469	1,199	429	942	544
Balance sheet	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Investment properties	57,300	55,027	53,218	51,614	49,559	46,236	42,573	41,597	40,152
Right-of-use assets	629	582	431	433	302	–	–	–	–
Other assets	1,451	1,348	1,331	1,326	787	720	929	770	715
Cash and cash equivalents and current investments	994	988	2,122	2,333	3,585	450	1,500	1,223	1,132
Total assets	60,375	57,945	57,102	55,706	54,233	47,406	45,002	43,590	41,999
Equity	17,239	16,714	15,667	15,022	14,668	13,199	12,053	11,624	11,340
Deferred tax liabilities	3,706	3,600	3,401	3,263	3,142	3,067	2,750	2,651	2,638
Derivatives	287	211	366	305	285	281	350	512	515
Interest-bearing liabilities	37,307	35,542	36,008	35,638	34,418	29,728	28,738	27,786	26,380
Lease liabilities	629	582	431	433	302	–	–	–	–
Non-interest-bearing liabilities	1,206	1,296	1,229	1,045	1,418	1,131	1,111	1,017	1,126
Total equity and liabilities	60,375	57,945	57,102	55,706	54,233	47,406	45,002	43,590	41,999
Key ratios	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Financial ratios									
Loan-to-value ratio, %	62.6	62.1	62.9	63.6	62.0	63.1	63.7	63.6	62.6
Interest-coverage ratio, times	4.9	5.1	5.1	5.3	5.1	4.9	4.7	4.7	4.8
Operating cash flow, SEK million	377	399	432	417	380	329	366	350	338
Property-related key ratios									
Property yield, %	4.7	4.7	4.8	4.8	4.9	4.9	5.1	5.1	5.2
Total yield, %	8.3	9.0	9.9	9.2	9.2	9.7	9.2	9.5	9.0
Economic occupancy rate, %	98.1	98.1	97.7	98.0	97.9	98.3	98.1	98.3	98.1
NOI margin, %	73.9	71.0	77.7	75.2	75.3	69.2	77.8	77.2	73.8
No. of properties	376	370	364	362	368	365	353	349	345
Lettable area, tsqm	1,890	1,884	1,833	1,830	1,800	1,732	1,679	1,651	1,658

*Hemsö has updated the definition of Profit from property management which excludes value changes and tax from participation companies. Profit from property management from previous quarters has therefore been recalculated.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Jan–Dec 2019
Rental income	797	723	3,101	3,027
Other income	6	4	21	19
Operating costs	-136	-133	-475	-472
Maintenance costs	-56	-33	-244	-221
Other property costs	-18	-14	-80	-77
Net operating income	594	547	2,323	2,276
Central administrative expenses	-42	-33	-144	-135
Profit/loss from participations in associated companies	-11	2	-15	-2
- of which profit from property management	7	2	43	38
- of which changes in value	-23	-	-62	-39
- of which taxes	4	-	3	-1
Operating profit	541	516	2 164	2 139
Financial items	-114	-93	-440	-419
Profit after financial items	427	423	1,724	1,720
- of wick Profit from property management	445	423	1,782	1,760
Value change, investment properties	110	128	2,019	2,037
Value change, financial instruments	-70	-51	-45	-25
Profit before tax	467	500	3,698	3,732
Current tax	-34	-26	-86	-78
Deferred tax	-68	-68	-543	-543
Profit for the year	364	406	3,069	3,111
Profit for the year attributable to				
Parent Company shareholders	352	373	2,927	2,948
Non-controlling interests	12	33	142	163
Other comprehensive income				
Profit for the year	364	406	3,069	3,111
Translation difference	161	63	185	87
Comprehensive income for the period	525	469	3,254	3,198
Comprehensive income for the period attributable to				
Parent Company shareholders	510	436	3,109	3,035
Non-controlling interests	15	33	145	163

Group – Condensed statement of financial position

Amounts in SEK million	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Investment properties	57,300	49,559	55,027
Right-of-use assets	629	302	582
Participations in associated companies	745	113	635
Receivables from associated companies	–	71	–
Other non-current assets	95	92	94
Total non-current assets	58,770	50,137	56,338
Current receivables	611	511	619
Cash and cash equivalents	994	3,585	988
Total current assets	1,605	4,096	1,607
TOTAL ASSETS	60,375	54,233	57,945
EQUITY AND LIABILITIES			
Equity	17,239	14,668	16,714
Deferred tax liabilities	3,706	3,142	3,600
Non-current interest-bearing liabilities	30,747	26,470	27,644
Lease liabilities	629	302	582
Derivatives	287	285	211
Total non-current liabilities	35,370	30,199	32,037
Current interest-bearing liabilities	6,560	7,948	7,898
Non-interest-bearing liabilities	1,206	1,418	1,296
Total current liabilities	7,766	9,366	9,194
TOTAL EQUITY AND LIABILITIES	60,375	54,233	57,945

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
Shareholder contributions received	–	1,000	–	–	–	1,000
Comprehensive income	–	–	63	373	33	469
Closing equity, 31 Mar 2019	1	7,356	189	6,742	380	14,668
Reclassification of capital contribution, 2015	–	-21	–	21	–	–
Dividends	–	-500	–	-221	–	-721
Contributions from minority interests	–	–	–	–	38	38
Adjustment of translation reserve	–	–	22	-22	–	–
Comprehensive income	–	–	24	2,575	130	2,729
Closing equity, 31 Dec 2019	1	6,835	235	9,095	548	16,714
Opening equity, 1 Jan 2020	1	6,835	235	9,095	548	16,714
Comprehensive income	–	–	157	352	15	525
Closing equity, 31 Mar 2020	1	6,835	392	9,447	563	17,239

Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Jan–Dec 2019
Operating activities				
Profit from property management	445	423	1,782	1,760
<i>Adjusted for non-cash items in profit from property management</i>				
Profit/loss from participations in associated companies	-7	-2	-43	-38
Depreciation	3	2	13	12
<i>Adjusted for other non-cash items</i>				
Exchange differences, unrealised	23	38	25	40
Capital gain/loss and disposals	1	0	-53	-54
Tax paid	-64	-43	-127	-106
Cash flow before changes in working capital	401	418	1,597	1,614
Increase (+)/decrease (-) in working capital	11	278	-138	129
Cash flow from operating activities	412	696	1,459	1,743
Investing activities				
Acquisition of properties	-210	-2,348	-3,104	-5,242
Investments in new construction, extension and refurbishment	-851	-724	-2,851	-2,724
Property divestments	1	19	1,270	1,288
Investment in financial non-current assets	-86	–	-547	-461
Other non-current assets	0	–	0	0
Cash flow from investing activities	-1,146	-3,053	-5,232	-7,139
Financing activities				
Interest-bearing loans raised	2,327	5,761	6,458	9,892
Repayment of interest-bearing liabilities	-1,588	-1,206	-4,556	-4,174
Financial derivatives realised	6	-47	-42	-95
Shareholder contributions received	–	1,000	–	1,000
Contributions from non-controlling interests	–	–	38	38
Dividends paid	–	–	-721	-721
Cash flow from financing activities	745	5,508	1,177	5,940
Cash flow for the period	11	3,151	-2,596	544
Opening balance, cash and cash equivalents	988	450	3,585	450
Exchange-rate differences in cash and cash equivalents	-5	-16	5	-6
Closing cash and cash equivalents	994	3,585	994	988
Operating cash flow	377	380	1,625	1,628

Parent Company – Condensed income statement

Amounts in SEK million	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Jan–Dec 2019
Net sales	18	15	80	78
Central administrative expenses	-45	-38	-169	-164
Other operating income	0	14	239	253
Operating profit/loss	-28	-9	149	167
Financial items	-250	46	-197	100
Value changes, financial instruments	-70	-51	-45	-25
Appropriations	–	–	77	77
Profit/loss before tax	-349	-14	-15	319
Recognised tax	74	1	55	-18
Profit/loss for the period	-274	-13	40	301
Other comprehensive income	–	–	–	–
Comprehensive income for the period	-274	-13	40	301

Parent Company – Condensed balance sheet

Amounts in SEK million	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	0	1	0
Equipment	3	1	3
Shares and participations in Group companies	7,697	6,228	7,697
Deferred tax assets	59	59	43
Non-current receivables	28,030	24,871	26,674
Total non-current assets	35,789	31,160	34,417
Current assets			
Current receivables	5,376	7,886	5,250
Cash and cash equivalents	0	0	0
Total current assets	5,376	7,886	5,250
TOTAL ASSETS	41,165	39,046	39,667
EQUITY AND LIABILITIES			
Equity	3,379	4,061	3,653
Untaxed reserves			
Tax allocation reserve	58	34	58
Liabilities			
Deferred tax liabilities	26	25	26
Interest-bearing liabilities	37,307	34,418	35,542
Non-interest-bearing liabilities	395	508	388
Total liabilities	37,728	34,951	35,956
TOTAL EQUITY AND LIABILITIES	41,165	39,046	39,667

Other information

Significant events after period-end

Hemsö received the long-term credit rating of “A” with a stable outlook from Fitch Ratings. At the same time, we received the short-term credit rating of “F1+”. Hemsö expanded its property portfolio in Germany with the acquisition of an educational property for the justice system in Wiesbaden. Hemsö acquired an upper secondary school in Jyväskylä and a university building in Helsinki.

Employees

At period-end, Hemsö had 126 employees, of whom 58 were women and 68 men. Of these employees, 36 worked with asset and property management and 16 with development. Other employees worked with administration, accounting, finance, IT, legal affairs, communication, management, HR and transactions. Of all employees, 112 were employed in Sweden, seven in Germany and seven in Finland.

Risks and uncertainties

COVID-19 – Hemsö has reviewed 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. 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 have any short term effect on the company’s net financial items. Hemsö does not therefore expect any material impact on the company’s operating cash flow. For detailed information, refer to page 122, 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 a 50 per cent stake in Lanthem Samhällsfastigheter AB. This company is not included in the consolidated financial statements. Lanthem Samhällsfastigheter owns five investment properties through subsidiaries.

Hemsö also owns 40.1 per cent of the participations in Turku Technology Properties Oy, which owns 19 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, 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

Stockholm, 27 April 2020

Nils Styf, CEO

This report has not been audited.

Definitions

Financial definitions

Share of secured debt

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

Loan-to-value ratio

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

Property yield

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

Available liquidity

Cash and cash equivalents, short-term investments and undrawn committed credit facilities.

Profit from property management

Profit before value changes and tax.

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.

Adjusted profit from property management

Profit from property management adjusted for reversal of value change and tax in profit from participations in associated companies.

Loan maturity

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

Short-term borrowings

Loan maturities within 12 months.

MTN programme and EMTN programme

Swedish and European bond programmes, respectively.

Operating cash flow

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

Interest-coverage ratio

Operating profit in relation to financial items. Calculated at 12 months of rolling outcomes.

Operating profit/loss

Net operating income plus profit from participations in associated companies and central administrative costs.

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 leasehold fees. As of 1 January 2019, leasehold fees are 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 rented 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 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.

Greater cities

The definition of metropolitan areas 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 since they enable a more detailed evaluation of the company's

earnings and financial position. Since financial measures are calculated differently by different companies, they are not always comparable. Amounts in SEK million unless otherwise stated.

Property yield	31 Mar 2020	31 Mar 2019
Net operating income according to income statement	2,323	2,025
Adjusted for 12-month holding period	22	150
Adjusted for development properties	-118	-97
Adjusted net operating income	2,227	2,078
Market value of investment properties	57,300	49,559
Adjusted for development properties	-10,030	-7,146
Adjusted market value	47,270	42,413
Property yield	4.7%	4.9%

Total yield	Apr 2019–Mar 2020	Apr 2018–Mar 2019
Net operating income	2,323	2,025
Change in value, properties	2,019	2,010
Total	4,342	4,035
Opening property value	49,559	40,152
Closing property value	57,300	49,559
Adjustment of value change for the year	-2,019	-2,010
Adjusted average property value	52,420	43,851
Total yield	8.3%	9.2%

Profit from property management	Jan–Mar 2020	Jan–Mar 2019
Profit after financial items	467	423
Reversal		
<i>Value changes, associated companies</i>	23	–
<i>Tax, associated companies</i>	-4	0
Profit from property management	445	423

Interest-coverage ratio	Apr 2019–Mar 2020	Apr 2018–Mar 2019
Operating profit	2,164	1,888
Financial items	-440	-372
Interest-coverage ratio	4.9 times	5.1 times

Operating cash flow	Jan–Mar 2020	Jan–Mar 2019
Profit from property management	427	423
Profit/loss from participations in associated companies	11	-2
Depreciation	3	2
Tax paid	-64	-43
Operating cash flow	377	380

Loan-to-value ratio	31 Mar 2020	31 Mar 2019
Interest-bearing liabilities	37,307	34,418
Cash and cash equivalents	-994	-3,585
Current investments	–	–
Net debt	36,313	30,833
Market value of investment properties	57,300	49,559
Investments in associated companies	745	184
Total	58,045	49,743
Loan-to-value ratio	62.6%	62.0%

Debt-coverage ratio	31 Mar 2020	31 Mar 2019
Cash and cash equivalents	994	3,585
Current investments	–	–
Undrawn committed credit facilities	11,500	12,700
Available liquidity	12,494	16,285
Short-term loans	8,225	7,950
Debt-coverage ratio	152%	205%

Share of secured debt	31 Mar 2020	31 Mar 2019
Secured debt outstanding	–	–
Market value of investment properties	57,300	49,559
Share of secured debt	0.0%	0.0%

Questions and more information

For more information, please contact:

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

Financial calendar

Half-year report Jan–Jun 2020 10 July 2020

Interim report Jan–Sep 2020 27 Oct 2020

