

# Q3

## Interim report 2019

### Summary, Jan-Sep 2019

- » Rental income increased to SEK 2,252 million (1,935).
- » Profit from property management increased to SEK 1,276 million (1,097).
- » Changes in the value of properties amounted to SEK 1,279 million (894) and changes in the value of financial instruments to SEK -180 million (93).
- » Profit after tax for the period increased to SEK 1,996 million (1,889).
- » The market value of investment properties was SEK 53,218 million (42,573).
- » During the period, 15 properties (17) were acquired for SEK 4,264 million (1,423) and 15 properties (10) were divested for SEK 1,112 million (866).

### Significant events during the third quarter

- » Hemsö signed a letter of intent with Trelleborg Municipality to develop two properties in central Trelleborg.
- » Hemsö raised funds of EUR 100 million through a 15-year bank loan from the European Investment Bank (EIB).
- » Hemsö is constructing its first new nursing home in Büttelborn outside Frankfurt, Germany. The total investment amount is EUR 15 million.
- » Hemsö and the City of Oulu in Finland concluded an agreement to construct two new fire and rescue stations in Oulu. The total investment amount is EUR 25 million.
- » A 10-year rental agreement for 13,000 sqm was signed for the Princeton 1 property in Stockholm. The development project is taking place in partnership with Vitartes.

### Hemsö in summary

	Jan-Sep 2019	Jan-Sep 2018	Oct 2018-Sep 2019	Jan-Dec 2018
Property income, SEK million	2,265	1,943	2,940	2,618
Profit from property management, SEK million	1,276	1,097	1,622	1,443
Profit after tax, SEK million	1,996	1,889	3,199	3,092
Operating cash flow, SEK million	1,229	1,054	1,558	1,383
Loan-to-value ratio, %	62.9	63.7	62.9	63.1
Interest-coverage ratio, times	5.1	4.7	5.1	4.9
Market value of investment properties, SEK million	53,218	42,573	53,218	46,236
NOI margin, %	76.0	76.3	74.5	74.5
Economic occupancy rate, %	97.6	98.1	97.6	98.3
Rental duration, years	9.8	9.0	9.8	9.7
Lettable area, tsqm	1,833	1,679	1,833	1,732



## CEO statement

The strong growth in profit from property management that we have delivered during the year was sustained in the third quarter. Profit from property management for the first nine months rose 16 per cent to SEK 1,276 million, and growth during the period is attributable to several development projects that are now completed and generating cash flows.

Now that the economy is slowing and unemployment is rising, it feels secure to be working in a company that is not sensitive to economic trends. Hemsö is driven by long-term demographic trends.

### **Completed development projects generating cash flows**

During the summer and autumn, several development projects were completed in Sweden and Finland. The investment volume amounted to SEK 770 million, with a rental duration of 23 years, and public-sector tenants account for 78 per cent of the rental income. The completed refurbishment and new construction projects comprise nursing homes, preschools, elementary schools and one university building.

Two new schools were inaugurated in Norrköping, Sandbyhovsskolan and Sandbyängsskolan, with the municipality as a tenant with a 25-year rental agreement. The magnificent Art Nouveau buildings have been carefully refurbished and allowed to retain their character. They are now filled with the warmth and activity of more than 500 students from years 1-9.

The Sibelius Academy was inaugurated in central Helsinki. The property stands next to the Finnish Parliament House and has now undergone a total refurbishment, where we restored the building to its former glory from the 1930s. The tenant, the Sibelius Academy, has very high demands on acoustics and the building accommodates one full-sized and two smaller concert halls in addition to its educational facilities.

The Sibelius Academy has been ranked the sixth-best university in the world for Performing Arts. Having such a prestigious Finnish institution as our tenant with a 25-year rental agreement is fantastic.

### **Important milestone for development in Germany and Finland**

I am happy and proud that we have secured our first new construction project outside of Sweden. This development project is an important milestone for Hemsö and a natural step in our long-term operations in Finland and Germany.

In Finland, Hemsö secured a public procurement contract to construct two fire and rescue stations in Oulu. The total investment amount is EUR 25 million. The City of Oulu has signed two 25-year rental agreements. The fire and rescue stations will be customised for the operations, which include both fire and ambulance services. Both of the fire and rescue stations will be energy-efficient properties with a major focus on sustainability as well as health and safety.

Hemsö's first new construction project in Germany will be a nursing home in Büttelborn outside Frankfurt. The nursing home will accommodate 94 beds, 33 senior apartments and one adult daycare centre. The investment amount is EUR 15 million and a 25-year rental agreement has been signed with Altenheim Victoria GmbH, a local nursing home operator.

We apply the same concept for new construction projects in other countries as we do in Sweden so we can benefit from the experience and knowledge that Hemsö has accumulated in the company.

Nils Styf, CEO

### Vision

To be the best property company for public services.

### Mission

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

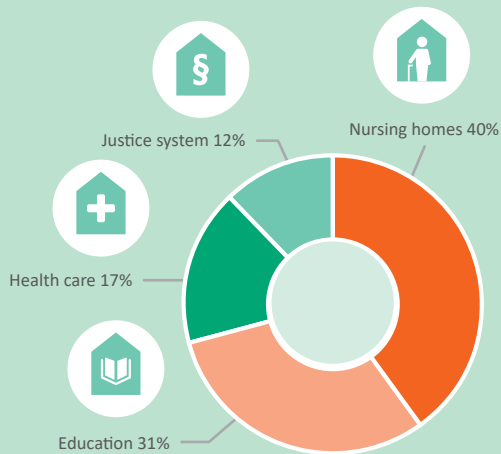
### This is Hemsö

- 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.

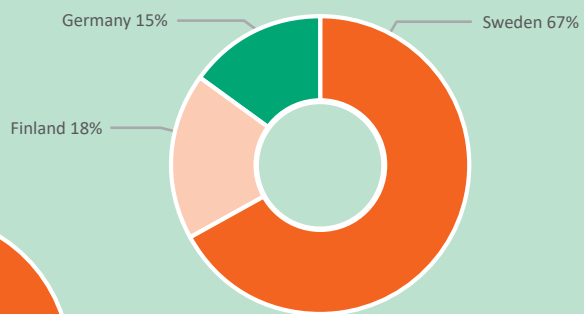
This means that Hemsö will create added value for its customers, and be the long-term property partner for the public sector and private operators of public services.

- 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 53.2 billion.
- Hemsö has a credit rating of A- from Standard & Poor’s.

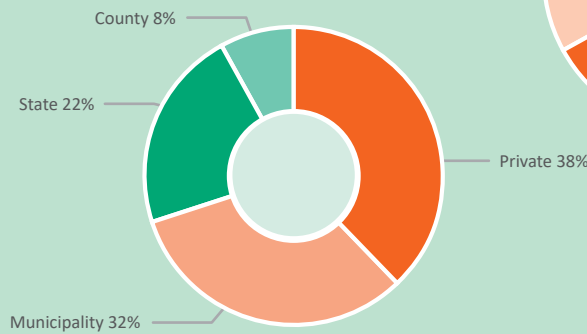
Contracted rent per property category



Market value of investment properties



Contracted rent per customer category



# Income, costs and profit

Profit/loss items relate to the January-September period of 2019, 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 2,252 million (1,935).

Rental income rose 36 per cent in Germany, and 80 per cent in Finland, mainly due to acquisitions. In Sweden, rental income rose 3 per cent, mainly the result of acquisitions and completed development projects.

Rental income in the comparable portfolio rose SEK 60 million, or 3.6 per cent, due to rent indexation and renegotiations.

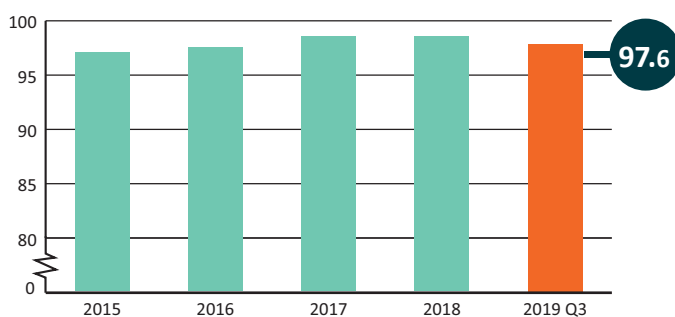
At period-end, contracted annual rent amounted to SEK 3,043 million (2,579) and economic vacancies to SEK 78 million (49). The increase in economic vacancies was mainly due to an acquired property in Finland and a major termination of rental agreements in one property prior to development. The economic occupancy rate fell slightly and was 97.6 per cent (98.1) at period-end. The rental duration increased to 9.8 (9.0) years due to completed development projects and renegotiations.

In 2019, rental agreements with an annual rent of SEK 57 million will expire, of which SEK 31 million has already been extended. The remaining rent due in 2019 is SEK 26 million, corresponding to 1 per cent of Hemsö's contracted rental income.

## Property costs

Property costs amounted to SEK 543 million (460), up SEK 83 million. Costs in the comparable portfolio increased SEK 31 million, or 8 per cent, mainly due to maintenance measures to enhance the quality of the property portfolio.

## Economic occupancy rate, %



## Vacancy changes

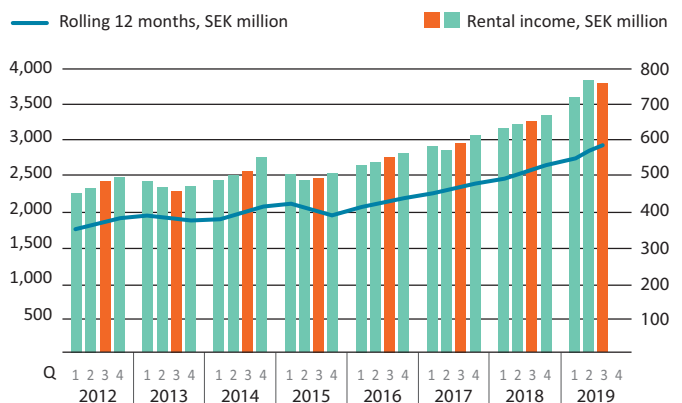
SEK million	Jan-Sep 2019
Opening vacancy	49
Terminated rental agreements	39
Adjusted for vacancy rents	-5
New rental agreements	-19
Acquired	21
Divested	-7
<b>Closing vacancy</b>	<b>78</b>

## Rental maturity

Year	Annual rent, SEK million	Share, %
2019	26	1
2020	211	7
2021	222	7
2022	200	6
2023	166	5
2024	106	3
2025	156	5
2026	114	4
2027	130	4
2028	241	8
>2028	1,474	48
<b>Total</b>	<b>3,046</b>	<b>100</b>

"Annual rent" refers to contracted annual rent before the deduction of discounts amounting to SEK 3 million.

## Rental income



# SEK 2,252 million

## Rental income

### Net operating income

Net operating income increased to SEK 1,722 million (1,482). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin was 76.0 per cent (76.3) for the period, down 0.3 percentage points year-on-year.

In the comparable portfolio, net operating income rose SEK 29 million, or 2 per cent. The increase was mainly due to higher income.

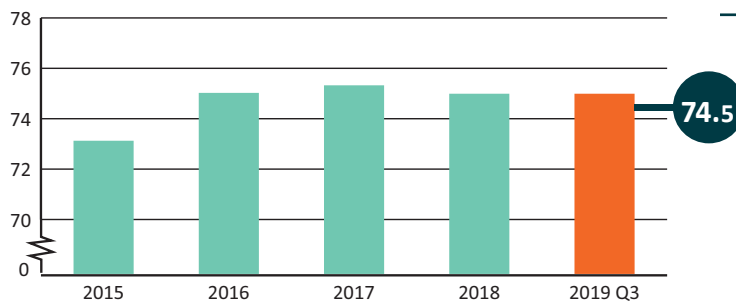
### Comparable portfolio

	30 Sep 2019	30 Sep 2018	Change, %
No. of properties	294	294	–
Market value, SEK million	35,984	33,547	7.3
Property yield, %	4.8	5.1	-6.1

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Change, %
Rental income	1,751	1,691	3.5
Other income	7	6	5.4
Operating costs	-279	-269	3.9
Maintenance costs	-131	-102	28.6
Other costs	-24	-32	-25.1
<b>Net operating income</b>	<b>1,324</b>	<b>1,295</b>	<b>2.2</b>

Pertains to properties owned and held throughout the entire period from 1 January 2018 until 30 June 2019 (excl. 40 development properties)

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



### Administration

Administrative expenses for the period amounted to SEK 107 million (99). The year-on-year increase of SEK 8 million was due to a higher number of employees and costs for the implementation of a new systems support.

### Financial items

Net financial items increased year-on-year to SEK -310 million (-291). Interest-bearing debt increased to SEK 36,008 million (28,738), while the average interest rate remained unchanged at 1.3 per cent (1.3). The fixed-rate period increased to 6.4 years (5.1).

Hemsö adopted IFRS 16 Leases on 1 January 2019, which means that leasehold fees will now be recognised under net financing cost rather than net operating income.

### Financial items

SEK million	Jan-Sep 2019	Jan-Sep 2018
Interest income	4	2
Other financial income	42	28
Interest expense	-311	-291
Other financial expenses	-31	-30
Interest expense, site leaseholds and leasehold estates	-13	–
Interest expense, other leases	-1	–
<b>Total financial items</b>	<b>-310</b>	<b>-291</b>

# SEK 1,722 million

## Net operating income

### Profit from property management

Profit from property management totalled SEK 1,276 million (1,097), up 16 per cent. The improvement was mainly due to an increase in net operating income derived from a larger property portfolio.

### Change in value of investment properties

During the period, the change in value of investment properties was SEK 1,279 million (894), of which realised value change accounted for SEK 36 million (-28) and unrealised value change for SEK 1,243 million (922). Unrealised value changes were mainly attributable to lower yield requirements in Sweden and Germany, but also to property management and project development in Sweden. The yield on the entire property portfolio, excluding development properties, was 4.8 per cent (5.1).

The total yield was 9.9 per cent (9.2).

Property value  
**SEK 53.2 billion**

Properties  
**364**

Lettable area  
**1,833 tsqm**

## SEK 1,276 million

Profit from property management

### Unrealised value changes

SEK million	Jan-Sep 2019
<b>Sweden</b>	
Property management and development	478
General market	522
<b>Subtotal</b>	<b>1,000</b>
<b>Germany</b>	
Property management and development	–
General market	240
<b>Subtotal</b>	<b>240</b>
<b>Finland</b>	
Property management and development-related value change	–
General market	3
<b>Subtotal</b>	<b>3</b>
<b>Total unrealised value changes</b>	<b>1,243</b>

### Calculation of property yield

SEK million	30 Sep 2019
Net operating income according to income statement	2,190
Adjusted for 12-month holding period and leasehold fees	43
Adjusted for development properties	-123
<b>Adjusted net operating income</b>	<b>2,110</b>
Market value of properties according to balance sheet	53,218
Adjusted for development properties	-8,879
<b>Adjusted market value of properties</b>	<b>44,339</b>
<b>Property yield</b>	<b>4.8%</b>

### Change in value of property portfolio

	SEK million	No. of
Market value, opening balance	46,236	365
Acquisitions	4,264	15
Investments in new construction, extension and refurbishment	2,007	
Divestments	-1,112	-15
Disposals	-43	-1
Exchange-rate fluctuations	623	
Value change, unrealised	1,243	
<b>Market value at period-end</b>	<b>53,218</b>	<b>364</b>

### Change in value of financial instruments

Changes in the value of financial instruments had a negative impact of SEK -180 million (pos: 93) on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -86 million (pos: 85) on profit and were attributable to falling market rates. Foreign exchange derivatives had a negative impact of SEK -94 million (pos: 8) on profit, attributable to currency risk management in connection with property acquisitions in EUR.

### Tax

Recognised tax for the period amounted to SEK -379 million (-195), of which current tax accounted for SEK -52 million (-47) and deferred tax for SEK -327 million (-148). 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 94 million (87). Deferred tax liabilities amounted to SEK 3,495 million (2,837). Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

### Earnings

Profit after tax for the period totalled SEK 1,996 million (1,889), up SEK 107 million year-on-year. The earnings improvement was mainly attributable to increased net operating income and a higher positive change in the value of investment properties.

### Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 1,331 million (1,138). Changes in working capital amounted to SEK 61 million (-390). Operating cash flow amounted to SEK 1,229 million (1,054). Investing activities had a negative impact of SEK -5,621 million (-2,435) on cash flow, while increased borrowings, redemption of financial instruments, shareholder contributions received, dividends paid and cash inflows from non-controlling interests had a positive impact of SEK 5,960 million (2,081) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 1,731 million (394) 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 44 million (41) and consisted of fees for services to the subsidiaries. Administrative expenses increased to SEK -118 million (-107). Financial items amounted to SEK 524 million (373). Financial items include gains of SEK 253 million (223) on sales of shares in subsidiaries, profit of SEK 247 million (509) from participations in Group companies, interest income of SEK 418 million (40), interest expense of SEK -341 million (-317), and currency effects of SEK -53 million (-82). Changes in the value of financial instruments amounted to SEK -180 million (-452) and comprehensive income for the period increased to SEK 287 million (-73).

### 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-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	30 Sep 2019	30 Sep 2018
Sweden East	590	578	423	436	15,735	14,090
Sweden West	230	216	159	148	3,735	3,738
Sweden Central/North	459	441	340	321	11,056	9,576
Sweden South	240	234	166	167	5,005	4,598
Germany	321	236	302	224	8,189	5,388
Finland	412	230	332	186	9,498	5,183
<b>Total</b>	<b>2,252</b>	<b>1,935</b>	<b>1,722</b>	<b>1,482</b>	<b>53,218</b>	<b>42,573</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 53,218 million (42,573), 67 per cent (75) was attributable to Sweden, 18 per cent (12) to Finland and 15 per cent (13) to Germany.

At period-end, Hemsö owned properties in 61 municipalities in Sweden, 41 municipalities in Germany and 20 municipalities in Finland. The largest share of the market value of investment properties, 83 per cent, was attributable to properties located in metropolitan areas and large cities in Sweden, Germany and Finland.

In Sweden and Finland, Hemsö owns properties for nursing homes, education, health care and the justice system. In Germany, Hemsö owns properties for nursing homes, education and the justice system.

At 30 September 2019, Hemsö's property portfolio comprised 364 properties (353) with a total lettable area of 1,833 tsqm (1,679).

## Properties acquired and divested

Quarter	No. of	Property value, SEK million	Lettable area, sqm
<b>Acquisitions</b>			
Q1	5	2,348	64,096
Q2	8	1,438	80,145
Q3	2	478	4,217
<b>Total</b>	<b>15</b>	<b>4,264</b>	<b>148,458</b>
<b>Divestments</b>			
Q1	1	-58	3,475
Q2	14	-1,056	55,837
Q3	-	2	-
<b>Total</b>	<b>15</b>	<b>-1,112</b>	<b>59,312</b>

## Property transactions

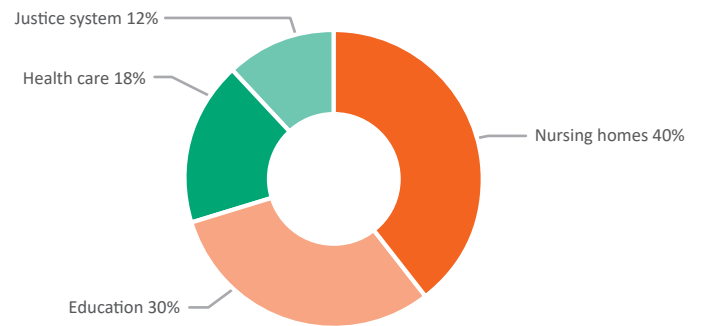
During the period, 15 properties (17) were acquired for SEK 4,264 million (1,423) and 15 properties (10) were divested for SEK 1,112 million (866).

## Investments

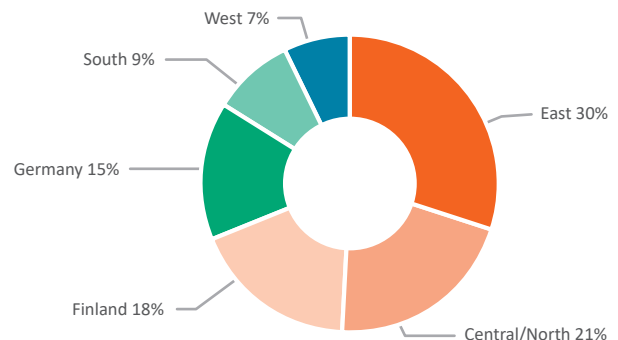
Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 2,007 million (1,855) was invested.

Of this amount, SEK 1,666 million (1,627) was invested in new construction and SEK 341 million (228) pertained to improvements and new lettings.

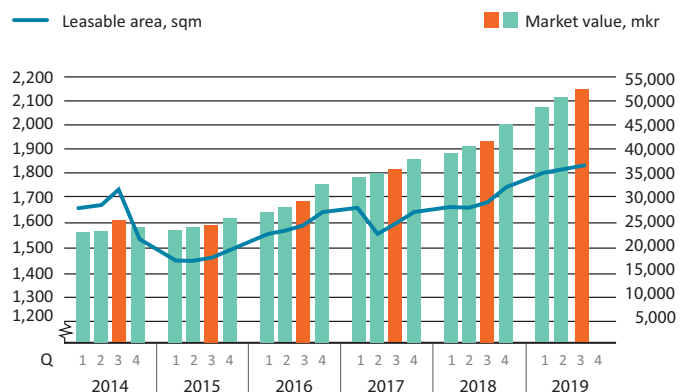
## Market value of investment properties per property category



## Market value of investment properties per segment



## Market value and area of investment properties





### Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	184	104	59	17	364
Lettable area, tsqm	817	531	296	189	1,833
Rental duration, years	9.4	12.1	7.4	8.1	9.8
Property value, SEK million	21,197	16,250	9,405	6,366	53,218
Property income, SEK million	896	718	380	272	2,265
Net operating income, SEK million	702	536	273	211	1,722
Economic occupancy rate, %	99.3	97.9	95.3	94.4	97.6
Property yield, %	4.6	4.6	5.4	5.4	4.8

### Tenants

94 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 13 of the 20 largest tenants are state, municipal or county operators. The share of contracted annual rent with public-sector tenants was 62 per cent, where rental agreements with state operators accounted for 22 per cent, municipal operators for 32 per cent and county operators for 8 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.

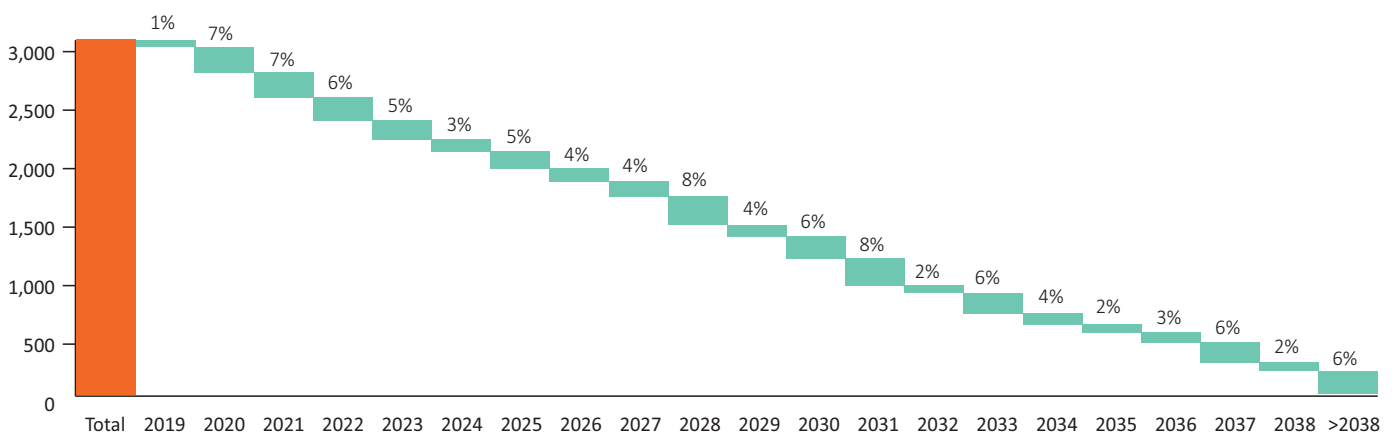
Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 33 million, of which EUR 8 million is secured through pledges. 39 per cent of rental income in Germany is therefore derived either directly from public-sector tenants or from pledges.

The largest tenants are the Swedish Police Authority, the City of Turku (Finland), Attendo and Region Stockholm, 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	154	5.1	31
City of Turku (Fin)	Municipality	148	4.9	14
Attendo	Private	134	4.4	68
Region Stockholm	County	109	3.6	70
Academedia	Private	105	3.5	20
AWO Hessen Süd (Ger)	Private	82	2.7	10
City of Västerås	Municipality	82	2.7	17
Norrköping Municipality	Municipality	76	2.5	19
Västra Götaland Region	County	68	2.3	60
Karolinska Institute	State	65	2.1	9
District Court of Helsinki (Fin)	State	65	2.1	3
Alloheim (Ger)	Private	62	2.0	8
North Rhine-Westphalia (Ger)	State	59	1.9	1
Ambea	Private	59	1.9	10
HEWAG (Ger)	Private	56	1.9	9
Mälardalen University	State	55	1.8	2
Gävle Municipality	Municipality	51	1.7	19
The University of the Arts (Fin)	State	46	1.5	3
Mehiläinen (Fin)	Private	45	1.5	8
Region Gotland	Municipality	44	1.4	9
<b>Total</b>		<b>1,565</b>	<b>51.5</b>	<b>390</b>

### Rental maturity, annual rent SEK million



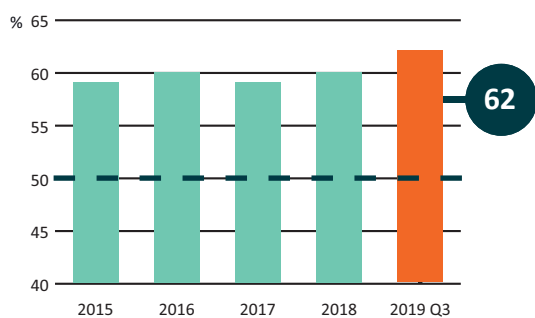
## Property frameworks

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.

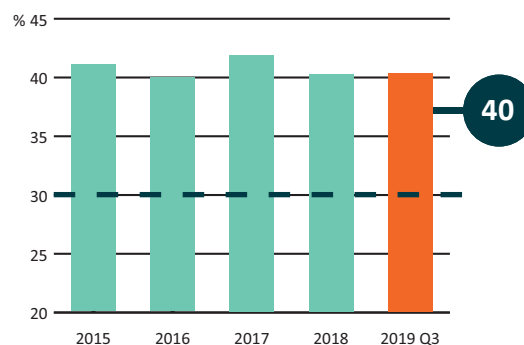
### Public-sector tenants

– At least 50 per cent of the rental income



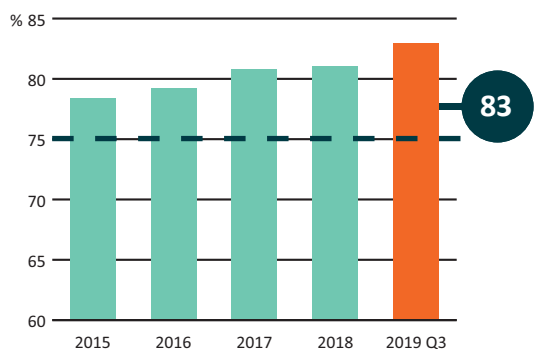
### Nursing homes

– At least 30 per cent of rental income



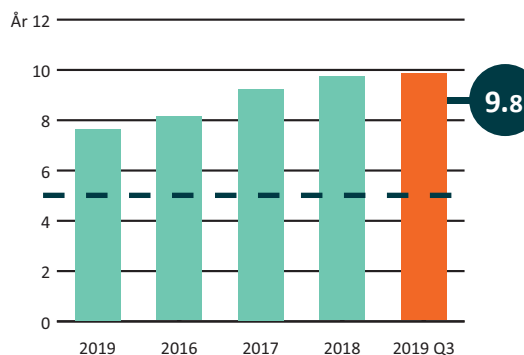
### Metropolitan areas and large cities

– At least 75 per cent



### Rental duration

– At least 5 years



## Property valuation

Hemsö recognises its investment properties at an estimate of fair value, in accordance with IAS 40. At 30 September 2019, all properties had been valued internally. The 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 53,218 million (42,573).

## Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 30 September 2019. 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	30 Sep 2019	30 Sep 2018	Change, %
Rental income	3,043	2,579	
Property costs	-764	-615	
<b>Net operating income</b>	<b>2,279</b>	<b>1,964</b>	<b>16</b>
Central administrative expenses	-154	-144	
Profit from associated companies	42	6	
Financial items	-440	-335	
<b>Profit from property management</b>	<b>1,727</b>	<b>1,491</b>	<b>16</b>

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 project

## Hemsö's largest ongoing development projects over SEK 100 million

Municipality	Development project	Category	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	21,258	1,886	393	91	99	2020
Stockholm	Princeton <sup>1)</sup>	Health care	22,364	1,576	692	89	93	2021
Västerås	Södra Källtorp	Nursing home	15,525	555	501	30	100	2021
Zossen	Dabendorf	Education	16,250	506	438	26	100	2021
Luleå	Kronan	Nursing home	11,985	288	160	21	100	2021
Norrköping	NOD-huset	Health care	6,800	247	205	13	89	2021
Boden	Björknäsgården	Nursing home	10,700	246	3	20	100	2019
Helsinki	Sibelius Academy	Education	4,077	161	38	13	100	2019
Kristianstad	Villa Boulevard	Nursing home	4,273	133	100	9	89	2020
Halmstad	Fyllinge	Nursing home	3,865	106	63	8	100	2020
<b>Total</b>			<b>117,097</b>	<b>5,704</b>	<b>2,593</b>	<b>321</b>		

Public-sector tenant  Private-sector tenant <sup>1)</sup> Development projects are conducted in companies jointly owned with Vitartes.

## Development project

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. The largest projects comprise a total investment of SEK 5,704 million, of which the remaining investment amount is SEK 2,593 million.

One development project comprising an investment of SEK 42 million was completed during the quarter, pertaining to a preschool in Staffanstorps Municipality with a rental duration of 20 years. The property has been transferred to property management.

## Development projects completed, 2019

Municipality	Development project	Completed	Category	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate, %
Norrköping	Diadem	Q1	Nursing home	4,025	45	20	7	100
Staffanstorps	Villa Vikhem	Q2	Nursing home	4,100	129	15	10	100
Norrköping	Sandbyhov – Sandbyhov school	Q2	Education	4,904	104	25	9	100
Norrköping	Sandbyhov – Sandbyäng school	Q2	Education	3,545	92	25	7	100
Solna	Järvastaden school, stage 3	Q2	Education	1,440	57	30	3	100
Staffanstorps	Stora Uppåkra – Pre-school	Q3	Education	1,195	42	20	3	100
<b>Total</b>				<b>19,209</b>	<b>469</b>	<b>22</b>	<b>38</b>	

Public-sector tenant  Private-sector tenant

## Associated companies

At 30 June 2019, 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 117 million (106) and the carrying amount of the shares in TTP is SEK 505 million (-). During the period, Lanthem repaid a loan of SEK 71 million to Hemsö, which is why Hemsö's loans to associated companies amounted to SEK 0 million (71). Total investments in associated companies amounted to SEK 622 million (177).

### Turku Technology Properties (TTP)

Hemsö acquired shares in TTP in April 2019. The City of Turku and Hemsö are the company's largest owners, with a 35.4 and 34.8 per cent shareholding, respectively. The other owners are the Turku University of Applied Sciences, OP-bank, Veritas Pensionsförsäkring, the Eschnerska Frilasarettet Foundation and the Åbo Akademi University 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.

### 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.

### Profit from associated companies, SEK million

Jan – sep 2019	TTP	Lanthem	Total
Profit from property management	23	6	29
Value change, properties	7	–	7
Value change, financial instruments	-78	–	-78
Tax	14	-1	13
<b>Profit/loss recognised</b>	<b>-34</b>	<b>5</b>	<b>-29</b>



TTP	30 Sep 2019	30 Sep 2018
Shareholding, %	34.8	–
Rental value, SEK million	277	–
No. of properties	18	–
Economic occupancy rate, %	99	–
Market value of investment properties, SEK million	3,733	–
Rental duration, years	6	–
Share of public-sector tenants, %	60	–



Lanthem	30 Sep 2019	30 Sep 2018
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	402	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 62.9 per cent (63.7) and the interest-coverage ratio was 5.1 (4.7).

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, the European Investment Bank (EIB) 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.

## Interest-bearing debt

At period-end, Hemsö's interest-bearing debt amounted to SEK 36,008 million (28,738).

During the period, Hemsö issued bonds totalling SEK 3,350 million in the Swedish capital market and EUR 228 million in European markets. In addition, Hemsö utilised an additional EUR 100 million from a total line of credit corresponding to SEK 3 billion from the European Investment Bank (EIB).

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

Hemsö works actively to buy back bonds as they approach maturity to minimise the company's refinancing risk. During the period, Hemsö repurchased bonds totalling SEK 706 million (1,193).

## Sources of funding, SEK million

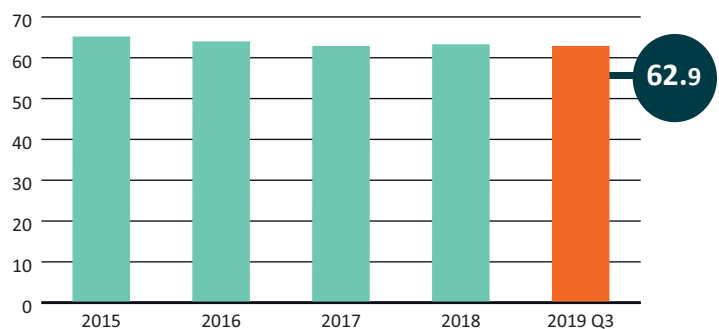
	Q3 2019	Q3 2018
Bonds, SEK	14,153	12,910
Bonds, EUR	14,018	9,629
<b>Total bonds</b>	<b>28,171</b>	<b>22,539</b>
<i>Of which sustainability bonds</i>	<i>1,000</i>	<i>1,000</i>
Commercial paper	4,359	4,599
European Investment Bank	1,873	800
Nordic Investment Bank	800	800
Schuldschein	805	–
Secured loans	–	–
<b>Interest-bearing debt</b>	<b>36,008</b>	<b>28,738</b>
<i>Of which sustainable finance</i>	<i>3,673</i>	<i>2,600</i>

## Capital structure, SEK million

	Q3 2019	Q3 2018
Interest-bearing debt	36,008	28,738
Current investments	375	–
Cash and cash equivalents	1,747	1,500
<b>Net debt</b>	<b>33,886</b>	<b>27,238</b>
Market value of investment properties	53,218	42,573
Investments in associated companies	622	177
<b>Total</b>	<b>53,840</b>	<b>42,750</b>
<b>Loan-to-value ratio*</b>	<b>62.9%</b>	<b>63.7%</b>
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

\* Due to its investments in associated companies, Hemsö has updated its definition of Loan-to-value ratio to include these investments. Refer also to the definitions and key ratio calculations on pages 21 and 23.

## Loan-to-value ratio, %



At period-end, Hemsö had undrawn committed credit facilities totalling SEK 11,616 million (12,700), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents and current investments amounted to SEK 2,122 million (1,500) and total available liquidity amounted to SEK 13,738 million (14,200). The debt-coverage ratio was 154 per cent (201).

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 7,950 million (7,450). The nominal value of Hemsö's outstanding foreign exchange derivatives was SEK 268 million (186). At period-end, currency exposure corresponded to 11.4 per cent (6.4) of the Group's equity.

At period-end, the average loan maturity was 7.2 years (6.6) and the average fixed-rate period was 6.4 years (5.1). The loan maturity was extended during the year due to Hemsö's focus on longer-maturity loans. The average interest rate was 1.3 per cent (1.3).

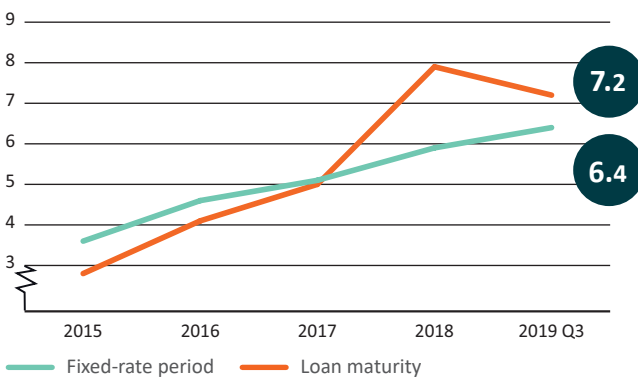
### Committed credit facilities and underwriting commitments, SEK million

	Q3 2019	Q3 2018
Banks	6,500	6,500
Third Swedish National Pension Fund	4,000	4,000
EIB	1,116	2,200
<b>Total</b>	<b>11,616</b>	<b>12,700</b>
Current investments	375	–
Cash and cash equivalents	1,747	1,500
<b>Available liquidity</b>	<b>13,738</b>	<b>14,200</b>
Short-term loans	8,903	7,058
Debt-coverage ratio	154%	201%

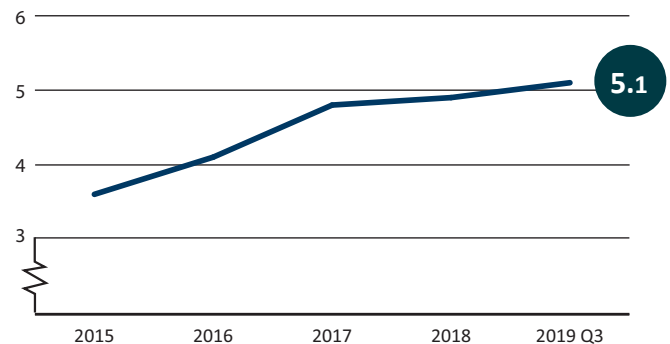
### Currency exposure, SEK million

	Q3 2019	Q3 2018
Properties, EUR	17,687	10,570
Cash, EUR	265	12
<b>Assets, EUR</b>	<b>17,952</b>	<b>10,582</b>
Debt, EUR	15,896	9,629
<b>Exposure, EUR</b>	<b>2,056</b>	<b>953</b>
Currency hedging	-268	-186
<b>Currency exposure</b>	<b>1,788</b>	<b>767</b>
Equity	15,667	12,053
<b>Currency exposure</b>	<b>11.4%</b>	<b>6.4%</b>

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



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



## Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Maximum 70%	62.9%
Loan maturity	At least 3 years	7.2 years
Debt-coverage ratio	At least 110%	154%
Share of secured debt	Max. 20%	0.0%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 2.0 (rolling 12-month period)	5.1
Fixed-rate period	Average fixed-rate period, 3-8 years	6.4 years
Fixed-rate maturity	Max. 40% within 12 months	31.0%
<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 Group's equity	11%



## Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2019	1,244	1,244	4	7,962	22
2020	4,300	3,300	10	3,099	9
2021	10,828	5,212	17	2,250	6
2022	3,746	2,746	9	1,050	3
2023	3,750	1,250	4	1,750	5
2024	2,500	1,000	3	2,000	6
2025	0	0	0	0	0
2026	6,142	6,142	19	5,342	15
2027	100	100	0	0	0
>2027	10,655	10,655	34	12,555	34
<b>Total</b>	<b>43,265</b>	<b>31,649</b>	<b>100</b>	<b>36,008</b>	<b>100</b>
Commercial papers		4,359			
<b>Total</b>		<b>36,008</b>			

## Quarterly overview

Amounts in SEK million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
<b>Income statement</b>									
Property income	764	774	727	676	653	650	640	617	594
Property costs	-170	-193	-180	-208	-145	-148	-168	-154	-118
<b>Net operating income</b>	<b>594</b>	<b>581</b>	<b>547</b>	<b>468</b>	<b>508</b>	<b>502</b>	<b>472</b>	<b>463</b>	<b>476</b>
Central administrative expenses	-36	-37	-33	-48	-33	-36	-30	-43	-27
Profit from participations in associated companies	-48	17	2	6	2	2	1	1	0
<b>Operating profit</b>	<b>510</b>	<b>561</b>	<b>516</b>	<b>426</b>	<b>477</b>	<b>468</b>	<b>443</b>	<b>421</b>	<b>449</b>
Financial items	-110	-107	-93	-80	-96	-102	-93	-91	-93
<b>Profit from property management</b>	<b>400</b>	<b>454</b>	<b>423</b>	<b>346</b>	<b>381</b>	<b>366</b>	<b>350</b>	<b>330</b>	<b>356</b>
Value change, properties	460	691	128	1,166	94	622	178	739	141
Value change, financial instruments	-76	-53	-51	-2	63	2	28	33	1
<b>Profit before tax</b>	<b>784</b>	<b>1 092</b>	<b>500</b>	<b>1 510</b>	<b>538</b>	<b>990</b>	<b>556</b>	<b>1 102</b>	<b>498</b>
Current tax	-16	-10	-26	11	-4	-39	-4	13	-28
Deferred tax	-135	-124	-68	-318	-100	-14	-34	-229	-85
<b>Profit for the period</b>	<b>633</b>	<b>958</b>	<b>406</b>	<b>1,203</b>	<b>434</b>	<b>937</b>	<b>518</b>	<b>886</b>	<b>385</b>
Other comprehensive income	12	78	63	-4	-5	5	26	24	-3
<b>Comprehensive income for the period</b>	<b>645</b>	<b>1,036</b>	<b>469</b>	<b>1,199</b>	<b>429</b>	<b>942</b>	<b>544</b>	<b>910</b>	<b>382</b>
<b>Balance sheet</b>									
Investment properties	53,218	51,614	49,559	46,236	42,573	41,597	40,152	38,883	36,671
Other assets	1,762	2,229	1,089	720	929	770	715	660	560
Cash and cash equivalents	2,122	1,863	3,585	450	1,500	1,223	1,132	1,134	849
<b>Total assets</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>41,999</b>	<b>40,677</b>	<b>38,080</b>
Equity	15,667	15,022	14,668	13,199	12,053	11,624	11,340	10,795	9,885
Deferred tax liabilities	3,401	3,263	3,142	3,067	2,750	2,651	2,638	2,591	2,355
Derivatives	366	305	285	281	350	512	515	544	560
Interest-bearing liabilities	36,439	36,071	34,720	29,728	28,738	27,786	26,380	25,575	24,497
Non-interest-bearing liabilities	1,229	1,045	1,418	1,131	1,111	1,017	1,126	1,172	783
<b>Total equity and liabilities</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>41,999</b>	<b>40,677</b>	<b>38,080</b>
<b>Key ratios</b>									
<b>Financial key ratios</b>									
Loan-to-value ratio, %*	62.9	63.6	62.0	63.1	63.7	63.6	62.6	62.6	64.2
Interest-coverage ratio <sup>1</sup>	5.1	5.3	5.1	4.9	4.7	4.7	4.8	4.8	4.7
Operating cash flow, SEK million	432	417	380	329	366	350	338	330	350
Return on equity, % <sup>1</sup>	23.1	22.5	22.9	25.8	25.3	25.8	24.3	26.6	41.3
<b>Property-related key ratios</b>									
Property yield, %	4.8	4.8	4.9	4.9	5.1	5.1	5.2	5.2	5.4
Total yield, % <sup>1</sup>	9.9	9.2	9.2	9.7	9.2	9.5	9.0	9.8	13.8
Economic occupancy rate, %	97.7	98.0	97.9	98.3	98.1	98.3	98.1	98.3	98.8
NOI margin, %	77.7	75.2	75.3	69.2	77.8	77.2	73.8	75.0	80.1
No. of properties	364	362	368	365	353	349	345	346	342
Lettable area, tsqm	1,833	1,831	1,800	1,732	1,679	1,651	1,658	1,636	1,591

1) Calculated using 12-month rolling outcome.

\* Due to its investments in associated companies, Hemsö has updated its definition of Loan-to-value ratio to include these investments. The loan-to-value ratio for previous quarters has been restated in accordance with the new definition.



## Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Jul-Sep 2019	Jul-Sep 2018	Oct 2018-Sep 2019	Jan-Dec 2018
Rental income	2,252	1,935	760	654	2,924	2,607
Other income	13	8	4	-1	16	11
Operating costs	-341	-305	-89	-79	-447	-411
Maintenance costs	-153	-112	-63	-49	-238	-197
Other property costs	-49	-44	-18	-17	-65	-60
<b>Net operating income</b>	<b>1,722</b>	<b>1,482</b>	<b>594</b>	<b>508</b>	<b>2,190</b>	<b>1,950</b>
Central administrative expenses	-107	-99	-36	-33	-154	-146
Profit from participations in associated companies	-29	5	-48	2	-23	11
<b>Operating profit</b>	<b>1,586</b>	<b>1,388</b>	<b>510</b>	<b>477</b>	<b>2,013</b>	<b>1,815</b>
Financial items	-310	-291	-110	-96	-391	-372
<b>Profit from property management</b>	<b>1,276</b>	<b>1,097</b>	<b>400</b>	<b>381</b>	<b>1,622</b>	<b>1,443</b>
Value change, investment properties	1,279	894	460	94	2,445	2,060
Value change, financial instruments	-180	93	-76	62	-182	91
<b>Profit before tax</b>	<b>2,375</b>	<b>2,084</b>	<b>784</b>	<b>537</b>	<b>3,885</b>	<b>3,594</b>
Current tax	-52	-47	-16	-4	-41	-36
Deferred tax	-327	-148	-135	-100	-645	-466
<b>Profit for the period</b>	<b>1,996</b>	<b>1,889</b>	<b>633</b>	<b>433</b>	<b>3,199</b>	<b>3,092</b>
<b>Profit for the period attributable to</b>						
Parent Company shareholders	1,898	1,800	577	389	3,078	2,980
Non-controlling interests	98	89	56	44	121	112
<b>Other comprehensive income</b>						
Profit for the period	1,996	1,889	633	433	3,199	3,092
Translation difference	154	26	12	-5	150	22
<b>Comprehensive income for the period</b>	<b>2,150</b>	<b>1,915</b>	<b>645</b>	<b>428</b>	<b>3,349</b>	<b>3,114</b>
<b>Comprehensive income for the period attributable to</b>						
Parent Company shareholders	2,052	1,826	589	384	3,228	3,002
Non-controlling interests	98	89	56	44	121	112

## Group – Condensed statement of financial position

Amounts in SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>ASSETS</b>			
Investment properties	53,218	42,573	46,236
Right-of-use assets	431	–	–
Participations in associated companies	622	106	112
Receivables from associated companies	–	71	71
Other non-current assets	95	36	92
<b>Total non-current assets</b>	<b>54,366</b>	<b>42,786</b>	<b>46,511</b>
Current receivables	614	717	445
Current investments	375	–	–
Cash and cash equivalents	1,747	1,500	450
<b>Total current assets</b>	<b>2,736</b>	<b>2,217</b>	<b>895</b>
<b>TOTAL ASSETS</b>	<b>57,102</b>	<b>45,002</b>	<b>47,406</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>15,667</b>	<b>12,053</b>	<b>13,199</b>
Deferred tax liabilities	3,401	2,750	3,067
Interest-bearing debt	27,105	21,680	21,736
Interest-bearing debt, right-of-use assets	431	–	–
Non-interest-bearing liabilities	366	350	281
<b>Total non-current liabilities</b>	<b>31,303</b>	<b>24,780</b>	<b>25,084</b>
Interest-bearing debt	8,903	7,058	7,992
Non-interest-bearing liabilities	1,229	1,111	1,131
<b>Total current liabilities</b>	<b>10,132</b>	<b>8,169</b>	<b>9,123</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,102</b>	<b>45,002</b>	<b>47,406</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 2018	1	6,856	104	3,546	288	10,795
Dividends	–	-500	–	-157	–	-657
Comprehensive income	–	–	25	1,800	90	1,915
<b>Closing equity, 30 Sep 2018</b>	<b>1</b>	<b>6,356</b>	<b>129</b>	<b>5,189</b>	<b>378</b>	<b>12,053</b>
Comprehensive income, 1 Nov 2018 – 31 Dec 2018	–	–	-3	1,180	-31	1,146
<b>Closing equity, 31 Dec 2018</b>	<b>1</b>	<b>6,356</b>	<b>126</b>	<b>6,369</b>	<b>347</b>	<b>13,199</b>
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
Contribution from minority interests	–	–	–	–	39	39
Comprehensive income	–	–	154	1,898	98	2,150
<b>Closing equity, 30 Sep 2019</b>	<b>1</b>	<b>6,856</b>	<b>280</b>	<b>8,046</b>	<b>484</b>	<b>15,667</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Jul-Sep 2019	Jul-Sep 2018	Oct 2018-Sep 2019	Jan-Dec 2018
<b>Operating activities</b>						
Profit from property management	1,276	1,097	400	381	1,622	1,443
<i>Adjusted for items not included in profit from property management</i>						
Profit/loss from participations in associated companies	29	-5	47	-2	23	-11
Depreciation	8	2	2	1	8	2
<i>Adjusted for other non-cash items</i>						
Exchange differences, unrealised	138	57	26	3	108	27
Capital gain/loss and disposals	-36	27	24	44	-43	20
Tax paid	-84	-40	-17	-14	-95	-51
<b>Cash flow before changes in working capital</b>	<b>1,331</b>	<b>1,138</b>	<b>482</b>	<b>413</b>	<b>1,623</b>	<b>1,430</b>
Increase (+)/decrease (-) in working capital	61	-390	49	-192	451	0
<b>Cash flow from operating activities</b>	<b>1,392</b>	<b>748</b>	<b>531</b>	<b>221</b>	<b>2,074</b>	<b>1,430</b>
<b>Investing activities</b>						
Acquisition of properties	-4,264	-1,423	-478	-256	-5,976	-3,135
Investments in new construction, extension and refurbishment	-2,007	-1,855	-622	-650	-2,812	-2,660
Divestment of properties	1,109	870	-10	0	1,110	871
Investment in financial non-current assets	-459	-23	69	0	-522	-86
Other non-current assets	-	-4	-	-1	4	-
<b>Cash flow from investing activities</b>	<b>-5,621</b>	<b>-2,435</b>	<b>-1,041</b>	<b>-907</b>	<b>-8,196</b>	<b>-5,010</b>
<b>Financing activities</b>						
Interest-bearing loans raised	8,187	6,434	1,320	1,446	10,216	8,463
Repayment of interest-bearing liabilities	-2,450	-3,696	-1,005	-484	-3,465	-4,711
Redemption of financial instruments	-95	-	-15	-	-267	-172
Shareholder contributions received	1,000	-	-	-	1,000	-
Contributions from non-controlling interests	39	-	-	-	39	-
Dividends paid	-721	-657	-	-	-721	-657
<b>Cash flow from financing activities</b>	<b>5,960</b>	<b>2,081</b>	<b>300</b>	<b>962</b>	<b>6,802</b>	<b>2,923</b>
<b>Cash flow for the period</b>	<b>1,731</b>	<b>394</b>	<b>-210</b>	<b>276</b>	<b>680</b>	<b>-657</b>
Opening balance, cash and cash equivalents	450	1,134	2,333	1,223	450	1,134
Exchange-rate differences in cash and cash equivalents	-59	-28	-1	1	-58	-27
<b>Closing cash and cash equivalents</b>	<b>2,122</b>	<b>1,500</b>	<b>2,122</b>	<b>1,500</b>	<b>1,072</b>	<b>450</b>
<b>Operating cash flow</b>	<b>1,229</b>	<b>1,054</b>	<b>432</b>	<b>366</b>	<b>1,558</b>	<b>1,383</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018	Oct 2018-Sep 2019	Jan-Dec 2018
Operating income	44	41	66	63
Administrative expenses	-118	-107	-169	-158
<b>Operating loss</b>	<b>-74</b>	<b>-66</b>	<b>-103</b>	<b>-95</b>
Financial items	524	373	473	322
Value change, financial instruments	-180	-452	-181	-453
Appropriations	-	-	653	653
<b>Profit/loss before tax</b>	<b>270</b>	<b>-145</b>	<b>842</b>	<b>427</b>
Recognised tax	17	72	3	58
<b>Profit/loss for the period</b>	<b>287</b>	<b>-73</b>	<b>845</b>	<b>485</b>
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>287</b>	<b>-73</b>	<b>845</b>	<b>485</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1	7	1
Equipment	3	1	1
Shares and participations in Group companies	7,658	6,209	6,233
Deferred tax assets	75	72	57
Non-current receivables	26,804	3,392	16,120
<b>Total non-current assets</b>	<b>34,541</b>	<b>9,681</b>	<b>22,412</b>
<b>Current assets</b>			
Current receivables	5,296	22,152	11,008
Current investments	375	-	-
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>5,671</b>	<b>22,152</b>	<b>11,008</b>
<b>TOTAL ASSETS</b>	<b>40,212</b>	<b>31,833</b>	<b>33,420</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3,639	2,515	3,073
<b>Untaxed reserves</b>			
Tax allocation reserve	34	48	34
<b>Liabilities</b>			
Deferred tax liabilities	25	25	25
Interest-bearing liabilities	36,008	28,738	29,728
Non-interest-bearing liabilities	506	507	560
<b>Total liabilities</b>	<b>36,539</b>	<b>29,270</b>	<b>30,313</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,212</b>	<b>31,833</b>	<b>33,420</b>

# Other information

## Significant events after period-end

No significant events occurred after period-end.

## Employees

At period-end, Hemsö had 122 employees, of whom 58 were women and 64 men. Of these employees, 43 worked with asset and property management and 16 with development. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 110 are employed in Sweden, six in Germany and six in Finland.

## Risks and uncertainties

No changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 76-81 of the 2018 Annual Report.

## Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2018 Annual Report. No significant related-party transactions took place during the period.

## 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 owns 24 investment properties through limited partnerships.

Hemsö divested shares in the joint venture Vitartes AB and acquired half of the shares and votes in Vitartes' former subsidiaries Scandinavian Life Science AB and Scandinavian Life Science Två AB. The companies own two properties in Hagastaden.

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

Hemsö also owns 34.8 per cent of the participations in Turku Technology Properties Oy, which owns 18 public properties in Turku through subsidiaries. This company is not included in the consolidated accounts.

## Accounting policies applied

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The same principles of accounting and measurement were applied as in the 2018 Annual Report, pages 98-101, except as stated below. 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.

## IFRS 16 Leases

This standard supersedes IAS 17 and was adopted by Hemsö on 1 January 2019 with no retrospective effect. Revenue recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most leases (rental agreements) will be recognised on the balance sheet as a right-of-use asset. For Hemsö, most of the right-of-use assets recognised on the balance sheet comprise site leasehold agreements. Leasehold fees are recognised as an interest expense on the income statement and no longer included in net operating income. At 30 September, right-of-use assets and their corresponding lease liabilities amounted to SEK 431 million and affected some financial key ratios, including a -0.1 percentage point change in the equity/assets ratio.

# Rapportens undertecknande

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 24 October 2019

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  
*CEO*

# Auditor's review

Hemsö Fastighets AB (Corp. Reg. No. 556779-8169)

## Introduction

We have reviewed the condensed interim financial information (interim report) for Hemsö Fastighets AB at 30 September 2019 and the nine-month period that ended on this date.

The Board of Directors and Chief Executive Officer are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report, based on our review.

## Focus and scope of the review

We performed our review in accordance with International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review is made by making enquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with International Standards on Auditing and the auditing standards generally accepted in Sweden.

These review procedures do not allow us to obtain such an assurance that we become aware of all of the important circumstances that could have been identified if an audit had been carried out. The conclusion expressed on the basis of a review does not therefore have the same assurance as a conclusion based on an audit.

## Conclusion

Based on our review, no circumstances have arisen that give us reason to believe that this interim report has not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group, and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, 24 Oct 2019

Ernst & Young AB

Magnus Fredmer

Authorised Public Accountant

# Definitions

## Financial definitions

### Share of secured debt

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

### Return on equity

Profit after tax for the period in relation to average equity (rolling 12 months). Average equity is calculated as the total of the opening and closing balance, divided by two.

### Loan-to-value ratio

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

### Property yield

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

### Available liquidity

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

### Profit from property management

Profit before changes in value and tax.

### Average interest rate

The weighted interest rate on the interest-bearing debt with consideration for interest-rate derivatives and committed credit facilities on the closing date.

### Loan maturity

The average of the remaining maturities of the interest-bearing debt, 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 the proportion of associated companies' profit less tax paid.

### Interest-coverage ratio

Operating profit in relation to net financing costs.

### Interest-bearing debt

Interest-bearing liabilities, excluding interest-bearing debt and right-of-use assets.

### Operating profit

Net operating income plus profit from 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 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.

### Properties for public use

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 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.

<b>Return on equity</b>	<b>Oct 2018-Sep 2019</b>	<b>Oct 2017-Sep 2018</b>
Profit for the period	3,199	2,775
Average equity	13,860	10,969
<b>Return on equity</b>	<b>23.1%</b>	<b>25.3%</b>

<b>Property yield</b>	<b>30 Sep 2019</b>	<b>30 Sep 2018</b>
Net operating income according to income statement	2,190	1,944
Adjusted for 12-month holding period	43	17
Adjusted for development properties	-123	-195
<b>Adjusted net operating income</b>	<b>2,110</b>	<b>1,766</b>
Market value of investment properties	53,218	42,573
Adjusted for development properties	-8,879	-8,022
<b>Adjusted market value</b>	<b>44,339</b>	<b>34,551</b>
<b>Property yield</b>	<b>4.8%</b>	<b>5.1%</b>

<b>Total yield</b>	<b>Oct 2018-Sep 2019</b>	<b>Oct 2017-Sep 2018</b>
Net operating income	2,190	1,944
Value change, properties	2,445	1,632
<b>Total</b>	<b>4,635</b>	<b>3,576</b>
Opening property value	42,573	36,671
Closing property value	53,218	42,573
Adjustment of value change for the year	-2,445	-1,632
<b>Adjusted average property value</b>	<b>46,673</b>	<b>38,806</b>
<b>Total yield</b>	<b>9.9%</b>	<b>9.2%</b>

<b>Profit from property management</b>	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
Profit before tax	2,375	2,084
Reversal		
<i>Value change, properties</i>	-1,279	-894
<i>Value changes, derivatives</i>	180	-93
<b>Profit from property management</b>	<b>1,276</b>	<b>1,097</b>
<b>Interest-coverage ratio</b>	<b>Oct 2018-Sep 2019</b>	<b>Oct 2017-Sep 2018</b>
Operating profit	2,013	1,808
Financial items	-391	-382
<b>Interest-coverage ratio</b>	<b>5.1</b>	<b>4.7</b>
<b>Operating cash flow</b>	<b>Jan-Sep 2019</b>	<b>Jan-Sep 2018</b>
Profit from property management	1,276	1,097
Profit/loss from participations in associated companies	29	-5
Depreciation	8	2
Tax paid	-84	-40
<b>Operating cash flow</b>	<b>1,229</b>	<b>1,054</b>
<b>Loan-to-value ratio</b>	<b>30 Sep 2019</b>	<b>30 Sep 2018</b>
Interest-bearing debt	36,008	28,738
Cash and cash equivalents	-1,747	-1,500
Current investments	-375	-
<b>Net debt</b>	<b>33,886</b>	<b>27,238</b>
Market value of investment properties	53,218	42,573
Investments in associated companies	622	177
Total	53,840	42,750
<b>Loan-to-value ratio</b>	<b>62.9%</b>	<b>63.7%</b>
<b>Debt-coverage ratio</b>	<b>30 Sep 2019</b>	<b>30 Sep 2018</b>
Cash and cash equivalents	1,747	1,500
Current investments	375	-
Undrawn committed credit facilities	11,616	12,700
Available liquidity	13,738	14,200
Short-term loans	8,903	7,058
<b>Debt-coverage ratio</b>	<b>154%</b>	<b>201%</b>
<b>Share of secured debt</b>	<b>30 Sep 2019</b>	<b>30 Sep 2018</b>
Secured debt outstanding	0	0
Market value of investment properties	53,218	42,573
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>

**Questions and more information**

For more information, please contact:

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CFO and Deputy CEO, Rutger Källén, phone +46 (0)8-501 170 35

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

**Financial calendar**

Year-end report 2019	7 February 2020
Annual Report	March 2020
Interim report Jan-Mar 2020	27 April 2020
Annual General Meeting	27 April 2020
Half-year report Jan-Jun 2020	10 July 2020
Interim report Jan-Sep 2020	27 Oct 2020

