

# Q2

## Half-year report 2019

### Summary Jan – Jun 2019

- » Rental income increased to SEK 1,492 million (1,281).
- » Profit from property management increased to SEK 877 million (716).
- » Changes in value of properties amounted to SEK 819 million (800) and changes in value of financial instruments to SEK -104 million (30).
- » Profit after tax for the period totalled SEK 1,364 million (1,455).
- » The market value of investment properties was SEK 51,614 million (41,597).
- » During the period, 13 properties (13) were acquired for SEK 3,786 million (1,167) and 15 properties (10) were divested with a positive impact of SEK 77 million on earnings, excluding tax.

### Significant events during the second quarter

- » Hemsö acquired the new police headquarters in Rinkeby, which are currently under construction. The investment amount for Hemsö was SEK 480 million. The Swedish Police have signed a 15-year lease agreement.
- » Hemsö signed a new bilateral Schuldschein loan – a Namensschuldverschreibung (NSV, a German law registered bond) – of EUR 75 million. The loan term is 20 years.
- » Hemsö divested one property portfolio of 14 properties in Sweden. The selling price was approximately SEK 1.2 billion.
- » Standard & Poor's confirmed Hemsö's long-term credit rating of A- with a stable outlook.

### Hemsö in summary

	Jan – Jun 2019	Jan – Jun 2018	Jul 2018 – Jun 2019	Jan – Dec 2018
Property income, SEK million	1,501	1,289	2,830	2,618
Profit from property management, SEK million	877	716	1,604	1,443
Profit after tax, SEK million	1,364	1,455	3,001	3,092
Operating cash flow, SEK million	797	688	1,492	1,383
Loan-to-value ratio, %	63.6	63.6	63.6	63.1
Interest-coverage ratio	5.3	4.7	5.3	4.9
Market value of investment properties, SEK million	51,614	41,597	51,614	46,236
NOI margin, %	75.2	75.5	74.4	74.5
Economic occupancy rate, %	98.0	98.3	98.0	98.3
Lease duration, years	9.8	9.1	9.8	9.7
Leasable area, tsqm	1,831	1,651	1,831	1,732



## CEO statement

Profit from property management for the first half of 2019 rose 23 per cent, mainly driven by several major acquisitions in Finland and completed development projects in Sweden.

### Stronger position in Finland

During the quarter, the previously announced acquisition of eight nursing home and health care properties in Turku was completed. The seller was the City of Turku, which will become the tenant with a lease term of 11 years. The City of Turku, which has been a tenant since 2013, will therefore become Hemsö's second-largest tenant and account for 5 per cent of rental income. It is gratifying that we are strengthening our partnership with the City of Turku, which will enable us to contribute to the continued development of this fast-growing region. Over the past three years, Hemsö's portfolio in Finland has grown from SEK 1.8 billion to SEK 9.3 billion. At the same time, the share of public-sector tenants has increased from 45 per cent to over 60 per cent. This is the result of a focus on partnerships with Finnish municipalities and the Finnish state.

### First sod turned and development projects completed

In April, we turned the first sod for three new nursing home and school projects – in Haninge, Kristianstad and Halmstad. During the quarter, we also completed one nursing home and three elementary schools in Solna and Norrköping. Over the past year, Hemsö has subsequently completed, commenced, or is planning to commence within 12 months, the construction of 1,000 nursing home beds and 5,500 places in preschools and elementary schools. According to a report presented by the Swedish Ministry of Finance, Swedish municipalities are facing a major challenge – 32,000 nursing home beds and 100,000 school places will be required by 2030. Although Hemsö's share of total new construction is still minor, we are the private company that is making the biggest contribution to the development of the social infrastructure that Sweden needs.

### Strategic investment in Rinkeby

In June, the new police headquarters in the Rinkeby district of Stockholm were acquired. As part of the acquisition, we will assume the role of developer for the ongoing development project. The project will be transferred in the third quarter. This transaction will strengthen our portfolio of justice system properties and deepen our partnership with the Swedish Police, who are now our largest single tenant. We are also looking forward to contributing to a strategic investment in improved safety and security for the people who live and work in the Rinkeby district. The property is located on Rinkeby Allé, which is included in the City of Stockholm's "Vision Järva 2030," a programme that aims to improve quality of life in the area and create pleasant working and living environments.

### Hemsö Gift

In 2012, we launched the annual Hemsö Gift with the aim of facilitating and enriching the everyday life of people who use our properties. During the spring, we distributed the Hemsö Gift, which finances opportunities for improving a tenant's operations and initiatives that lie beyond our responsibilities as a landlord. In 2018, the Hemsö Gift was awarded to various activities for students in our preschools and elementary schools. In 2019, we decided to award the gift to business operations in the justice system, and in health care and care. This year, 17 businesses across the country received a contribution towards such activities as picnics, guest speakers, a greenhouse, gardening and teddy bears for children who are visiting the police.

### New source of finance

Hemsö has continued to diversify the company's financing and during the quarter, signed a new bilateral Schuldschein loan of EUR 75 million. The documentation corresponds to the terms of Hemsö's EMTN programme, but is subject to German law. The interest-only loan is unsecured, with a 20-year term and a fixed interest rate of 2.02 per cent. The Schuldschein loan will further broaden our investor base by reaching investors who require documentation based on German law. This loan will also meet Hemsö's ambition to reduce its financial risk with long-term finance.

Nils Styf, CEO

### Vision

To be the best property company for public services.

### Mission

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

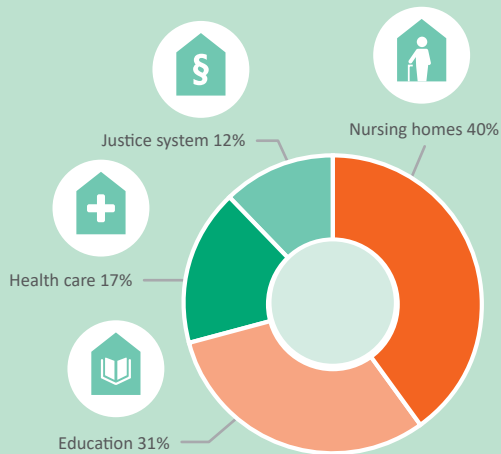
### THIS IS HEMSÖ

- 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.

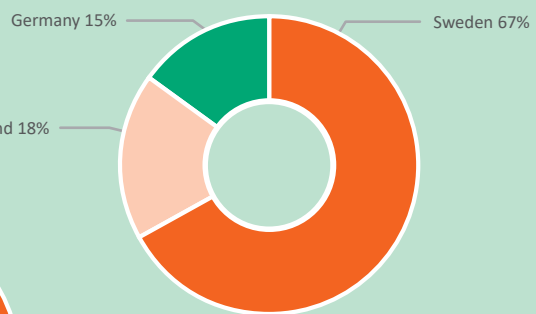
This means that Hemsö will create added value for its customers, and be the long-term property partner for the public sector and private operators of public services.

- The operations are characterised by long-term lease agreements and stable tenants.
- The Third Swedish National Pension Fund is the majority owner.
- The total value of Hemsö’s property portfolio is SEK 51.6 billion.
- Hemsö has a credit rating of A- from Standard & Poor’s.

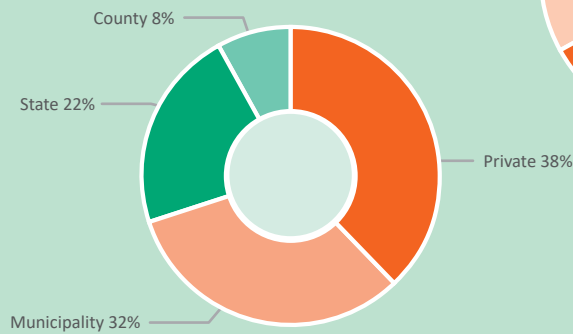
Contracted rent per property category



Market value of investment properties



Contracted rent per customer category



# Income, costs and profit

Profit/loss items relate to the January-June 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 1,492 million (1,281).

Rental income rose 36 per cent in Germany, and 80 per cent in Finland, primarily due to acquisitions. In Sweden, rental income rose 4 per cent, mainly the result of acquisitions and completed development projects.

Rental income in the comparable portfolio rose SEK 47 million, or 4 per cent, due to rental indexing and renegotiations.

At period-end, contracted annual rent amounted to SEK 3,017 million (2,550) and economic vacancies to SEK 69 million (45).

The lease duration increased to 9.8 years (9.1), the result of completed development projects and renegotiations. At period-end, the economic occupancy rate was 98.0 per cent (98.3).

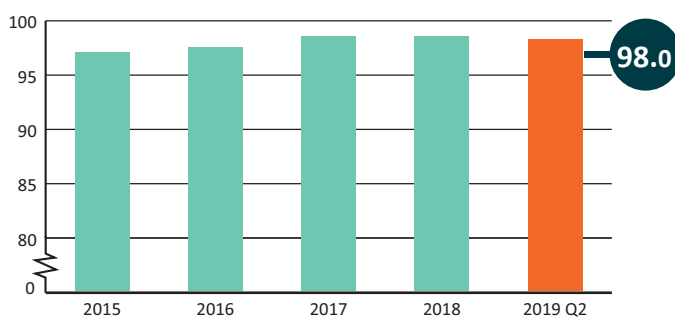
In 2019, lease agreements of SEK 118 million will expire, of which SEK 25 million has already been extended. The remaining lease expiration in 2019 amounts to SEK 93 million, corresponding to 3 per cent of Hemsö's contracted rental income.

## Property costs

Property costs amounted to SEK 373 million (315), up SEK 58 million.

Costs in the comparable portfolio increased SEK 28 million, or 10 per cent, mainly due to increased maintenance measures to enhance the quality of the property portfolio.

## Economic occupancy rate, %



## Vacancy changes

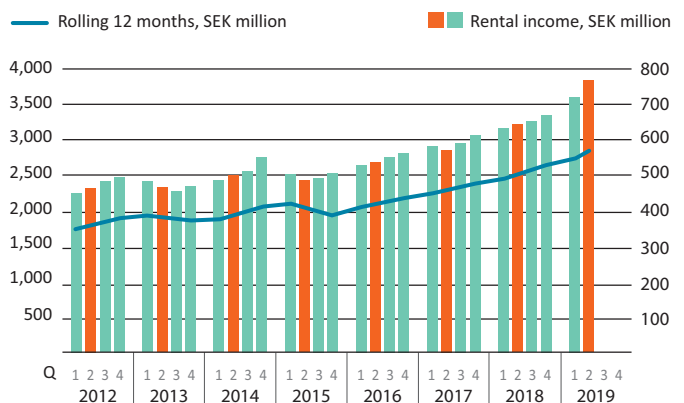
SEK million	Jan-Jun 2019
Opening vacancy	49
Terminated leases	23
Adjusted for vacancy rents	-5
New leases	-15
Acquired	21
Divested	-4
<b>Closing vacancy</b>	<b>69</b>

## Lease agreement maturity structure

Year	Annual rent, SEK million	Share of annual rent, %
2019	93	3
2020	207	7
2021	218	7
2022	199	6
2023	146	5
2024	103	3
2025	146	5
2026	113	4
2027	124	4
2028	242	8
>2028	1,444	48
<b>Total</b>	<b>3,035</b>	<b>100</b>

"Annual rent" refers to contracted annual rent before the deduction of discounts amounting to SEK 21 million.

## Rental income



## SEK 1,492 million

### Rental income

#### Net operating income

Net operating income increased to SEK 1,128 million (974). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin was 75.2 per cent (75.5) for the period, down 0.3 percentage points year-on-year.

In the comparable portfolio, net operating income rose SEK 17 million, or 2 per cent. The increase was mainly due to higher income.

#### Comparable portfolio

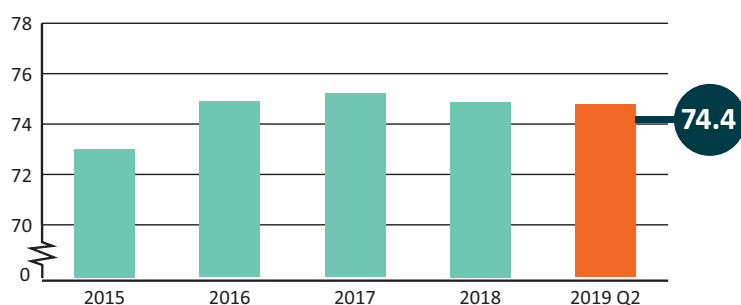
	30 Jun 2019	30 Jun 2018	Change, %
No. of properties	294	294	–
Market value of investment properties, SEK million	35,580	33,467	6.3
Property yield, %	4.8	5.1	-5.9

#### Amounts in SEK million

	Jan-Jun 2019	Jan-Jun 2018	Change, %
Rental income	1,167	1,120	4.2
Other income	5	7	-28.6
Operating costs	-208	-198	5.1
Maintenance costs	-80	-57	40.4

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 70 million (66). The year-on-year increase of SEK 4 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 -200 million (-195). Interest-bearing debt increased to SEK 35,638 million (27,786) while the average interest rate declined to 1.3 per cent (1.4). The fixed-rate period increased to 5.8 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 – Jun 2019	Jan – Jun 2018
Interest income	3	1
Other financial income	27	15
Interest expense	-200	-192
Other financial expenses	-21	-19
Interest expense, site leaseholds and leasehold estates	-8	–
Interest expense, other leases	-1	–
<b>Total financial items</b>	<b>-200</b>	<b>-195</b>

## SEK 1,128 million

### Net operating income

### Profit from property management

Profit from property management totalled SEK 877 million (716), up 23 per cent. The increase was mainly attributable to a larger property portfolio, increased profit from associated companies and stable net financial items.

### Change in value of investment properties

At period-end, changes in the value of investment properties amounted to SEK 819 million (800), of which realised value changes accounted for SEK 60 million (17) and unrealised value changes for SEK 759 million (783). Unrealised value changes were mainly derived from lower yield requirements in Sweden. The yield on the entire property portfolio, excluding development properties, was 4.8 per cent (5.1).

The total yield was 9.2 per cent (9.5).

### Unrealised value changes

SEK million	Jan – Jun 2019
Property management and development-related value change	302
General market value change	429
<b>Subtotal Sweden</b>	<b>731</b>
Property management and development-related value change	–
General market value change	25
<b>Subtotal Germany</b>	<b>25</b>
Property management and development-related value change	–
General market value change	3
<b>Subtotal Finland</b>	<b>3</b>
<b>Total unrealised value changes</b>	<b>759</b>

### Calculation of property yield

SEK million	30 Jun 2019
Net operating income according to income statement	2,104
Adjusted for 12-month holding period and leasehold fees	116
Adjusted for development properties	-107
<b>Adjusted net operating income, 12-month holding period excluding development properties</b>	<b>2,113</b>
Market value of properties according to balance sheet	51,614
Adjusted for development properties	-7,867
<b>Adjusted market value of properties</b>	<b>43,747</b>
<b>Property yield</b>	<b>4.8%</b>

# SEK 877 million

Profit from property management

Property value

**SEK 51.6 billion**

Properties

**362**

Leasable area

**1,831 tsqm**

### Change in value of the property portfolio

	SEK million	No.
Market value at the beginning of the period	46,236	365
Acquisitions	3,786	13
Investments in new construction, extension and refurbishment	1,385	
Divestments	-1,114	-15
Disposals	-18	-1
Exchange-rate fluctuations	580	
Unrealised value changes	759	
<b>Market value at period-end</b>	<b>51,614</b>	<b>362</b>

### Change in value of financial instruments

Changes in the value of financial instruments had a negative impact of SEK -104 million (pos: 30) on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -23 million (pos: 24) on profit. Foreign exchange derivatives had a negative impact of SEK -81 million (pos: 6) on profit, attributable to currency risk management in connection with property acquisitions in EUR.

### Tax

Recognised tax for the period amounted to SEK -228 million (-91), of which current tax accounted for SEK -36 million (-43) and deferred tax for SEK -192 million (-48). 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 81 million (128). Deferred tax liabilities amounted to SEK 3,344 million (2,779). Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

### Segment information

Amounts in SEK million	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of investment properties	
	Jan – Jun 2019	Jan – Jun 2018	Jan – Jun 2019	Jan – Jun 2018	30 Jun 2019	30 Jun 2018
Sweden East	400	384	280	288	15,027	13,855
Sweden West	158	142	109	95	3,662	3,690
Sweden Central/North	303	297	219	214	10,785	9,229
Sweden South	159	157	108	111	4,925	4,397
Germany	212	156	203	149	7,795	5,319
Finland	260	144	209	117	9,420	5,107
<b>Total</b>	<b>1,492</b>	<b>1,281</b>	<b>1,128</b>	<b>974</b>	<b>51,614</b>	<b>41,597</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.

### Earnings

Profit after tax for the period amounted to SEK million 1,364 (1,455), corresponding to a year-on-year decline of SEK 91 million. The profit decline was mainly attributable to a negative change in the value of financial instruments and higher tax.

### Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 849 million (725). The change in working capital amounted to SEK 12 million (-198). Operating cash flow was SEK 797 million (688). Investing activities had a negative impact of SEK -4,580 million (-1,528) on cash flow, while increased borrowings, redemption of financial instruments, shareholder contributions received and dividends paid had a positive impact of SEK 5,660 million (1,119) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 1,941 million (118) 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 30 million (28) and consisted of fees for services to the subsidiaries. Administrative expenses increased to SEK -77 million (-71). Financial items amounted to SEK 513 million (470). Financial items include gains of SEK 254 million (223) on sales of shares in subsidiaries, profit of SEK 247 million (509) from participations in Group companies, interest income of SEK 277 million (31), interest expense of SEK -189 million (-209), and exchange-rate differences of SEK -76 million (-84). Changes in the value of financial instruments amounted to SEK -104 million (-513) and comprehensive income for the period increased to SEK 367 million (19).

# Property portfolio

Of the total property value of SEK 51,614 million (41,597), 67 per cent (75) was attributable to Sweden, 15 per cent (13) to Germany and 18 per cent (12) to Finland.

At period-end, Hemsö owned properties in 61 municipalities in Sweden, 40 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 and Finland, Hemsö owns properties for nursing homes, education, health care and the justice system. In Germany, Hemsö owns properties for nursing homes, education and the justice system.

At 30 June 2019, Hemsö's property portfolio comprised 362 properties (349) with a total leasable area of 1,831 tsqm (1,651).

## Properties acquired and divested

Quarter	No.	Property value, SEK million	Leasable area, sqm
<b>Acquisitions</b>			
Q1	5	2,348	64,096
Q2	8	1,438	80,145
<b>Total</b>	<b>13</b>	<b>3,786</b>	<b>144,241</b>
<b>Divestments</b>			
Q1	1	-58	3,475
Q2	14	-1,056	55,837
<b>Total</b>	<b>15</b>	<b>-1,114</b>	<b>59,312</b>

## Property transactions

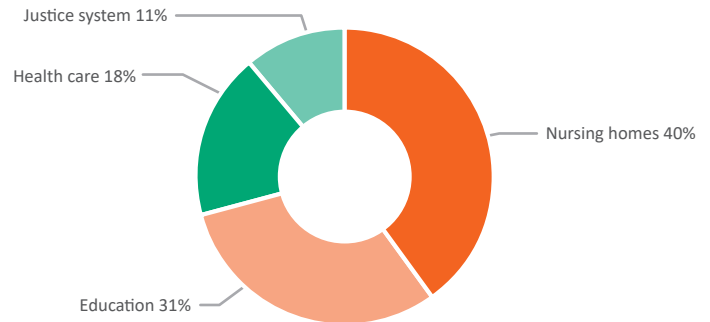
During the period, 13 properties (13) were acquired for SEK 3,786 million (1,167) and 15 properties (10) with a market value of SEK 1,114 million (866) were divested, with a positive impact of SEK 77 million on earnings, excluding tax.

## Investments

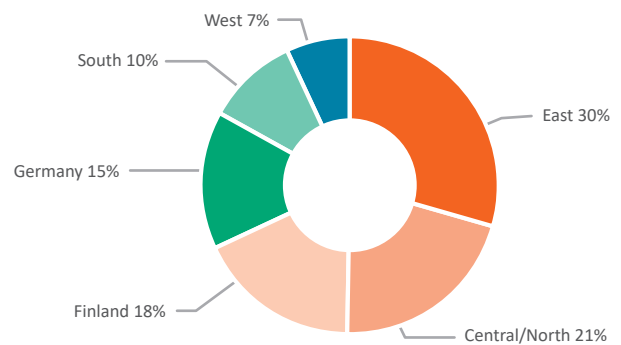
Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new leaseings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 1,385 million (1,206) was invested.

Of this amount, SEK 1,115 million (1,078) was invested in new construction and SEK 270 million (128) pertained to improvements and new leaseings.

## Market value of investment properties per property category



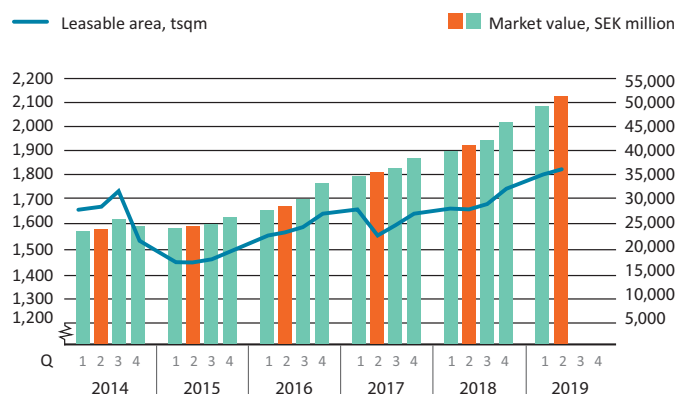
## Market value of investment properties per segment



# SEK 51.6 billion

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.	183	104	59	16	362
Leasable area, tsqm	814	531	296	190	1,831
Lease duration, years	9.5	12.0	7.5	8.3	9.8
Property value, SEK million	20,561	16,068	9,066	5,919	51,614
Property income, SEK million	588	483	253	177	1,501
Net operating income, SEK million	455	362	177	134	1,128
Economic occupancy rate, %	99.6	98.8	95.4	94.3	98.0
Property yield, %	4.7	4.7	5.4	5.4	4.8

## 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 or county operators. The share of contracted annual rent with public-sector tenants was 62 per cent, where lease 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.

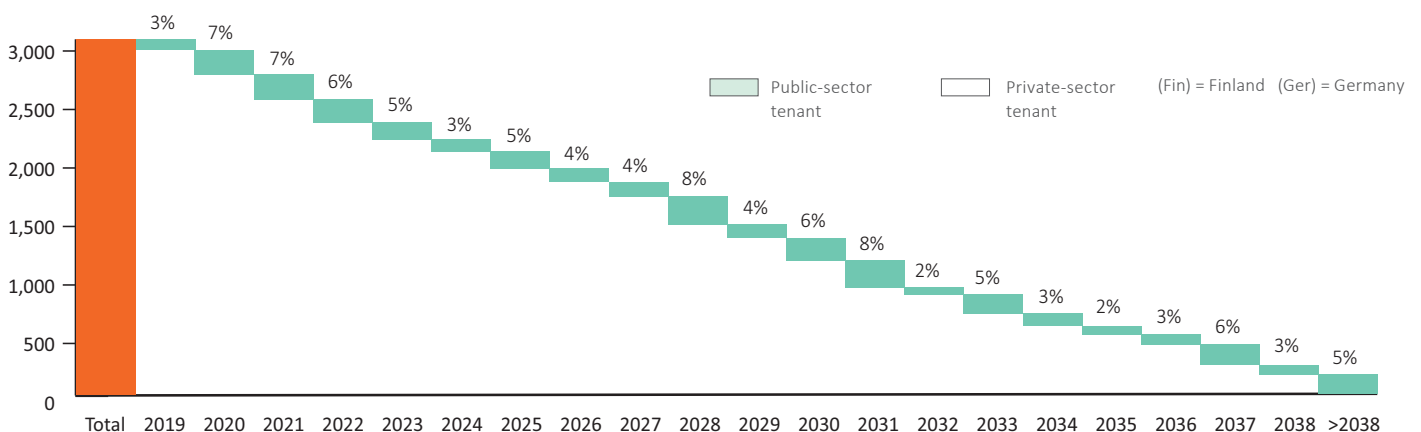
Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 32 million, of which 8 per cent is secured through pledges. 40 per cent of rental income in Germany is therefore derived directly from public-sector tenants, or guaranteed by pledging the municipal contribution.

The largest tenants are the Swedish Police Authority, the City of Turku, Attendo and Region Stockholm, which together represent 18 per cent of rental income.

## Hemsö's 20 largest tenants

Tenant	Tenant category	Contracted annual rent, SEK million	Share of contracted annual rent, %	No. of lease agreements
Swedish Police	State	153	5.1	31
City of Turku (Fin)	Municipality	148	4.9	14
Attendo	Private	136	4.5	69
Region Stockholm	County Council	109	3.6	71
Academedia	Private	105	3.5	20
AWO Hessen Süd (Ger)	Private	82	2.7	10
City of Västerås	Municipality	81	2.7	17
Norrköping Municipality	Municipality	76	2.5	19
Västra Götaland Region	County Council	68	2.3	59
Karolinska Institute	State	67	2.2	10
Helsinki Court House (Fin)	State	64	2.1	3
Nordrhein-Westfalen (Ger)	State	59	2.0	1
HEWAG (Ger)	Private	56	1.9	9
Mälardalen University	State	55	1.8	2
Alloheim (Ger)	Private	55	1.8	7
Ambea	Private	53	1.8	10
Gävle Municipality	Municipality	51	1.7	19
Mehiläinen (Fin)	Private	45	1.5	8
Region Gotland	Municipality	44	1.5	9
Int. English School	Private	40	1.3	7
<b>Total</b>		<b>1,547</b>	<b>51</b>	<b>395</b>

## Lease agreement maturity structure, annual rent SEK million

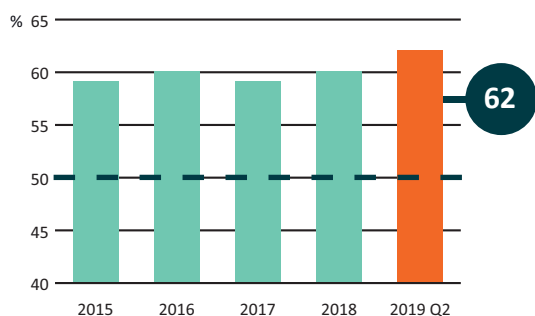


## Property frameworks

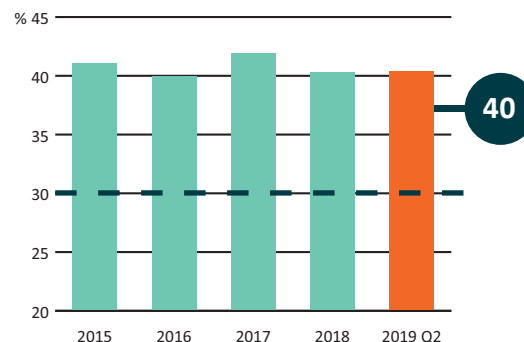
To clarify the company's strategy, Hemsö has four property frameworks. The aim of these frameworks is to ensure a low

level of risk in the property portfolio and that Hemsö's cash flow remains stable over time.

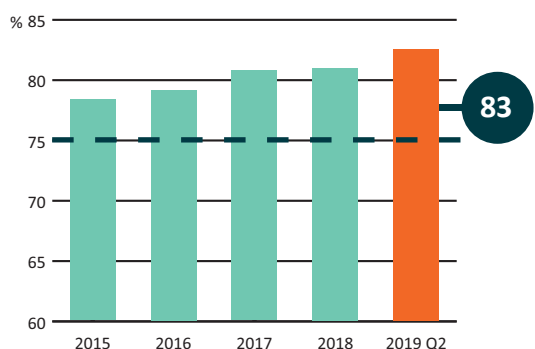
### Public-sector tenants are to account for at least 50 per cent of rental income



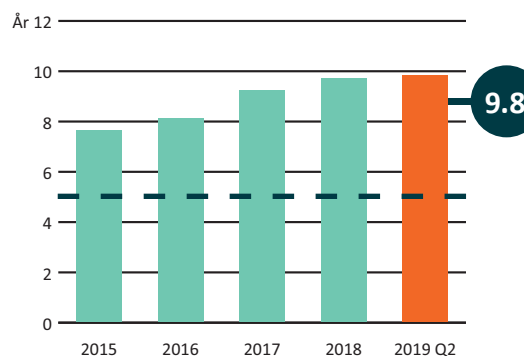
### Nursing homes are to account for at least 30 per cent of rental income



### At least 75 per cent of the properties' value is to be concentrated in large cities



### The lease duration is to exceed 5 years



## Property valuation

Hemsö recognises its investment properties in Sweden at an estimate of fair value, in accordance with IAS 40. At 30 June 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 51,614 million (41,597).

## Earning capacity

The table reflects Hemsö's earning capacity on an annual basis at 30 June 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.

## Earning capacity

SEK million	30 Jun 2019	30 Jun 2018	Change, %
Rental income	3,017	2,550	
Property costs	-767	-583	
<b>Net operating income</b>	<b>2,250</b>	<b>1,967</b>	<b>14</b>
Central administrative expenses	-150	-136	
Profit from associated companies	40	5	
Financial items	-422	-378	
<b>Profit from property management</b>	<b>1,718</b>	<b>1,458</b>	<b>18</b>

Administrative expenses are based on the actual outcome over the past 12 months. Net financial 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	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Increase in rental value, SEK million	Occupancy rate, %	Completed, year
Solna	Patienten 1 <sup>1)</sup>	Health care	21,258	1,878	493	91	96	2020
Stockholm	Princeton 1 <sup>1)</sup>	Health care	22,364	1,517	693	88	30	2021
Västerås	Södra Källtorp	Nursing home	15,163	546	505	30	100	2021
Zossen	Dabendorf	Education	16,250	505	449	26	100	2021
Luleå	Kronan	Nursing home	11,985	285	189	21	100	2020
Norrköping	NOD-huset	Health care	6,800	247	226	13	89	2021
Boden	Björknäsgården	Nursing home	10,050	246	40	20	100	2019
Helsinki	The Sibelius Academy	Education	4,077	159	51	13	100	2019
Kristianstad	Villa Boulevard	Nursing home	4,430	132	113	9	89	2020
Halmstad	Fyllinge	Nursing home	3,865	106	81	8	100	2020
<b>Total</b>			<b>116,242</b>	<b>5,621</b>	<b>2,841</b>	<b>319</b>		

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

## Development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes.

The largest projects comprise a total investment of SEK 5,621 million, of which the remaining investment amount is SEK 2,841 million. For all ongoing development projects with project volumes of more than SEK 20 million, the remaining investment amount is SEK 2,942 million.

During the quarter, four large development projects totalling SEK 382 million were completed. One is a nursing home for Ambea in Staffanstorps with a lease duration of 15 years. The three other development projects are school buildings – two in Norrköping with a municipal tenant and a 25-year lease duration, and one in Solna with a private-sector tenant and a 30-year municipal guarantee.

## Development projects completed, 2019

Municipality	Development projects	Completed	Category	Area, sqm	Investment, SEK million	Lease duration, years	Increase in rental value, SEK million	Occupancy rate, %
Norrköping	Diademet	Q1	Nursing home	4,025	45	20	7	100
Staffanstorps	Villa Vikhem	Q2	Nursing home	4,100	129	15	10	100
Norrköping	Sandbyhov – Apelgården school, years 7-9	Q2	Education	4,904	104	25	9	100
Norrköping	Sandbyhov – Ekhöjden school, years F-6	Q2	Education	3,545	92	25	7	100
Solna	Järvastaden school, stage 3	Q2	Education	1,440	57	30	3	100
<b>Total</b>				<b>18,014</b>	<b>427</b>	<b>22</b>	<b>36</b>	



### Villa Vikhem

The Villa Vikhem nursing home in Staffanstorps has 60 beds and was completed in the second quarter. Ambea's subsidiary, Vardaga, is the tenant and has signed a 15-year lease agreement.

The building is the flagship of Vardaga's operations in the new Vikhem residential area.

A major feature of the building is its energy-efficiency technology, including a geothermal heat pump for central heating and solar panels for electricity generation. The building is SGBC-certified, Silver rating.

## 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 115 million (104) and the carrying amount of the shares in TTP is SEK 553 million (-). Hemsö has also issued a loan of SEK 71 million (70) to Lanthem, which is why investments in associated companies amounted to SEK 739 million (174).

### 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 undeveloped 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 has initially acquired four nursing homes and school properties from Lantmännen. Future development projects will mainly belong to these two property categories.

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



Lanthem	30 Jun 2019
Shareholding, %	50
Rental value, SEK million	21
No. of properties	4
Economic occupancy rate, %	100
Market value of investment properties, SEK million	377
Lease duration, years	11
Share of public-sector tenants, %	30

### TTP

In April 2019, Hemsö invested EUR 50 million in TTP. The City of Turku and Hemsö are the largest owners, with a 35.4 and 34.8 per cent shareholding, respectively, in the company. 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 lease agreement for 15,000 sqm. The property is scheduled for completion in 2020 and will hold LEED Platinum certification.



TTP	30 Jun 2019
Shareholding, %	34.8
Rental value, SEK million	279
No. of properties	17
Economic occupancy rate, %	98
Market value of investment properties, SEK million	3,866
Lease duration, years	7
Share of public-sector tenants, %	60

## Financing

The overall objective of Hemsö's financing activities is to secure a stable capital structure, and an optimal net financial position, within the given risk limits. Hemsö's loan-to-value ratio should not exceed 70 per cent, and the interest-coverage ratio should be at least 2.0. At period-end, the loan-to-value ratio was 63.6 per cent (63.6) and the interest-coverage ratio was 5.3 (4.7).

Hemsö issues bonds in Swedish and European capital markets and certificates in the Swedish market. In addition, Hemsö has committed credit facilities 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.

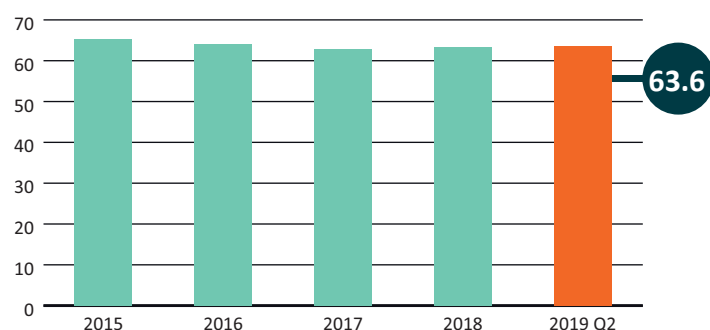
### Interest-bearing debt

At period-end, Hemsö's interest-bearing debt amounted to SEK 35,638 million (27,786).

During the period, Hemsö issued bonds totalling SEK 3,600 million in the Swedish capital market and EUR 228 million in European markets. Hemsö also borrowed EUR 75 million over 20 years in its first Schuldschein loan.

At period-end, Hemsö had undrawn committed credit facilities totalling SEK 12,700 million (10,500), which lowers the company's refinancing risk and secures access to capital. Cash and cash equivalents amounted to SEK 2,333 million (1,223) and available liquidity totalled SEK 15,033 million (11,723), bringing the debt-coverage ratio to 158 per cent (164).

### Loan-to-value ratio, %



### Sources of funding, SEK million

	Q2 2019	Q2 2018
Bonds, SEK	14,759	12,656
Bonds, EUR	13,968	9,640
<b>Total bonds</b>	<b>28,727</b>	<b>22,296</b>
<i>Of which sustainability bonds</i>	<i>1,000</i>	<i>1,000</i>
Commercial papers	4,509	4,690
European Investment Bank	800	–
Nordic Investment Bank	800	800
Schuldschein	802	–
Secured loans	–	–
<b>Interest-bearing debt</b>	<b>35,638</b>	<b>27,786</b>
<i>Of which sustainable finance</i>	<i>2,600</i>	<i>1,800</i>

### Capital structure, SEK million

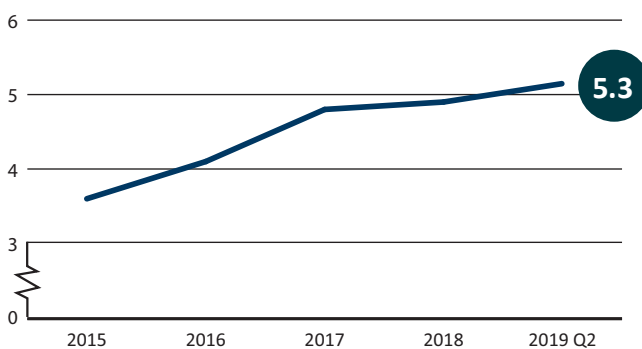
	Q2 2019	Q2 2018
Interest-bearing debt	35,638	27,786
Current investments	470	–
Cash and cash equivalents	1,863	1,223
<b>Net debt</b>	<b>33,305</b>	<b>26,563</b>
Market value of investment properties	51,614	41,597
Investments in associated companies	739	174
<b>Total</b>	<b>52,353</b>	<b>41,771</b>
<b>Loan-to-value ratio*</b>	<b>63.6%</b>	<b>63.6%</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.

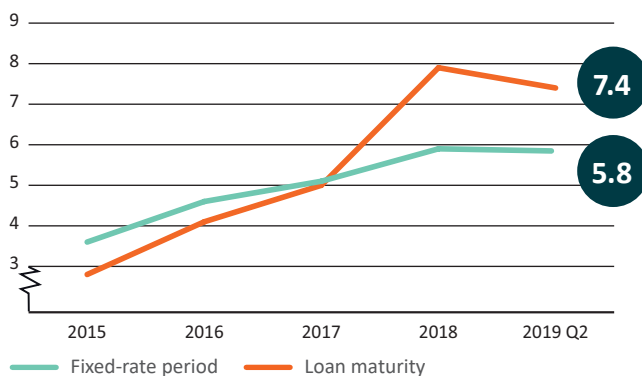
Hemsö uses interest-rate derivatives to manage its interest-rate risk, and foreign exchange derivatives to manage its currency risk. At period-end, the nominal value of the interest-rate derivatives was SEK 6,850 million (9,500). The nominal value of Hemsö's outstanding foreign exchange derivatives was SEK 1,080 million (0). At period-end, currency exposure corresponded to 12 per cent (7) of the Group's equity.

At period-end, the average loan maturity was 7.4 years (5.3) and the average fixed-rate period was 5.8 years (5.1). The loan maturity was extended during the year due to Hemsö's focus on longer-maturity loans. The average interest rate declined to 1.3 per cent (1.4) due to lower market rates and overall favourable financing conditions.

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



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



#### Currency exposure, SEK million

	Q2 2019	Q2 2018
Properties, EUR	17,215	10,425
Cash, EUR	469	24
<b>Assets, EUR</b>	<b>17,684</b>	<b>10,449</b>
Debt, EUR	14,770	9,640
<b>Exposure, EUR</b>	<b>2,914</b>	<b>809</b>
Currency hedging	-1,080	–
<b>Currency exposure</b>	<b>1,834</b>	<b>809</b>
Equity	15,022	11,624
<b>Currency exposure</b>	<b>12.2%</b>	<b>7.0%</b>

#### Committed credit facilities, SEK million

	Q2 2019	Q2 2018
Banks	6,500	6,500
Third Swedish National Pension Fund	4,000	4,000
EIB	2,200	–
<b>Total committed credit facilities</b>	<b>12,700</b>	<b>10,500</b>
<i>Of which undrawn</i>	12,700	10,500
Current investments	470	–
Cash and cash equivalents	1,863	1,223
<b>Available liquidity</b>	<b>15,033</b>	<b>11,723</b>
Short-term loans	9,509	7,140
Debt-coverage ratio	158%	164%

## Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 70%	63.6%
Loan maturity	At least 3 years	7.4 years
Debt-coverage ratio	At least 110%	158%
Share of secured debt	Max. 20%	0.0%
<b>Interest-rate risk</b>		
Interest-coverage ratio	At least 2.0 (rolling 12-month period)	5.3
Fixed-rate period	Average fixed-rate period, 3-8 years	5.8 years
Fixed-rate maturity	Max. 40% within 12 months	38.0%
<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	12%



## Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2019	2,100	2,100	7	12,323	35
2020	8,800	3,300	11	1,238	3
2021	7,407	5,207	17	2,250	6
2022	3,746	2,746	9	1,050	3
2023	3,500	1,000	3	1,500	4
2024	2,500	1,000	3	2,000	6
2025	0	0	0	0	0
2026	6,123	6,123	20	5,323	15
2027	100	100	0	0	0
>2027	9,554	9,554	31	9,954	28
<b>Total</b>	<b>43,829</b>	<b>31,129</b>	<b>100</b>	<b>35,638</b>	<b>100</b>
Commercial papers		4,509			
<b>Total</b>		<b>35,638</b>			

## Quarterly overview

Amounts in SEK million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
<b>Income statement</b>									
Property income	774	727	676	653	650	640	617	594	577
Property costs	-193	-180	-208	-145	-148	-168	-154	-118	-147
<b>Net operating income</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>	<b>430</b>
Central administrative expenses	-37	-33	-48	-33	-36	-30	-43	-27	-28
Profit from participations in associated companies	17	2	6	2	2	1	1	0	-
<b>Operating profit</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>	<b>402</b>
Financial items	-107	-93	-80	-96	-102	-93	-91	-93	-77
<b>Profit from property management</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>	<b>325</b>
Value change, properties	691	128	1,166	94	622	178	739	141	415
Value change, financial instruments	-53	-51	-2	63	2	28	33	1	54
Current tax	-10	-26	11	-4	-39	-4	13	-28	-23
Deferred tax	-124	-68	-318	-100	-14	-34	-229	-85	-51
<b>Profit for the period</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>	<b>720</b>
Other comprehensive income	78	63	-4	-5	5	26	24	-3	10
<b>Comprehensive income for the period</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>730</b>
<b>Balance sheet</b>									
Investment properties	51,614	49,559	46,236	42,573	41,597	40,152	38,883	36,671	35,969
Other assets	2,229	1,089	720	929	770	715	660	560	901
Cash and cash equivalents	1,863	3,585	450	1,500	1,223	1,132	1,134	849	2,467
<b>Total assets</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>39,337</b>
Equity	15,022	14,668	13,199	12,053	11,624	11,340	10,795	9,885	9,503
Deferred tax liabilities	3,263	3,142	3,067	2,750	2,651	2,638	2,591	2,355	2,274
Derivatives	305	285	281	350	512	515	544	560	615
Interest-bearing liabilities	36,071	34,720	29,728	28,738	27,786	26,380	25,575	24,497	25,863
Non-interest-bearing liabilities	1,045	1,418	1,131	1,111	1,017	1,126	1,172	783	1,082
<b>Total equity and liabilities</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>39,337</b>
<b>Key ratios</b>									
<b>Financial key ratios</b>									
Loan-to-value ratio, %*	63.6	62.2	63.3	64.0	63.6	62.9	62.9	64.5	64.3
Interest-coverage ratio <sup>1</sup>	5.3	5.1	4.9	4.7	4.7	4.8	4.8	4.7	4.6
Operating cash flow, SEK million	417	380	329	366	350	338	330	350	311
Return on equity, % <sup>1</sup>	22.5	22.9	25.8	25.3	25.8	24.3	26.6	41.3	42.3
<b>Property-related key ratios</b>									
Property yield, %	4.8	4.9	4.9	5.1	5.1	5.2	5.2	5.4	5.4
Total return, % <sup>1</sup>	9.2	9.2	9.7	9.2	9.5	9.0	9.8	13.8	14.0
Economic occupancy rate, %	98.0	97.9	98.3	98.1	98.3	98.1	98.3	98.8	98.7
NOI margin, %	75.2	75.3	69.2	77.8	77.2	73.8	75.0	80.1	74.5
No. of properties	362	368	365	353	349	345	346	342	339
Leasable area, tsqm	1,831	1,800	1,732	1,679	1,651	1,658	1,636	1,591	1,560

1) Calculated on a 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 --Jun 2019	Jan – Jun 2018	Apr – Jun 2019	Apr – Jun 2018	Jul 2018 – Jun 2019	Jan – Dec 2018
Rental income	1,492	1,281	769	646	2,818	2,607
Other income	9	8	5	4	12	11
Operating costs	-251	-225	-118	-99	-437	-411
Maintenance costs	-90	-63	-57	-34	-224	-197
Other property costs	-32	-27	-18	-15	-65	-60
<b>Net operating income</b>	<b>1,128</b>	<b>974</b>	<b>581</b>	<b>502</b>	<b>2,104</b>	<b>1,950</b>
Central administrative expenses	-70	-66	-37	-36	-150	-146
Profit from participations in associated companies	19	3	17	2	27	11
<b>Operating profit</b>	<b>1,077</b>	<b>911</b>	<b>561</b>	<b>468</b>	<b>1,981</b>	<b>1,815</b>
Financial items	-200	-195	-107	-102	-377	-372
<b>Profit from property management</b>	<b>877</b>	<b>716</b>	<b>454</b>	<b>366</b>	<b>1,604</b>	<b>1,443</b>
Value change, investment properties	819	800	691	622	2,079	2,060
Value change, financial instruments	-104	30	-53	2	-43	91
<b>Profit before tax</b>	<b>1,592</b>	<b>1,546</b>	<b>1,092</b>	<b>990</b>	<b>3,640</b>	<b>3,594</b>
Current tax	-36	-43	-10	-39	-29	-36
Deferred tax	-192	-48	-124	-14	-610	-466
<b>Profit for the period</b>	<b>1,364</b>	<b>1,455</b>	<b>958</b>	<b>937</b>	<b>3,001</b>	<b>3,092</b>
<b>Profit for the period attributable to</b>						
Parent Company shareholders	1,321	1,411	948	898	2,890	2,980
Non-controlling interests	43	44	10	39	111	112
<b>Other comprehensive income</b>						
Profit for the period	1,364	1,455	958	937	3,001	3,092
Translation difference	141	31	78	5	132	22
<b>Comprehensive income for the period</b>	<b>1,505</b>	<b>1,486</b>	<b>1,036</b>	<b>942</b>	<b>3,133</b>	<b>3,114</b>
<b>Comprehensive income for the period attributable to</b>						
Parent Company shareholders	1,462	1,442	1,026	903	3,022	3,002
Non-controlling interests	43	44	10	39	111	112

## Group – Condensed statement of financial position

Amounts in SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>ASSETS</b>			
Investment properties	51,614	41,597	46,236
Right-of-use assets	433	–	–
Participations in associated companies	668	104	112
Receivables from associated companies	71	71	71
Other non-current assets	95	34	92
<b>Total non-current assets</b>	<b>52,881</b>	<b>41,806</b>	<b>46,511</b>
Current receivables	492	561	445
Current investments	470	–	–
Cash and cash equivalents	1,863	1,223	450
<b>Total current assets</b>	<b>2,825</b>	<b>1,784</b>	<b>895</b>
<b>TOTAL ASSETS</b>	<b>55,706</b>	<b>43,590</b>	<b>47,406</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>15,022</b>	<b>11,624</b>	<b>13,199</b>
Deferred tax liabilities	3,263	2,651	3,067
Interest-bearing debt	26,130	20,646	21,736
Interest-bearing debt, right-of-use assets	433	–	–
Non-interest-bearing liabilities	305	512	281
<b>Total non-current liabilities</b>	<b>30,131</b>	<b>23,809</b>	<b>25,084</b>
Interest-bearing debt	9,508	7,140	7,992
Non-interest-bearing liabilities	1,045	1,017	1,131
<b>Total current liabilities</b>	<b>10,553</b>	<b>8,157</b>	<b>9,123</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>55,706</b>	<b>43,590</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	–	–	31	1,411	44	1,486
<b>Closing equity, 30 Jun 2018</b>	<b>1</b>	<b>6,356</b>	<b>135</b>	<b>4,800</b>	<b>332</b>	<b>11,624</b>
Comprehensive income 1 Jul 2018-31 Dec 2018	–	–	-9	1,569	15	1,575
<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	–	–	141	1,321	43	1,505
<b>Closing equity, 30 Jun 2019</b>	<b>1</b>	<b>6,856</b>	<b>267</b>	<b>7,469</b>	<b>429</b>	<b>15,022</b>

## Group – Condensed statement of cash flows

Amounts in SEK million	Jan – Jun 2019	Jan – Jun 2018	Apr – Jun 2019	Apr – Jun 2018	Jul 2018 – Jun 2019	Jan – Dec 2018
<b>Operating activities</b>						
Profit from property management	877	716	454	366	1,604	1,443
<i>Adjusted for items not included in profit from property management</i>						
Loss from participations in associated companies	-19	-3	-17	-2	-27	-11
Depreciation	6	1	4	1	7	2
<i>Adjusted for other non-cash items</i>						
Exchange differences, unrealised	112	54	74	-1	85	27
Capital gain/loss and disposals	-60	-17	-60	-2	-23	20
Tax paid	-67	-26	-24	-15	-92	-51
<b>Cash flow before changes in working capital</b>	<b>849</b>	<b>725</b>	<b>431</b>	<b>347</b>	<b>1,554</b>	<b>1,430</b>
Increase (+)/decrease (-) in working capital	12	-198	-266	-141	210	-
<b>Cash flow from operating activities</b>	<b>861</b>	<b>527</b>	<b>165</b>	<b>206</b>	<b>1,764</b>	<b>1,430</b>
<b>Investing activities</b>						
Acquisition of properties	-3,786	-1,167	-1,438	-254	-5,754	-3,135
Investments in new construction, extension and refurbishment	-1,385	-1,205	-661	-630	-2,840	-2,660
Property divestments	1,119	870	1,100	66	1,120	871
Investment in financial non-current assets	-528	-23	-528	-24	-591	-86
Other non-current assets	-	-3	-	-3	3	-
<b>Cash flow from investing activities</b>	<b>-4,580</b>	<b>-1,528</b>	<b>-1,527</b>	<b>-845</b>	<b>-8,062</b>	<b>-5,010</b>
<b>Financing activities</b>						
Interest-bearing loans raised	6,867	4,988	1,106	2,393	10,342	8,463
Repayment of interest-bearing liabilities	-1,445	-3,211	-238	-1,006	-2,945	-4,711
Redemption of financial instruments	-80	-1	-33	-1	-251	-172
Shareholder contributions received	1,000	-	-	-	1,000	-
Contributions from non-controlling interests	39	-	39	-	39	-
Dividends paid	-721	-657	-721	-657	-721	-657
<b>Cash flow from financing activities</b>	<b>5,660</b>	<b>1,119</b>	<b>153</b>	<b>729</b>	<b>7,464</b>	<b>2,923</b>
<b>Cash flow for the period</b>	<b>1,941</b>	<b>118</b>	<b>-1,209</b>	<b>90</b>	<b>1,166</b>	<b>-657</b>
Opening balance, cash and cash equivalents	450	1,134	3,584	1,132	1,223	1,134
Exchange-rate differences in cash and cash equivalents	-58	-29	-42	1	-56	-27
<b>Closing cash and cash equivalents</b>	<b>2,333</b>	<b>1,223</b>	<b>2,333</b>	<b>1,223</b>	<b>2,333</b>	<b>450</b>
<b>Operating cash flow</b>	<b>797</b>	<b>688</b>	<b>417</b>	<b>350</b>	<b>1,492</b>	<b>1,383</b>

## Parent Company – Condensed income statement

Amounts in SEK million	Jan – Jun 2019	Jan – Jun 2018	Jul 2018 – Jun 2019	Jan – Dec 2018
Operating income	30	28	65	63
Administrative expenses	-77	-71	-164	-158
<b>Operating loss</b>	<b>-47</b>	<b>-43</b>	<b>-99</b>	<b>-95</b>
Financial items	513	470	365	322
Value change, financial instruments	-104	-513	-44	-453
Appropriations	–	–	653	653
<b>Profit/loss before tax</b>	<b>362</b>	<b>-86</b>	<b>875</b>	<b>427</b>
Recognised tax	5	105	-42	58
<b>Profit for the period</b>	<b>367</b>	<b>19</b>	<b>833</b>	<b>485</b>
Other comprehensive income	–	–	–	–
<b>Comprehensive income for the period</b>	<b>367</b>	<b>19</b>	<b>833</b>	<b>485</b>

## Parent Company – Condensed balance sheet

Amounts in SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	1	5	1
Equipment	3	1	1
Shares and participations in Group companies	7,658	6,209	6,233
Deferred tax assets	63	105	57
Non-current receivables	26,568	3,393	16,120
<b>Total non-current assets</b>	<b>34,293</b>	<b>9,713</b>	<b>22,412</b>
<b>Current assets</b>			
Current receivables	5,131	21,443	11,008
Current investments	470	–	–
Cash and cash equivalents	0	0	0
<b>Total current assets</b>	<b>5,601</b>	<b>21,443</b>	<b>11,008</b>
<b>TOTAL ASSETS</b>	<b>39,894</b>	<b>31,156</b>	<b>33,420</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	3,718	2,608	3,073
<b>Untaxed reserves</b>			
Tax allocation reserve	34	48	34
<b>Liabilities</b>			
Deferred tax liabilities	25	25	25
Interest-bearing liabilities	35,638	27,786	29,728
Non-interest-bearing liabilities	479	689	560
<b>Total liabilities</b>	<b>36,142</b>	<b>28,500</b>	<b>30,313</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>39,894</b>	<b>31,156</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 118 employees, of whom 57 were women and 61 men. Of these employees, 34 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, 91 were employed in Sweden, six in Germany and five 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 presented 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 currently owns 24 investment properties through limited partnerships.

Hemsö owns half of the shares and voting rights in Scandinavian Life Science AB and Scandinavian Life Science Två AB. These companies own two properties in Hagastaden. The other half is owned by Sveanor.

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 four investment properties through subsidiaries.

Hemsö also owns 34.8 per cent of the participations in Turku Technology Properties Oy. This company owns 17 public properties in Turku through subsidiaries. This company is not included in the consolidated accounts.

### Accounting policies applied

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the

International Accounting Standards Board (IASB). The consolidated accounts 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 in 1 January 2019 with no retrospective effect. Revenue recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most contracts (lease 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 June, right-of-use assets and their corresponding lease liabilities amounted to SEK 433 million and affected some financial key ratios, including a -0.1 percentage point change in the equity/assets ratio.

No other new or amended standards or interpretations issued by the IASB have had any effect on this interim report, and the accounting policies otherwise applied are consistent with those described in Note 1 of Hemsö's 2018 Annual Report.

### Signing of the report

The Board of Directors and Chief Executive Officer hereby certify that this half-year report provides a true and fair view of the Parent Company and Group's operations, financial position and earnings and describes significant risks and uncertainties faced by the company and companies included in the Group.

Pär Nuder, Chairman of the Board

Åsa Bergström, Board member

Bengt Hellström, Board member

Kerstin Hessius, Board member

David Mindus, Board member

Johan Thorell, Board member

Nils Styf, Chief Executive Officer

This report has not been audited.

# Definitions

Hemsö presents some financial measures in interim and annual reports that are not defined under IFRS. The company believes that these measures provide valuable supplemental information to investors and the company's 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.

## 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 excluding undrawn construction credit 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.

### Lease duration

The weighted average remaining lease term excluding garage/parking, storage/warehouse 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.

### Large cities

The definition of major cities in Sweden, Finland and Germany according to Statistics Sweden and the OECD: In Sweden and Finland, municipalities with a population of 100,000 or more, and in Germany, with a population of 200,000 or more.

### Leasable 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>Jul 2018 – Jun 2019</b>	<b>Jul 2017 – Jun 2018</b>
Profit for the period	3,001	2,726
Average equity	13,323	10,564
<b>Return on equity</b>	<b>22.5%</b>	<b>25.8%</b>

<b>Property yield</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
Net operating income according to income statement	2,104	1,882
Adjusted for 12-month holding period	115	52
Adjusted for development properties	-107	-183
<b>Adjusted net operating income</b>	<b>2,112</b>	<b>1,751</b>
Market value of properties	51,614	41,597
Adjusted for development properties	-7,867	-7,580
<b>Adjusted market value</b>	<b>43,747</b>	<b>34,017</b>
<b>Property yield</b>	<b>4.8%</b>	<b>5.1%</b>

<b>Total yield</b>	<b>Jul 2018 – Jun 2019</b>	<b>Jul 2017 – Jun 2018</b>
Net operating income	2,104	1,912
Value change, properties	2,079	1,680
<b>Total</b>	<b>4,183</b>	<b>3,592</b>
Opening property value	41,597	35,969
Closing property value	51,614	41,597
Adjustment of value change for the year	-2,079	-1,680
<b>Adjusted average property value</b>	<b>45,566</b>	<b>37,943</b>
<b>Total yield</b>	<b>9.2%</b>	<b>9.5%</b>

<b>Profit from property management</b>	<b>Jan – Jun 2019</b>	<b>Jan – Jun 2018</b>
Profit before tax	1,592	1,546
Reversal		
<i>Value change, properties</i>	-819	-800
<i>Value changes, derivatives</i>	104	-30
<b>Profit from property management</b>	<b>877</b>	<b>716</b>

<b>Interest-coverage ratio</b>	<b>Jul 2018 – Jun 2019</b>	<b>Jul 2017 – Jun 2018</b>
Operating profit	1,981	1,781
Financial items	-377	-380
<b>Interest-coverage ratio</b>	<b>5.3</b>	<b>4.7</b>

<b>Operating cash flow</b>	<b>Jan – Jun 2019</b>	<b>Jan – Jun 2018</b>
Profit from property management	877	716
Loss from participations in associated companies	-19	-3
Depreciation	6	1
Tax paid	-67	-26
<b>Operating cash flow</b>	<b>797</b>	<b>688</b>

<b>Loan-to-value ratio</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
Interest-bearing debt	35,638	27,786
Cash and cash equivalents	-1,863	-1,223
Current investments	-470	–
<b>Net debt</b>	<b>33,305</b>	<b>26,563</b>

Market value of investment properties	51,614	41,597
Investments in associated companies	739	174
Total	52,353	41,771
<b>Loan-to-value ratio</b>	<b>63.6%</b>	<b>63.6%</b>

<b>Debt-coverage ratio</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
Cash and cash equivalents	1,863	1,223
Current investments	470	–
Undrawn committed credit facilities	12,700	10,500
Available liquidity	15,033	11,723
Short-term loans	9,509	7,140
<b>Debt-coverage ratio</b>	<b>158%</b>	<b>164%</b>

<b>Share of secured debt</b>	<b>30 Jun 2019</b>	<b>30 Jun 2018</b>
Secured debt outstanding	–	–
Market value of properties	51,614	41,597
<b>Share of secured debt</b>	<b>0.0%</b>	<b>0.0%</b>



**Questions and more information**

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

**Financial calendar**

Interim report Jan – Sep 2019

24 October 2019

