

Q1

Interim report 2019

Summary January–March 2019

- » Rental income increased to SEK 723 million (636).
- » Profit from property management increased to SEK 423 million (350).
- » Changes in value of properties amounted to SEK 128 million (178) and changes in value of financial instruments to SEK -51 million (28).
- » Profit after tax for the period declined to SEK 406 million (518).
- » The market value of investment properties was SEK 49,559 million (40,152).
- » During the period, five properties (8) were acquired for SEK 2,348 million (913) and one property (9) was divested for SEK 58 million (804).
- » Hemsö entered into an agreement to acquire a property portfolio comprising eight nursing home and health care properties in Turku, Finland. Hemsö also agreed to acquire a 34.8 per cent shareholding in the company Turku Technology Properties. The investment amount for both transactions corresponded to SEK 1,9 million, and the transfer date was 4 April 2019.
- » Hemsö's owner injected capital of SEK 1 billion in the form of a shareholder contribution.
- » Hemsö acquired a school in Kungälv and a nursing home in Mölndal. The total investment amount was SEK 105 million. Hemsö also signed a letter of intent with Kungälv Municipality regarding the acquisition of a property and project portfolio in the municipality.
- » Hemsö acquired three properties in central Trelleborg with a total area of 5,900 sqm and building permits for 15,000 sqm. The investment amounted to SEK 80 million.
- » Hemsö was granted a land-use agreement in the Bagartorp area in Solna for the development of a new high school.

Significant events during the first quarter

- » In line with previously announced acquisitions, the Helsinki Court House was transferred to Hemsö in January. The investment amount corresponded to SEK 2.1 billion.

Hemsö in summary

	Jan–Mar 2019	Jan–Mar 2018	Apr 2018–Mar 2019	Jan–Dec 2018
Property income, SEK million	727	640	2,705	2,618
Profit from property management, SEK million	423	350	1,516	1,443
Profit after tax, SEK million	406	518	2,980	3,092
Operating cash flow, SEK million	380	338	1,425	1,383
Loan-to-value ratio, %	62.2	62.9	62.2	63.3
Interest-coverage ratio	5.1	4.8	5.1	4.9
Market value of investment properties, SEK million	49,559	40,152	49,559	46,236
NOI margin, %	75.3	73.8	74.9	74.5
Economic occupancy rate, %	97.9	98.1	97.9	98.3
Leasable area, tsqm	1,800	1,658	1,800	1,732



CEO statement

Hemsö enters 2019 with strong cash flow growth. In the first quarter, profit from property management rose 21 per cent to SEK 423 million. The increase in profit from property management is due to higher net operating income in identical portfolios, to acquisitions and completed development projects over the past 12 months, and to net financing costs and administrative expenses that are in line with the preceding year, despite a considerably larger property portfolio. Earning capacity for profit from property management was SEK 1,664 million, up 14 per cent year-on-year. I am therefore confident that cash flow will continue to strengthen throughout 2019.

Capital structure

The loan-to-value ratio declined to 62.2 per cent, while the interest-coverage ratio increased to 5.1. A loan maturity and fixed-rate period of 7.4 and 5.2 years, respectively, are still among the longest of Swedish property companies. Hemsö has maintained a high rate of investment over the past year, but a robust cash flow combined with long-term financially strong owners is enabling us to deepen our partnerships with municipalities without increasing our financial risk exposure.

Hemsö developing a new high school in Solna

Hemsö has been granted land by the City of Solna to develop a new high school for 360 students. The school will complement the existing Raoul Wallenberg School in Järvastaden that was opened in 2017. The new school will be located in Bagartorp, in northern Solna, and meet the growing district's need for new high-school placements. It is very satisfying that the municipality has once again entrusted us with the development of a new school in Solna.

We already have a deep partnership with both the municipality and the Raoul Wallenberg School, and are looking forward to developing the new school together.

Hemsö investing in the Gothenburg region

Hemsö acquired an elementary school in Kungälv, and a nursing home in Mölndal. We also signed a letter of intent with Kungälv Municipality to invest in the municipality's expansion of public properties. The letter of intent includes several preschools and one elementary school with the municipality as tenant with long-term lease agreements. The schools will be designed to accommodate up to 800 students.

The Gothenburg region is undergoing strong economic and population growth, while the growing need for nursing homes and schools is also creating challenges for the region. Hemsö is specialised in long-term partnerships with municipalities, where we provide specialised expertise as well as capital. Hemsö is the most experienced private company in Sweden when it comes to owning and developing schools and nursing homes.

Ljuslyftet

Hemsö launched Ljuslyftet, a new lighting venture based on research to improve the learning environments in our schools. A dynamic lighting system is being installed in classrooms, with the goal of improving the concentration ability and study results of our students. We have started with a pilot project in the Raoul Wallenberg School in Solna, with the aim of installing the system in more schools as we move forward.

Light environments can vary in terms of brightness and colour, which affects the well-being of children and their ability to learn. Research from universities in Germany and the Netherlands show that the system can help children stay alert and improve their concentration. In addition, the students' reading speeds increased and they made fewer mistakes. For example, reading speeds increased 35 per cent, error rates declined 45 per cent and hyperactive behaviour decreased by as much as 76 per cent.

Clear focus for the remainder of 2019

The first quarter was characterised by a robust cash flow, a stable capital structure and deepened partnerships with Swedish municipalities. A clear focus on these three important aspects will continue throughout the rest of the year. Hemsö's business model and the important steps we have taken to create predictable cash flows over the past year suggest that this stable trend will continue for the remainder of the year, and that our partnerships with Swedish, Finnish and German municipalities will strengthen.

Nils Styf, CEO

Vision

To be the best property company for public services.

Mission

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

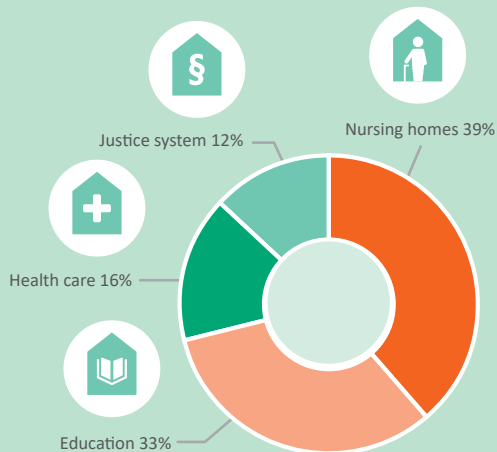
This is Hemsö

- 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.

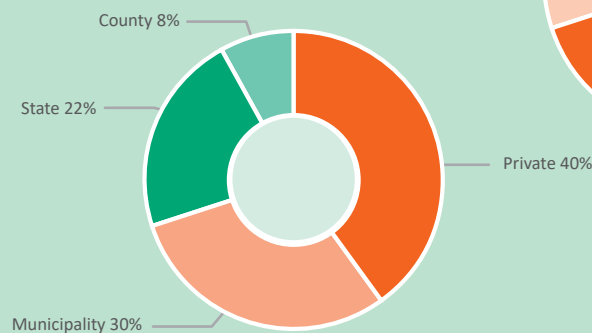
This means that Hemsö will create added value for its customers, and be the long-term property partner for the public sector and private operators of public services.

- 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 49.6 billion.
- Hemsö has a credit rating of A- from Standard & Poor's.

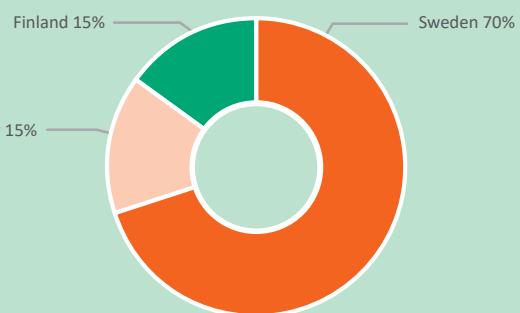
Contracted rent per property category



Contracted rent per customer category



Market value of investment properties



Income, costs and profit

Profit/loss items relate to the January-March 2019 period, and are compared with the year-earlier period. Balance-sheet items relate to the period-end position, and are compared with the corresponding period-end of the preceding year.

Rental income

During the period, rental income amounted to SEK 723 million (636).

Rental income rose 36 per cent in Germany and 55 per cent in Finland, mainly due to acquisitions. In Sweden, rental income rose 4 per cent, mainly attributable to completed development projects.

Rental income in the comparable portfolio rose SEK 25 million, or 4 per cent, due to rental indexing and renegotiations.

At period-end, contracted annual rent amounted to SEK 2,904 million (2,546). Economic vacancies increased to SEK 64 million (49), mainly due to the acquisition of the Helsinki Court House.

The lease duration increased to 9.7 years (9.1), the result of completed development projects and renegotiations. The economic occupancy rate declined slightly and at period-end was 97.9 per cent (98.1).

With due consideration for lease agreements already renegotiated, the remaining lease expiration in 2019 will amount to SEK 115 million, or 4 per cent of Hemsö's contracted rental income.

Property costs

Property costs totalled SEK 180 million (168).

In the comparable portfolio, costs declined SEK 3 million, or 2 per cent, mainly the result of deferred maintenance costs.

Vacancy changes

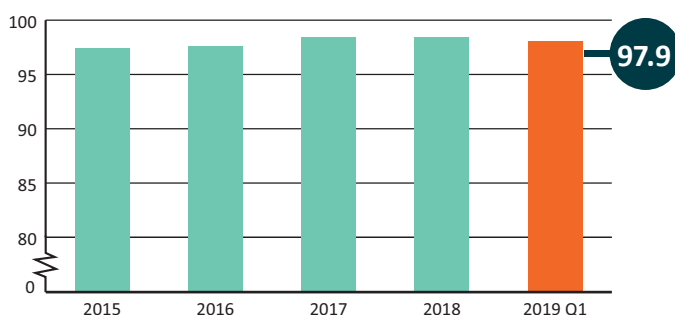
SEK million	Jan-Mar 2019
Opening vacancy	49
Terminated leases	11
Adjusted for vacancy rents	-1
New leases	-10
Acquired	20
Divested	-5
Closing vacancy	64

Lease maturity

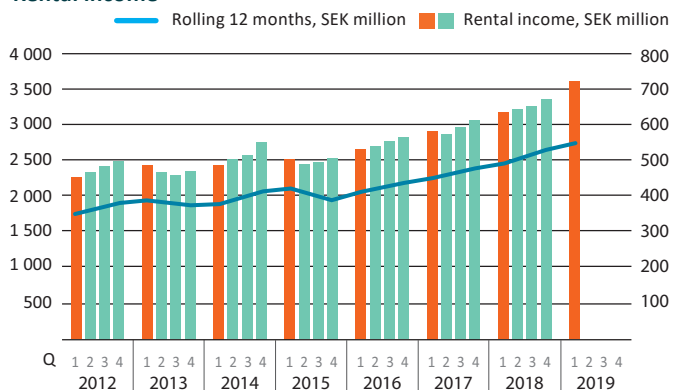
Year	Annual rent, SEK million	Share of annual rent, %
2019	115	4
2020	225	8
2021	231	8
2022	212	7
2023	133	5
2024	101	3
2025	137	5
2026	113	4
2027	124	4
2028	243	8
>2028	1,277	44
Total	2,911	100

"Annual rent" refers to contracted annual rent before the deduction of discounts amounting to SEK 8 million.

Economic occupancy rate, %



Rental income



SEK 723 million

Rental income

Net operating income

Net operating income increased to SEK 547 million (472). The increase was mainly attributable to acquisitions and completed development projects. The NOI margin for the quarter was 75.3 per cent (73.8), up 1.5 percentage points year-on-year.

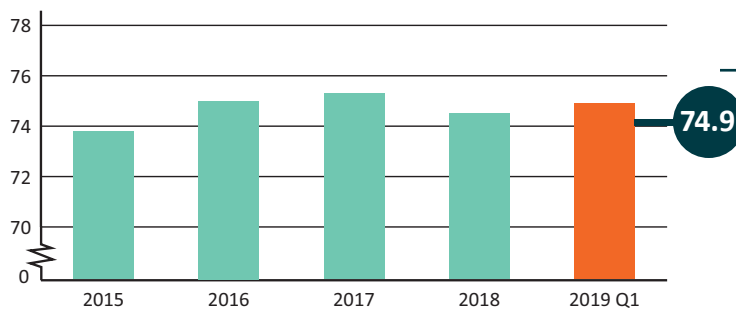
In the comparable portfolio, net operating income rose SEK 27 million, or 6 per cent. The increase was mainly due to higher income.

Comparable portfolio

	31 Mar 2019	31 Mar 2018	Change, %
No. of properties	311	311	–
Market value of investment properties, SEK million	35,866	34,079	5.2
Property yield, %	5.0	5.1	-3.7

Amounts in SEK million	Jan-Mar 2019	Jan-Mar 2018	Change, %
Rental income	601	576	4.3
Other income	2	4	-41.0
Operating costs	-118	-117	1.0
Maintenance costs	-24	-27	-10.7
Other property costs	-9	-11	-14.0
Net operating income	452	426	6.2

NOI margin rolling 12-month period, %



Administration

Administrative expenses for the period amounted to SEK 33 million (30). The year-on-year increase of SEK 3 million was derived from costs related to the implementation of a new support system and higher personnel costs due to an increase in number of employees.

Financial items

Net financial items remained unchanged year-on-year at SEK -93 million (-93). Interest-bearing debt increased to SEK 34,418 million (26,380), while the average interest rate declined to 1.3 per cent (1.5). The fixed-rate period decreased to 5.2 years (5.4).

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-Mar 2019	Jan-Mar 2018
Interest income	2	1
Other financial income	13	5
Interest expense	-94	-92
Other financial expenses	-10	-7
Interest expense, site leaseholds and leasehold estates*	-3	–
Interest expense, other leases*	-1	–
Total financial items	-93	-93

* In 2018, site leaseholds and leasehold estates were recognised as property costs over net operating income, and other leases were recognised as administrative expenses

SEK 547 million

Net operating income

Profit from property management

Profit from property management totalled SEK 423 million (350), up 21 per cent. The increase was mainly attributable to a larger property portfolio.

Change in value of investment properties

At period-end, changes in the value of investment properties amounted to SEK 128 million (178), of which realised value changes accounted for SEK 0 million (16) and unrealised value changes for SEK 128 million (162). Unrealised value changes were mainly derived from projects gains in Sweden. The yield on the entire property portfolio, excluding development properties, was 4.9 per cent (5.2).

The total yield was 9.2 per cent (9.0).

Unrealised value changes

SEK million	Jan-Mar 2019
Property management and development-related value change	98
General market value change	17
Subtotal Sweden	115
Property management and development-related value change	–
General market value change	13
Subtotal Germany	13
Property management and development-related value change	–
General market value change	–
Subtotal Finland	–
Total unrealised value changes	128

Calculation of property yield

SEK million	31 Mar 2019
Net operating income according to income statement	2,025
Adjusted for 12-month holding period and leasehold fees	150
Adjusted for development properties	-97
Adjusted net operating income, 12-month holding period excluding development properties	2,078
Market value of properties according to balance sheet	49,559
Adjusted for development properties	-7,146
Adjusted market value of properties	42,413
Property yield	4.9%

SEK 423 million
Profit from property management

Property value
SEK 49.6 billion

Properties
368

Leasable area
1,800 tsqm

Change in value of the property portfolio

	SEK million	No.
Market value at the beginning of the period	46,236	365
Acquisitions	2,348	5
Investments in new construction, extension and refurbishment	724	
Divestments	-58	-1
Disposals	–	-1
Exchange-rate fluctuations	181	
Unrealised value changes	128	
Carrying amount at period-end	49,559	368

Change in value of financial instruments

Changes in the value of financial instruments had a negative impact of SEK -51 million (28) on profit. Changes in the value of interest-rate derivatives had a negative impact of SEK -4 million (22) on profit. Foreign exchange derivatives had a negative impact of SEK -47 million (6) on profit, attributable to currency risk management in connection with property acquisitions in EUR.

Tax

Recognised tax for the period amounted to SEK -94 million (-38), of which current tax accounted for SEK -26 million (-4) and deferred tax for SEK -68 million (-34). 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 75 million (134). Deferred tax liabilities amounted to SEK 3,217 million (2,772). 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-Mar 2019	Jan-Mar 2018	Jan-Mar 2019	Jan-Mar 2018	31 Mar 2019	31 Mar 2018
Sweden East	202	190	153	137	15,107	13,440
Sweden West	80	70	51	46	3,848	3,655
Sweden Central/North	151	151	106	106	10,561	8,737
Sweden South	79	80	51	56	4,838	4,250
Germany	105	77	104	73	7,527	5,119
Finland	106	68	82	54	7,678	4,951
Total	723	636	547	472	49,559	40,152

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 totalled SEK 406 million (518), down SEK 112 million compared with the year-earlier period. The earnings decline was mainly attributable to lower positive value changes and a higher tax burden.

Cash flow

Hemsö's cash flow from operating activities before changes in working capital was SEK 418 million (378). The change in working capital was SEK 278 million (-57). Operating cash flow was SEK 380 million (338). Investing activities had a negative impact of SEK -3,355 million (-683) on cash flow, while increased borrowing, redemption of financial instruments and shareholder contributions received had a positive impact of SEK 5,810 million (390) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 3,151 million (28) 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 15 million (15) and consisted of fees for services to the subsidiaries. Administrative expenses increased to SEK -38 million (-35). Financial items amounted to SEK 60 million (36). Financial items include gains of SEK 14 million (224) on sales of shares in subsidiaries, profit of SEK 0 million (-30) from participations in Group companies, interest income of SEK 135 million (23), interest expense of SEK -104 million (-100) and exchange-rate differences of SEK 15 million (-81). Changes in the value of financial instruments amounted to SEK -51 million (-1) and comprehensive income for the period declined to SEK -13 million (15).

Property portfolio

Of the total property value of SEK 49,559 million (40,152), 70 per cent (75) was attributable to Sweden, 15 per cent (13) to Germany and 15 per cent (12) to Finland.

At period-end, Hemsö owned properties in 68 municipalities in Sweden, 40 municipalities in Germany and 20 municipalities in Finland. The largest share of the market value of investment properties, 82 per cent, was attributable to properties located in large cities in Sweden, Germany and Finland.

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

At 31 March 2019, Hemsö's property portfolio comprised 368 properties (345) with a total leasable area of 1,800 tsqm (1,658).

Properties acquired and divested

Quarter	No.	Property value, SEK million	Leasable area, sqm
Acquisitions			
Q1	5	2,348	64,096
Total	5	2,348	64,096
Divestments			
Q1	1	-58	3,475
Total	1	-58	3,475

Property transactions

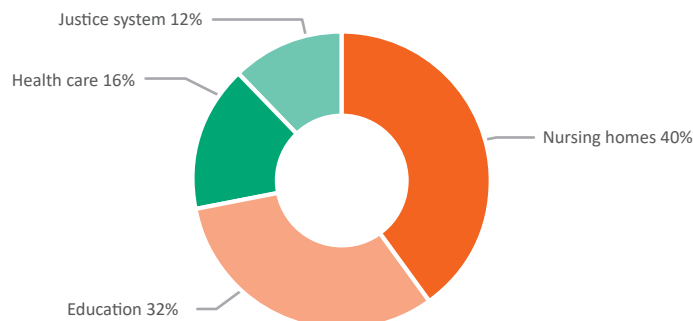
During the period, five properties (8) were acquired for SEK 2,348 million (913), one property (9) was divested for SEK 58 million (804) and one property was reallocated to an adjacent property.

Investments

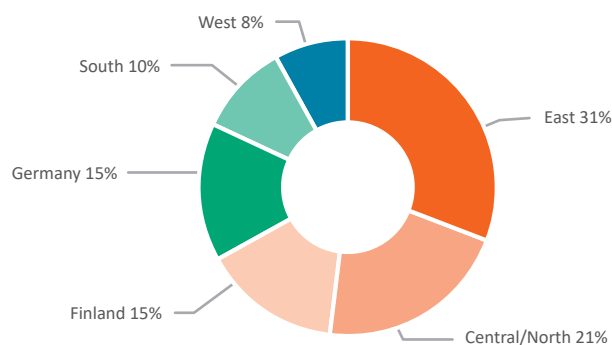
Investments pertain to investments in both existing properties and new construction. Investments in existing properties usually take place in conjunction with new leaseings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, investments amounted to SEK 724 million (575).

Of this amount, SEK 605 million (528) pertained to new construction, and SEK 119 million (47) to improvements and new leaseings.

Market value of investment properties per property category



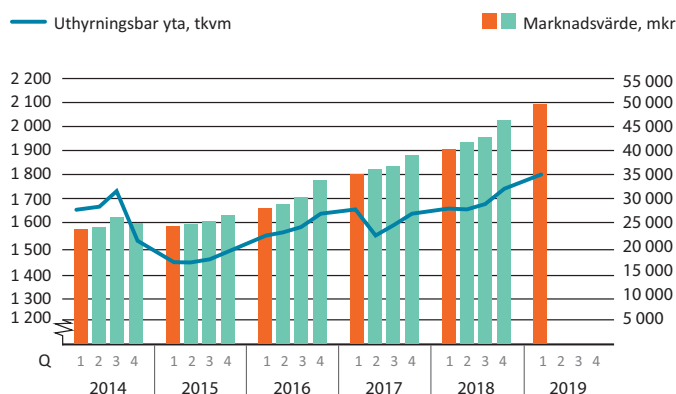
Market value of investment properties per segment



SEK 49,559 million

Market value of investment properties

Market value and area of investment properties



Hemsö's property categories

	Nursing home	Education	Health care	Justice system	Total
No.	180	109	63	16	368
Leasable area, tsqm	783	554	273	189	1,800
Lease duration, years	9.4	11.8	6.8	8.3	9.7
Property value, SEK million	19,610	16,061	8,117	5,770	49,559
Rental income, SEK million	284	242	116	82	723
Net operating income, SEK million	222	180	84	62	547
Economic occupancy rate, %	99.7	98.6	94.8	94.3	97.9
Property yield, %	4.8	4.8	5.4	5.1	4.9

Tenants

96 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 60 per cent, where lease agreements with state operators accounted for 22 per cent, municipal operators for 30 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.

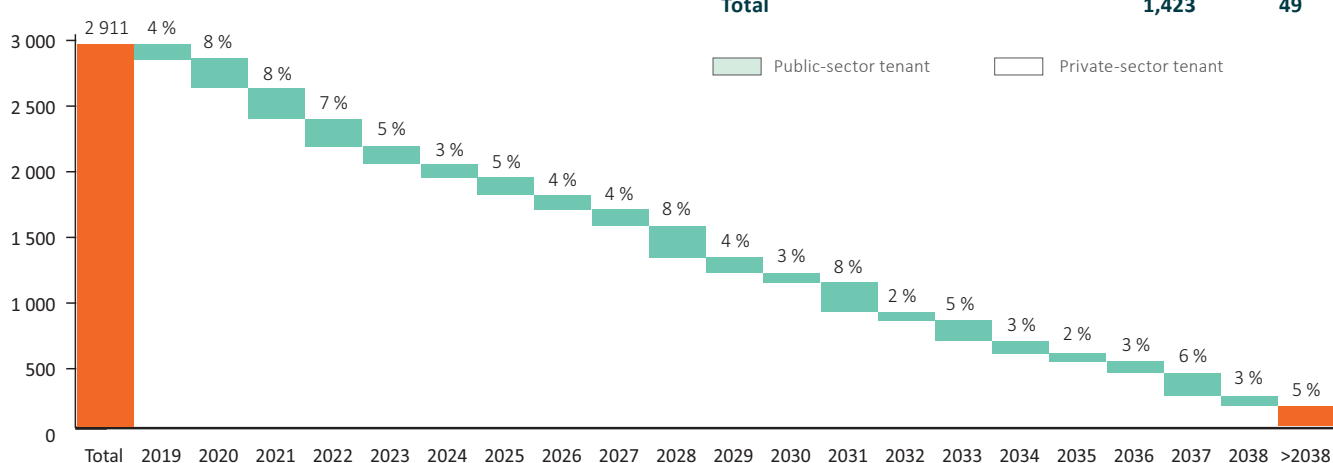
Hemsö is usually able to obtain collateral for the rental income through pledges of the operators' entitlements to municipal contributions. Contracted annual rent for nursing homes in Germany amounted to EUR 31 million, of which 8 per cent is secured through pledges. 39 per cent of rental income in Germany is therefore derived directly from public-sector tenants, or is guaranteed by pledging public funds.

The largest tenants, each accounting for 4-5 per cent of total contracted annual rent, are the Swedish Police Authority, Attendo, Region Stockholm and AcadeMedia.

Hemsö's 20 largest tenants

Tenant	Tenant category	Contracted annual rent, SEK million	Share of contracted annual rent, %	No. lease agreements
Swedish Police	State	153	5.3	31
Attendo	Private	141	4.8	75
Region Stockholm	County Council	113	3.9	75
Academedia	Private	110	3.8	25
City of Västerås	Municipality	81	2.8	17
Västra Götaland Region	County Council	80	2.8	71
AWO Hessen Süd	Private	76	2.6	10
Karolinska Institute	State	67	2.3	10
Helsinki Court House	State	62	2.1	3
Norrköping Municipality	Municipality	60	2.1	17
Mälardalen University	State	55	1.9	2
HEWAG	Private	54	1.9	9
Nordrhein-Westfalen	State	53	1.8	1
Alloheim	Private	53	1.8	7
Gävle Municipality	Municipality	51	1.8	19
Ambea	Private	47	1.7	8
Region Gotland	County Council	44	1.5	9
Mehiläinen	Private	41	1.4	8
Upplands Väsby Municipality	Municipality	40	1.4	4
International English School	Private	40	1.4	7
Total		1,423	49	408

Lease agreement maturity structure, annual rent SEK million

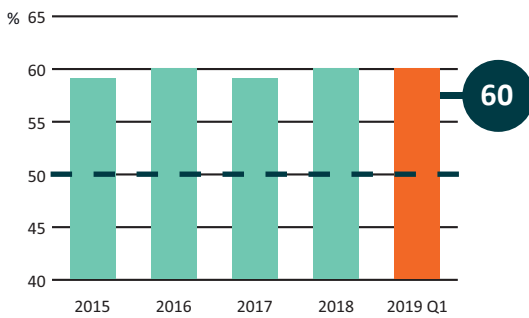


Property frameworks

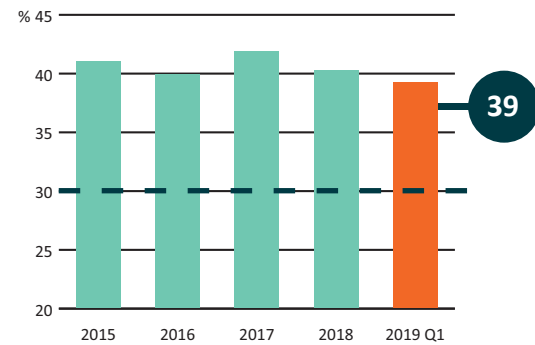
To clarify the company's strategy, Hemsö has four property frameworks. The aim of these frameworks is to ensure a low

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

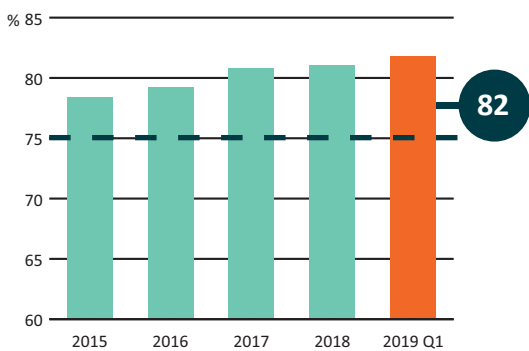
Public-sector tenants are to account for at least 50 per cent of rental income



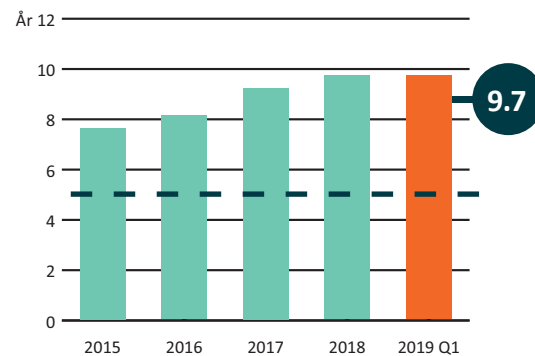
Nursing homes are to account for at least 30 per cent of rental income



At least 75 per cent of the properties' value is to be concentrated in urbanised areas



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 31 March 2019, the fair value of all properties had been determined internally. The fair value of properties is determined quarterly. To verify the internal valuation, the fair value of most of the portfolio is determined externally every year. The fair value measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. At period-end, the fair value of properties was SEK 49,559 million (40,152).

Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 March 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	31 Mar 2019	31 Mar 2018	Change, %
Rental income	2,904	2,546	
Property costs	-702	-587	
Net operating income	2,202	1,959	12.4
Central administrative expenses	-149	-129	
Profit from associated companies	7	5	
Financial items	-396	-380	
Profit from property management	1,664	1,455	14.4

Administrative expenses are based on the actual outcome over the past 12 months. 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	Property category	Project area, sqm	Investment, SEK million	Remaining investment, SEK million	Rental value increase after project development, SEK million	Occupancy rate, %	Estimated year of completion
Solna	Patienten 1 ¹	Health care	21,258	1,854	544	91	84	2020
Stockholm	Princeton 1 ¹	Health care	22,364	1,399	667	77	30	2021
Västerås	Södra Källtorp	Nursing home	15,163	472	435	29	100	2021
Zossen	Dabendorf	Education	16,300	492	486	25	100	2020
Luleå	Kronan	Nursing home	11,985	287	205	21	100	2020
Norrköping	Sandbyhov	Education	10,234	248	67	19	100	2019
Boden	Björknäsgården	Nursing home	10,050	246	55	20	100	2019
Norrköping	NOD-huset	Health care	6,800	247	229	13	89	2021
Helsinki	University of the Arts	Education	4,100	153	79	13	100	2019
Staffanstorp	Villa Vikhem	Nursing home	4,100	128	26	9	100	2019
Kristianstad	Villa Boulevard	Nursing home	4,430	133	126	9	89	2020
Halmstad	Fyllinge	Nursing home	3,865	107	101	8	100	2020
Total			130,649	5,767	3,020	335		

Public-sector tenant Private-sector tenant ¹ 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 5,767 million, of which the remaining investment amount is SEK 3,020 million. For all ongoing development projects with project volumes of SEK 20 million or more, the remaining investment amount was SEK 3,112 million. During the quarter, an extension and

refurbishment project valued at SEK 45 million was completed in the Diadem 3 property in Norrköping. The property has been transferred to property management. During the quarter, a 20-year lease agreement was signed with Staffanstorp Municipality for the Stora Uppåkra development property (education), comprising 1,195 sqm. During the quarter, an extension and refurbishment project commenced in the Stigbygel 5 property in Umeå. The investment amount was SEK 50 million.

Development projects completed, 2019

Municipality	Development projects	Completed	Property category	Project area, sqm	Investment, SEK million	Rental term, years	Increase in rental value, SEK million	Occupancy rate, %
Norrköping	Diadem 3	Q1	Nursing home	4,025	45	20	7	100
Total				4,025	45	20	7	



Diadem 3, Norrköping

Hemsö completed a refurbishment and extension of the Vrinnevihus nursing home in Norrköping. The extension comprised 400 sqm of leasable area. The refurbishment involved a total renovation of the nursing home. The total investment amount was SEK 45 million.

Vrinnevihus is located in south Norrköping, with the hospital as its nearest neighbour. The home has 64 single rooms, divided between eight wards. The current tenant, Norrköping Municipality, has signed a 20-year lease agreement. The refurbishment and extension was completed in March 2019.

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 62.2 per cent (62.9) and the interest-coverage ratio was 5.1 (4.8).

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.

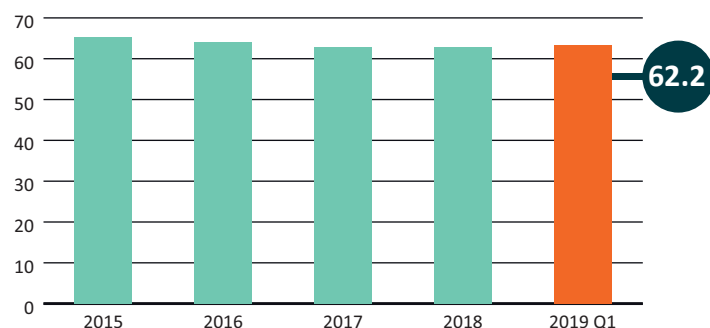
Interest-bearing debt

At period-end, Hemsö's interest-bearing debt amounted to SEK 34,418 million (26,380).

During the period, Hemsö issued bonds totalling SEK 3,500 million in the Swedish capital market with maturities ranging from 2.75-5 years, and EUR 213 million in European markets with maturities ranging from 2-10 years.

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 3,585 million (1,132) and available liquidity totalled SEK 16,285 million (11,632), which increased the debt-coverage ratio to 205 per cent (168).

Loan-to-value ratio, %



Sources of funding, SEK million

	Q1 2019	Q1 2018
Bonds, SEK	14,899	11,963
Bonds, EUR	13,459	9,618
Total bonds	28,358	21,581
<i>Of which sustainability bonds</i>	<i>1,000</i>	<i>1,000</i>
Commercial papers	4,460	3,999
European Investment Bank	800	–
Nordic Investment Bank	800	800
Secured loans	–	–
Interest-bearing debt	34,418	26,380
<i>Of which sustainable financing</i>	<i>2,600</i>	<i>1,800</i>

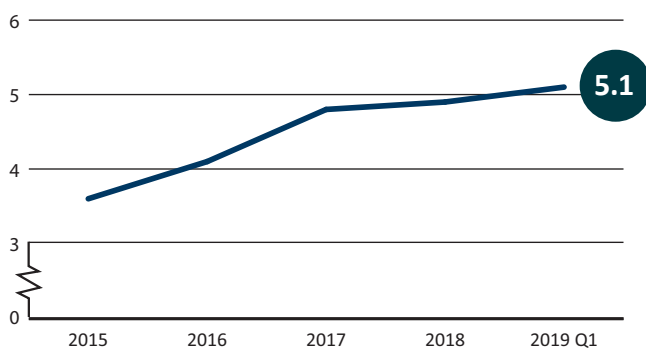
Capital structure, SEK million

	Q1 2019	Q1 2018
Interest-bearing debt	34,418	26,380
Cash and cash equivalents	3,585	1,132
Net debt	30,833	25,248
Market value of investment properties	49,559	40,152
Loan-to-value ratio	62.2%	62.9%
Share of secured debt	0.0%	0.0%

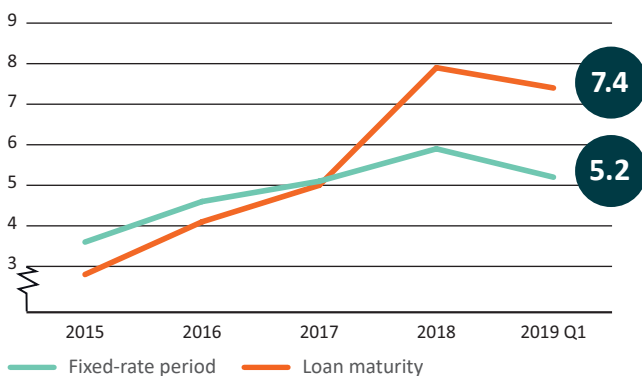
Hemsö uses interest-rate derivatives to manage its interest-rate risk and foreign exchange derivatives to manage its currency risk. At period-end, the nominal value of the interest-rate derivatives was SEK 6,350 million (9,050). The nominal value of Hemsö's outstanding foreign exchange derivatives was SEK 0 million (0). At period-end, currency exposure corresponded to 11 per cent (5) of the Group's equity.

At period-end, the average loan maturity was 7.4 years (5.7) and the average fixed-rate period was 5.2 years (5.4). 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 (1.5), due to Hemsö's early termination of derivatives during the period and the raising of new loans with more favourable terms.

Interest-coverage ratio (12-month rolling period)



Loan maturity and fixed-rate period, years



Currency exposure, SEK million

	Q1 2019	Q1 2018
Properties EUR	15,205	10,070
Cash EUR	-108	65
Assets EUR	15,097	10,135
Debt EUR	13,459	9,618
Exposure EUR	1,638	517
Currency hedging	–	–
Currency exposure	1,638	517
Equity	14,668	11,340
Currency exposure	11.2%	4.6%

Committed credit facilities, SEK million

	Q1 2019	Q1 2018
Banks	6,500	6,500
Third Swedish National Pension Fund	4,000	4,000
EIB	2,200	–
Total committed credit facilities	12,700	10,500
Cash and cash equivalents	3,585	1,132
Available liquidity	16,285	11,632
Short-term loans	7,950	6,907
Debt-coverage ratio	205%	168%

Summary of financial policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Maximum 70%	62.2%
Loan maturity	At least 2 years	7.4 years
Debt-coverage ratio	At least 110%	205%
Share of secured debt	Maximum 20%	0.0%
Interest-rate risk		
Interest-coverage ratio	At least 2.0 (rolling 12-month period)	5.1
Fixed-rate period	Average fixed-rate period, 3-8 years	5.2 years
Fixed-rate maturity	Maximum 40% within 12 months	38.0%
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Maximum 20% (in SEK) of the Group's equity without currency hedging.	11%



District Court of Helsinki



Widénska, Västerås

Loan maturity and fixed-rate period

Year	Loan maturity			Fixed-rate period	
	Credit agreement, SEK million	Drawn, SEK million	Share, %	SEK million	Share, %
2019	2,339	2,339	8	12,763	37
2020	8,800	3,300	11	1,349	4
2021	7,367	5,167	17	2,250	7
2022	3,747	2,747	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	5,988	5,988	20	5,188	15
2027	0	0	0	0	0
>2027	8,418	8,418	28	8,318	24
Total	42,658	29,958	100	34,418	100
Commercial papers		4,460			
Total		34,418			

Quarterly overview

Amounts in SEK million	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Income statement									
Property income	727	676	653	650	640	617	594	577	587
Property costs	-180	-208	-145	-148	-168	-154	-118	-147	-167
Net operating income	547	468	508	502	472	463	476	430	420
Central administrative expenses	-33	-48	-33	-36	-30	-43	-27	-28	-33
Profit from participations in associated companies	2	6	2	2	1	1	0	–	–
Operating profit	516	426	477	468	443	421	449	402	387
Financial items	-93	-80	-96	-102	-93	-91	-93	-77	-84
Profit from property management	423	346	381	366	350	330	356	325	303
Value change, properties	128	1,166	94	622	178	739	141	415	388
Value change, financial instruments	-51	-2	63	2	28	33	1	54	47
Current tax	-26	11	-4	-39	-4	13	-28	-23	-25
Deferred tax	-68	-318	-100	-14	-34	-229	-85	-51	-113
Profit for the period	406	1,203	434	937	518	886	385	720	600
Other comprehensive income	63	-4	-5	5	26	24	-3	10	1
Comprehensive income for the period	469	1,199	429	942	544	910	382	730	601
Balance sheet									
Investment properties	49,559	46,236	42,573	41,597	40,152	38,883	36,671	35,969	35,003
Other assets	1,089	720	929	770	715	660	560	901	561
Cash and cash equivalents	3,585	450	1,500	1,223	1,132	1,134	849	2,467	1,170
Total assets	54,233	47,406	45,002	43,590	41,999	40,677	38,080	39,337	36,734
Equity	14,668	13,199	12,053	11,624	11,340	10,795	9,885	9,503	9,329
Deferred tax liabilities	3,142	3,067	2,750	2,651	2,638	2,591	2,355	2,274	2,216
Derivatives	285	281	350	512	515	544	560	615	676
Interest-bearing liabilities	34,720	29,728	28,738	27,786	26,380	25,575	24,497	25,863	23,436
Non-interest-bearing liabilities	1,418	1,131	1,111	1,017	1,126	1,172	783	1,082	1,077
Total equity and liabilities	54,233	47,406	45,002	43,590	41,999	40,677	38,080	39,337	36,734
Key ratios									
Financial key ratios									
Loan-to-value ratio, %	62.2	63.3	64.0	63.9	62.9	62.9	64.5	64.3	63.6
Interest-coverage ratio ¹	5.1	4.9	4.7	4.7	4.8	4.8	4.7	4.6	4.3
Operating cash flow, SEK million	380	329	366	350	338	330	350	311	281
Return on equity, % ¹	22.9	25.8	25.3	25.8	24.3	26.6	41.3	42.3	36.2
Property-related key ratios									
Property yield, %	4.9	4.9	5.1	5.1	5.2	5.2	5.4	5.4	5.6
Total return, % ¹	9.2	9.7	9.2	9.5	9.0	9.8	13.8	14.0	13.6
Economic occupancy rate, %	97.9	98.3	98.1	98.3	98.1	98.3	98.8	98.7	97.9
NOI margin, %	75.3	69.2	77.8	77.2	73.8	75.0	80.1	74.5	71.6
No. of properties	368	365	353	349	345	346	342	339	362
Leasable area, tsqm	1,800	1,732	1,679	1,651	1,658	1,636	1,591	1,560	1,663

1) Calculated on a 12-month rolling outcome

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan-Mar 2019	Jan-Mar 2018	Apr 2018-Mar 2019	Jan-Dec 2018
Rental income	723	636	2,694	2,607
Other income	4	4	11	11
Operating costs	-133	-126	-418	-411
Maintenance costs	-33	-29	-201	-197
Other property costs	-14	-13	-61	-60
Net operating income	547	472	2,025	1,950
Central administrative expenses	-33	-30	-149	-146
Profit from participations in associated companies	2	1	12	11
Operating profit	516	443	1,888	1,815
Financial items	-93	-93	-372	-372
Profit from property management	423	350	1,516	1,443
Value change, investment properties	128	178	2,010	2,060
Value change, financial instruments	-51	28	12	91
Profit before tax	500	556	3,538	3,594
Current tax	-26	-4	-58	-36
Deferred tax	-68	-34	-500	-466
Profit for the period	406	518	2,980	3,092
Profit for the period attributable to				
Parent Company shareholders	373	514	2,839	2,980
Non-controlling interests	33	4	141	112
Other comprehensive income				
Profit for the period	406	518	2,980	3,092
Translation difference	63	26	59	22
Comprehensive income for the period	469	544	3,039	3,114
Comprehensive income for the period attributable to				
Parent Company shareholders	436	540	2,898	3,002
Non-controlling interests	33	4	141	112

Group – Condensed statement of financial position

Amounts in SEK million	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Investment properties	49,559	40,152	46,236
Right-of-use assets	302	–	–
Participations in associated companies	113	102	112
Receivables from associated companies	71	47	71
Other non-current assets	92	33	92
Total non-current assets	50,137	40,334	46,511
Current receivables	511	533	445
Cash and cash equivalents	3,585	1,132	450
Total current assets	4,096	1,665	895
TOTAL ASSETS	54,233	41,999	47,406
EQUITY AND LIABILITIES			
Equity	14,668	11,340	13,199
Deferred tax liabilities	3,142	2,638	3,067
Interest-bearing debt	26,470	19,473	21,736
Interest-bearing debt, right-of-use assets	302	–	–
Non-interest-bearing liabilities	285	515	281
Total non-current liabilities	30,199	22,626	25,084
Interest-bearing debt	7,948	6,907	7,992
Non-interest-bearing liabilities	1,418	1,126	1,131
Total current liabilities	9,366	8,033	9,123
TOTAL EQUITY AND LIABILITIES	54,233	41,999	47,406

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
Divestment from minority interests	–	–	–	–	-53	-53
Comprehensive income	–	–	22	2,980	112	3,114
Closing equity, 31 Dec 2018	1	6,356	126	6,369	347	13,199
Opening equity, 1 Jan 2019	1	6,356	126	6,369	347	13,199
Shareholder contributions received	–	1,000	–	–	–	1,000
Comprehensive income	–	–	63	373	33	469
Closing equity, 31 Mar 2019	1	7,356	189	6,742	380	14,668

Group – Condensed statement of cash flows

Amounts in SEK million	Jan-Mar 2019	Jan-Mar 2018	Apr 2018-Mar 2019	Jan-Dec 2018
Operating activities				
Profit from property management	423	350	1,516	1,443
<i>Adjusted for items not included in profit from property management</i>				
Loss from participations in associated companies	-2	-1	-12	-11
Depreciation	2	0	4	2
<i>Adjusted for other non-cash items</i>				
Exchange differences, unrealised	38	55	10	27
Capital gain/loss and disposals	0	-15	35	20
Tax paid	-43	-11	-83	-51
Cash flow before changes in working capital	418	378	1,470	1,430
Increase (+)/decrease (-) in working capital	278	-57	335	0
Cash flow from operating activities	696	321	1,805	1,430
Investing activities				
Acquisition of properties	-2,348	-913	-4,570	-3,135
Investments in new construction, extension and refurbishment	-724	-575	-2,809	-2,660
Property divestments	19	804	86	871
Investment in financial non-current assets	-	1	-87	-86
Cash flow from investing activities	-3,053	-683	-7,682	-5,010
Financing activities				
Interest-bearing loans raised	5,761	2,595	11,932	8,463
Repayment of interest-bearing liabilities	-1,206	-2,205	-3,713	-4,711
Redemption of financial instruments	-47	-	-219	-172
Shareholder contributions received	1,000	-	1,000	-
Dividends paid	-	-	-657	-657
Cash flow from financing activities	5,508	390	8,343	2,923
Cash flow for the period	3,150	28	2,466	-657
Opening balance, cash and cash equivalents	450	1,134	1,132	1,134
Exchange-rate differences in cash and cash equivalents	-16	-30	-13	-27
Closing cash and cash equivalents	3,585	1,132	3,585	450
Operating cash flow	380	338	1,425	1,383

Parent Company – Condensed income statement

Amounts in SEK million	Jan-Mar 2019	Jan-Mar 2018	Apr 2018-Mar 2019	Jan-Dec 2018
Operating income	15	15	63	63
Administrative expenses	-38	-35	-161	-158
Operating loss	-23	-20	-98	-95
Financial items	60	36	346	322
Value change, financial instruments	-51	-1	-503	-453
Appropriations	–	–	653	653
Profit before tax	-14	15	398	427
Recognised tax	1	–	59	58
Profit for the period	-13	15	457	485
Other comprehensive income	–	–	–	–
Comprehensive income for the period	-13	15	457	485

Parent Company – Condensed balance sheet

Amounts in SEK million	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	1	5	1
Equipment	1	1	1
Shares and participations in Group companies	6,228	6,201	6,233
Deferred tax assets	59	–	57
Non-current receivables	24,871	4,366	16,120
Total non-current assets	31,160	10,573	22,412
Current assets			
Current receivables	7,886	19,250	11,008
Cash and cash equivalents	0	102	0
Total current assets	7,886	19,352	11,008
TOTAL ASSETS	39,046	29,925	33,420
EQUITY AND LIABILITIES			
Equity	4,061	3,260	3,073
Untaxed reserves			
Tax allocation reserve	34	48	34
Liabilities			
Deferred tax liabilities	25	25	25
Interest-bearing liabilities	34,418	26,380	29,728
Non-interest-bearing liabilities	508	212	560
Total liabilities	34,951	26,617	30,313
TOTAL EQUITY AND LIABILITIES	39,046	29,925	33,420

Other information

Significant events after period-end

Eight nursing home and health care properties in Turku, and a 34.8 per cent shareholding in Turku Technology Properties OY, were transferred to Hemsö.

Hemsö issued a EUR 15 million bond with a maturity of 20 years.

Employees

At period-end, Hemsö had 109 employees, of whom 53 were women. Of these employees, 34 worked with asset and property management and 16 with development. Other employees work with administration, accounting, financing, sustainability, IT, legal affairs, communication, management, HR and transactions. Of all employees, 99 were employed in Sweden, five in Germany and four 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 Hemsö's 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 currently 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 four investment properties through subsidiaries.

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. The 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 in the form of 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 31 March, right-of-use assets and their corresponding lease liabilities amounted to SEK 302 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

Stockholm, 29 April 2019

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 a for the period as a percentage of 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 as a percentage of the market value of the properties.

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 value changes 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.

Return on equity	Apr 2018-Mar 2019	Apr 2017-Mar 2018
Profit for the period	2,980	2,509
Average equity	13,004	10,335
Return on equity	22.9%	24.3%
Property yield	31 Mar 2019	31 Mar 2018
Net operating income according to income statement	2,025	1,808
Adjusted for 12-month holding period	150	74
Adjusted for development properties	-97	-179
Adjusted net operating income	2,078	1,703
Market value of properties	49,559	40,152
Adjusted for development properties	-7,146	-7,204
Adjusted market value	42,413	32,948
Property yield	4.9%	5.2%
Total yield	Jan-Mar 2019	Jan-Mar 2018
Net operating income	2,025	1,840
Value change, properties	2,010	1,472
Total	4,035	3,312
Opening property value	40,152	35,003
Closing property value	49,559	40,152
Adjustment of value change for the year	-2,010	-1,472
Adjusted average property value	43,851	36,842
Total yield	9.2%	9.0%

Profit from property management	Jan-Mar 2019	Jan-Mar 2018
Profit before tax	500	556
Reversal		
<i>Value change, properties</i>	-128	-178
<i>Value changes, derivatives</i>	51	-28
Profit from property management	423	350

Interest-coverage ratio	Apr 2018-Mar 2019	Apr 2017-Mar 2018
Operating profit	1,888	1,715
Financial items	-372	-354
Interest-coverage ratio	5.1	4.8

Operating cash flow	Jan-Mar 2019	Jan-Mar 2018
Profit from property management	423	350
Loss from participations in associated companies	-2	-1
Depreciation	2	0
Tax paid	-43	-11
Operating cash flow	380	338

Loan-to-value ratio	31 Mar 2019	31 Mar 2018
Interest-bearing debt	34,418	26,380
Less cash and cash equivalents	3,585	1,132
Net debt	30,833	25,248
Market value of investment properties	49,559	40,152
Loan-to-value ratio	62.2%	62.9%

Debt-coverage ratio	31 Mar 2019	31 Mar 2018
Cash and cash equivalents	3,585	1,132
Undrawn committed credit facilities	12,700	10,500
Available liquidity	16,285	11,632
Short-term loans	7,950	6,907
Debt-coverage ratio	205%	168%

Share of secured debt	31 Mar 2019	31 Mar 2018
Secured debt	0	0
Market value of investment properties	49,559	40,152
Share of secured debt	0.0%	0.0%

Questions and more information

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

Financial calendar

Interim report Jan-Jun 2019 12 July 2019

Interim report Jan-Sep 2019 24 October 2019

HEMSÖ



Nursing homes



Education



Health care



Justice system

