

# Q1

## Interim report 2018

### Summary January-March 2018

- » Rental income increased to SEK 636 million (583).
- » Profit from property management increased to SEK 350 million (303).
- » Changes in value of properties amounted to SEK 178 million (388) and changes in value of financial instruments to SEK 28 million (47).
- » Profit after tax for the period totalled SEK 518 million (600).
- » Market value of investment properties amounted to SEK 40,152 million (35,003).
- » During the period, 8 properties (7) were acquired for SEK 913 million (536) and 9 properties (1) were divested for SEK 804 million (60).

### Significant events during the first quarter

- » Within the framework of the existing EMTN programme, a 20-year bond of SEK 150 million and a 15-year bond of EUR 56 million were issued.
- » Hemsö raised a loan of SEK 800 million from the Nordic Investment Bank. The 8-year loan is unsecured and included in the Nordic Investment Bank's loan portfolio, which aims to promote social sustainability across the Nordic region.
- » Neo, the newly constructed research and educational property in Huddinge, was fully leased. The largest tenants are the Karolinska Institute and Huddinge Municipality.
- » Three university properties were acquired in central Helsinki. The University of the Arts Helsinki – comprising the Finnish Academy of Fine Arts, the Sibelius Academy and the Theatre Academy – is the tenant. The University of the Arts has signed new long-term lease agreements. The investment amount was SEK 800 million.

### Hemsö in summary\*

|  | Jan-Mar 2018 | Jan-Mar 2017 | Apr 2017-Mar 2018 | Jan-Dec 2017 |
|--|--------------|--------------|-------------------|--------------|
| Rental income, SEK million                         | 636          | 583          | 2,416             | 2,363        |
| Profit from property management, SEK million       | 350          | 303          | 1,361             | 1,314        |
| Profit after tax, SEK million                      | 518          | 600          | 2,509             | 2,591        |
| Operating cash flow, SEK million                   | 338          | 281          | 1,329             | 1,272        |
| Loan-to-value ratio, %                             | 62.9         | 63.6         | 62.9              | 62.9         |
| Interest-coverage ratio                            | 4.8          | 4.3          | 4.8               | 4.8          |
| Market value of investment properties, SEK million | 40,152       | 35,003       | 40,152            | 38,883       |
| Surplus ratio, %                                   | 73.8         | 71.5         | 75.8              | 75.3         |
| Economic occupancy rate, %                         | 98.1         | 97.9         | 98.1              | 98.3         |
| Leasable area, tsqm                                | 1,658        | 1,663        | 1,658             | 1,636        |

\* Definitions and explanations of key figures are available at [hemso.se/en/financial-information/definitions/](http://hemso.se/en/financial-information/definitions/)



## CEO statement

**Hemsö is a leading player in public properties. The accepted definition of public properties is properties with taxpayer-funded tenants in customised premises in which public services are conducted.**

### Public properties as social infrastructure

For Hemsö, the definition of public properties is self-explanatory and a natural part of our operations. Nonetheless, I would like to call attention to the definition for two reasons.

The first is that public properties are characterised by low rental volatility, and returns driven by a non-cyclical need for premises. However, although the concept of public properties has recently become popular in Sweden, the real meaning has been somewhat overlooked. The definition exclude commercial properties with public tenants that do not share the special features of public properties. Our focus on public properties relates to the social infrastructure that is required to provide public services and ensures low operational risk for Hemsö.

The second reason is that I have a strong belief in specialisation. Hemsö's knowledge in developing and managing customised properties creates a unique position for us to be a property partner to the public sector in their need for public service premises. Hemsö will continue to focus on what we do best.

### Higher share of public-sector tenants in Finland

During the quarter, we completed two major acquisitions in Helsinki for SEK 1 billion. The first acquisition was a newly built block comprising 170 apartments for elderly and secure housing in Storåkern, a new residential area for more than 7,000 inhabitants in Espoo Municipality. The other pertains to three university properties in central Helsinki. The state-owned University of the Arts, comprising the Sibelius Academy, the Finnish Academy of Fine Arts and the Theatre Academy, has signed new long-term lease agreements.

### Large and small development projects

During the quarter, two development projects of SEK 210 million were completed. The rental duration exceeds 15 years. One new nursing home with 63 beds in Tyresö, south of Stockholm, with Ambea as the tenant, and Hälsans Hus in Kungshamn, a smaller development project of 2,600 sqm with the Västra Götaland Region as the largest tenant. Hälsans Hus accommodates a medical centre with a baby clinic, ambulance entrance, dental surgery and rehab clinic.

### Motivated and capable employees create added value

The annual employee survey shows that our performance is even better than last year's positive results, and we achieved the best score ever. Hemsö belongs to the top 10 per cent of companies compared with the index. It is gratifying that our employees are satisfied. During the year, we worked actively to offer further training through the Social School (our in-house education programme) and leadership development for our managers.

### Sustainable financing and long maturities

During the quarter, Hemsö issued bonds amounting to SEK 1.8 billion on Swedish and European capital markets. Long-term bonds with 15-year maturities were issued on European capital markets.

In addition, an 8-year unsecured bank loan of SEK 800 million was signed with the Nordic Investment Bank (NIB), whose loan portfolio aims to promote social sustainability across the Nordic region. The NIB is a new lender of finance for Hemsö and a key component of diversification, since the bank is owned by the Nordic and Baltic countries. I am proud that Hemsö will be using this loan to broaden its investor base with a new lender that supports the company's focus on sustainability and social infrastructure. We would like to extend this partnership to similar institutions in order to further diversify our financing sources.

### Continued robust activity throughout 2018

We entered 2018 on a high note and I am looking forward to the rest of the year with confidence. The year will be characterised by a stable trend in the property management portfolio, and hard work to complete a number of ongoing development projects.

Nils Styf, CEO

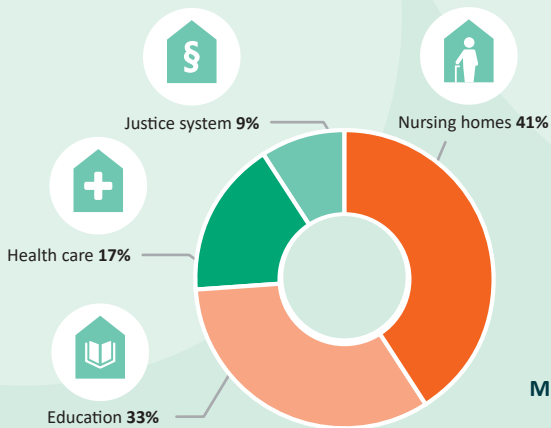
**Vision**  
To be the best property company for public services.

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

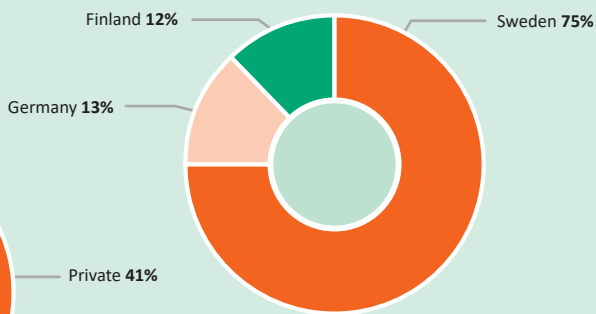
**THIS IS HEMSÖ**

- 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 preferred 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 40.2 billion.
- Hemsö has a credit rating of A- from Standard & Poor's.

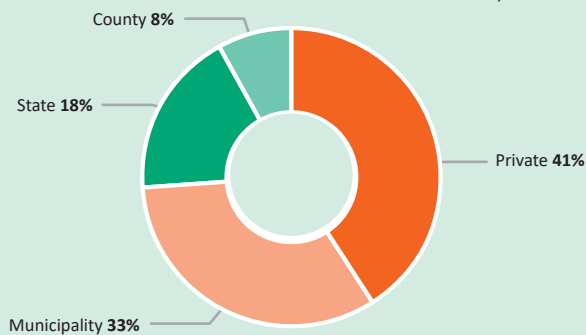
Contracted rent per property category



Market value of investment properties



Contracted rent per customer category



## Income, costs and profit

Profit/loss items relate to the January-March 2018 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 636 million (583). Rental income rose 26 per cent in Germany, and 50 per cent in Finland. The increase is mainly due to acquisitions. In Sweden, rental income rose 3 per cent, mainly attributable to acquisitions and completed development projects.

In the comparable portfolio, rental income rose SEK 18 million, or 3.6 per cent, with the largest increase in Germany. In Sweden, lower vacancies and indexation led to higher rental income.

At period-end, contracted annual rent amounted to SEK 2,546 million (2,352) and economic vacancies to SEK 49 million (53), up SEK 7 million since year-end.

The economic occupancy rate and rental duration increased compared with the preceding period, and were 98.1 per cent (97.9) and 9.1 years (8.2), respectively, at period-end.

### Property costs

Property costs amounted to SEK 168 million (167), an increase of SEK 1 million, corresponding to 0.4 per cent.

Costs in the comparable portfolio increased SEK 6 million, or 4.2 per cent, mainly due to higher costs for routine and planned maintenance.

### Vacancy changes

| SEK million            | Jan-Mar 2018 |
|------------------------|--------------|
| Opening vacancy        | 42           |
| Terminated leases      | 10           |
| New leases             | -3           |
| Acquired               | -            |
| Divested               | -            |
| <b>Closing vacancy</b> | <b>49</b>    |

### Lease maturity

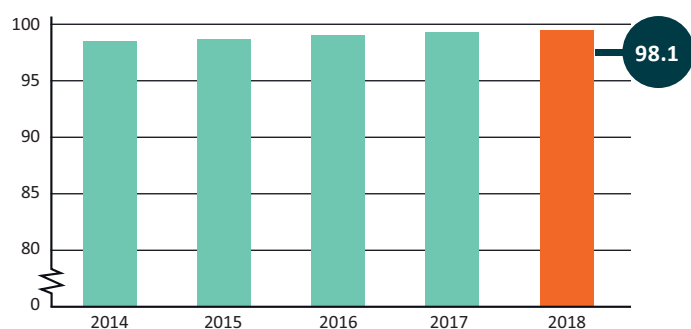
| Maturity year | Annual rent, SEK million | Share of annual rent, % |
|---------------|--------------------------|-------------------------|
| 2018          | 163                      | 6.4                     |
| 2019          | 206                      | 8.1                     |
| 2020          | 226                      | 8.8                     |
| 2021          | 254                      | 9.9                     |
| 2022          | 132                      | 5.2                     |
| >2022         | 1,573                    | 61.6                    |
| <b>Total</b>  | <b>2,553</b>             | <b>100</b>              |

"Annual rent" refers to contracted annual rent before the deduction of discounts.

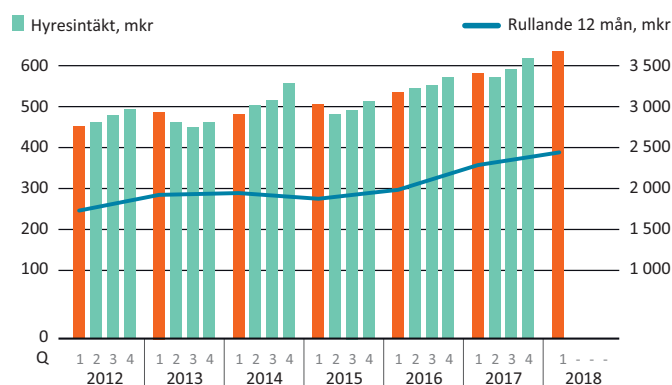
# SEK 636 million

Rental income

### Economic occupancy rate, %



### Rental income



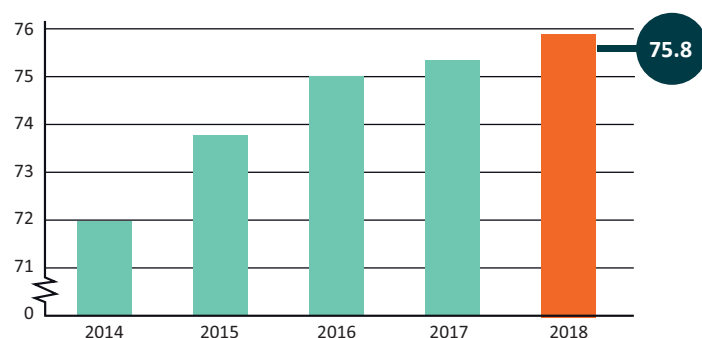
**Comparable portfolio**

|  | 31 Mar 2018  | 31 Mar 2017  | Change, %  |
|--|--------------|--------------|------------|
| No. of properties                                  | 276          | 276          | -          |
| Market value of investment properties, SEK million | 29,954       | 28,097       | 6.6        |
| Valuation yield, %                                 | 5.2          | 5.4          |            |
| <b>Amounts in SEK million</b>                      |              |              |            |
|  | Jan-Mar 2018 | Jan-Mar 2017 | Change, %  |
| Rental income                                      | 512          | 494          | 3.6        |
| Other income                                       | 4            | 2            | 78.9       |
| Operating costs                                    | -108         | -104         | 4.0        |
| Maintenance costs                                  | -26          | -24          | 11.0       |
| Other property costs                               | -10          | -10          | -4.2       |
| <b>Net operating income</b>                        | <b>372</b>   | <b>359</b>   | <b>3.7</b> |

**Net operating income**

Net operating income increased to SEK 472 million (420). The increase was mainly attributable to acquisitions and completed development projects. Divested properties reduced net operating income by SEK 6 million. The surplus ratio was 73.8 per cent (71.5), up 2.3 per cent year-on-year.

In the comparable portfolio, net operating income declined SEK 13 million, or 4 per cent. The increase was mainly attributable to new leasings and currency effects.

**Surplus ratio rolling 12-month period, %****Administration**

Central administrative expenses for the period amounted to SEK 30 million (33). The year-on-year decline of SEK 3 million was the result of lower personnel and IT costs, as well as lower costs incurred on project cancellations.

**Financial items**

Net financial items amounted to an expense of SEK -93 million (-84), of which interest expense accounted for SEK -92 million (-79). The higher interest expense was due to an increase of SEK 2,945 million in interest-bearing debt, which totalled SEK 26,380 million (23,435). The average fixed-rate period was extended to 5.4 years (4.3), while the average interest rate of 1.5 per cent (1.5) remained unchanged. Remaining net financial items comprised other financial expenses of SEK -7 million (-12), interest income of SEK 1 million (0) and other financial income of SEK 5 million (7).

# SEK 472 million

Net operating income

### Profit from property management

Profit from property management totalled SEK 350 million (303), up 15 per cent. The improvement was attributable to increased net operating income resulting from a larger property portfolio and lower central administrative expenses.

### Change in value of investment properties

At period-end, changes in value of investment properties amounted to SEK 178 million (388), of which realised changes in value accounted for SEK 16 million (-3) and unrealised changes for SEK 162 million (391). Unrealised changes in value were mainly attributable to lower yield requirements in Finland, but also to completed development projects and new leasings in Sweden. The valuation yield on the entire property portfolio, excluding project properties, was 5.2 per cent (5.6).

The total return was 9.0 per cent (13.6).

### Unrealised changes in value

| SEK million   | Jan-Mar 2018 |
|---|--------------|
| Property management and project-related change in value | 60           |
| General market value change                             | 30           |
| <b>Subtotal Sweden</b>                                  | <b>90</b>    |
| Property management and project-related change in value | 2            |
| General market value change                             | 70           |
| <b>Subtotal Foreign</b>                                 | <b>72</b>    |
| <b>Total unrealised changes in value</b>                | <b>162</b>   |

### Calculation of valuation yield

| SEK million   | 31 Mar 2018         |
|---|---------------------|
| Net operating income according to income statement                        | 1,808               |
| Adjusted for 12-month holding period                                      | 74                  |
| Adjusted for project properties   | -179                |
| <b>Adjusted NOI, 12-month holding period excluding project properties</b> | <b>1,703</b>        |
| Carrying amount of properties according to balance sheet                  | 40,152              |
| Adjusted for project properties   | -7,204              |
| <b>Adjusted carrying amount of properties</b>                             | <b>32,948</b>       |
| <b>Valuation yield</b>  | <b>5.2 per cent</b> |

Property value  
**SEK 40.2 billion**

Properties  
**345**

Leasable area  
**1,658 tsqm**

**SEK 350 million**

Profit from property management

**Change in value of property portfolio**

|  | SEK<br>million | No. of     |
|--|----------------|------------|
| Carrying amount, opening balance                             | 38,883         | 346        |
| Acquisitions   | 913            | 8          |
| Investments in new construction, extension and refurbishment | 575            |            |
| Divestments  | -804           | -9         |
| Exchange-rate fluctuations                                   | 423            |            |
| Unrealised changes in value                                  | 162            |            |
| <b>Carrying amount at period-end</b>                         | <b>40,152</b>  | <b>345</b> |

**Change in value of financial instruments**

Changes in value of financial instruments had a positive impact of SEK 28 million (47) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 22 million (47) on profit, of which unrealised change in value amounted to SEK 22 million (47). The unrealised change in value was largely attributable to the shorter average maturity for the interest-rate derivatives portfolio. Foreign exchange derivatives had an impact of SEK 6 million (0) on profit.

**Tax**

Recognised tax for the period amounted to SEK -38 million (-138), of which current tax accounted for SEK -4 million (-25) and deferred tax for SEK -34 million (-113).

Deferred tax expense mainly consisted of a change in the temporary difference between the carrying and taxable amounts of investment properties, divestment of properties and the recognised unrealised change in value of financial instruments.

At period-end, deferred tax assets amounted to SEK 134 million (162). Deferred tax liabilities amounted to SEK 2,772 million (2,378). Deferred tax assets were netted against deferred tax liabilities in the balance sheet.

**Profit**

Profit after tax for the period totalled SEK 518 million (600), down SEK 82 million compared with the year-earlier period. Despite increased profit from property management, overall profit declined due to lower changes in value year-on-year.

Return on equity was 24.3 per cent (36.2).

**Cash flow**

Hemsö's cash flow from operating activities before changes in working capital was SEK 378 million (303). Changes in working capital had a positive impact of SEK -57 million (-88) on cash flow. Operating cash flow was SEK 338 million (281). Investing activities had a negative impact of SEK -683 million (-999) on cash flow, while increased borrowing had a positive impact of SEK 390 million (1,022) on cash flow from financing activities. Overall, cash and cash equivalents rose SEK 28 million (238) 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 (16) comprising fees for services to the subsidiaries. Administrative expenses decreased to SEK -35 million (-39). Financial items amounted to SEK 36 million (-45). Financial items include profit of SEK 224 million derived from sales of shares in subsidiaries. Total comprehensive income for the period increased to SEK 15 million (-68).

**Segment information**

| Amounts in<br>SEK million | Profit/loss items per segment |              |                      |              | Asset items per segment               |               |
|---------------------------|-------------------------------|--------------|----------------------|--------------|---------------------------------------|---------------|
|                           | Rental income                 |              | Net operating income |              | Market value of investment properties |               |
|                           | Jan-Mar 2018                  | Jan-Mar 2017 | Jan-Mar 2018         | Jan-Mar 2017 | 31 Mar 2018                           | 31 Mar 2017   |
| Sweden East               | 190                           | 169          | 137                  | 122          | 13,440                                | 11,770        |
| Sweden West               | 70                            | 78           | 46                   | 46           | 3,655                                 | 3,914         |
| Sweden North              | 151                           | 146          | 106                  | 103          | 8,737                                 | 8,313         |
| Sweden South              | 80                            | 84           | 56                   | 56           | 4,250                                 | 4,690         |
| Germany                   | 77                            | 61           | 73                   | 57           | 5,119                                 | 3,898         |
| Finland                   | 68                            | 45           | 54                   | 36           | 4,951                                 | 2,418         |
| <b>Total</b>              | <b>636</b>                    | <b>583</b>   | <b>472</b>           | <b>420</b>   | <b>40,152</b>                         | <b>35,003</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, Sweden West, Sweden North, Sweden South, Germany and Finland.

## Property portfolio

Of the total property value of SEK 40,152 million (35,003), 75 per cent (82) is attributable to Sweden, 13 per cent (11) to Germany and 12 per cent (7) to Finland.

At period-end, Hemsö owned properties in 67 municipalities in Sweden, 35 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 urbanised areas 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 and education.

At 31 March 2018, Hemsö's property portfolio comprised 345 properties (362) with a total leasable area of 1,658 tsqm (1,638).

### Properties acquired and divested

| Quarter             | No. of   | Property value, SEK million | Leasable area, sqm |
|---------------------|----------|-----------------------------|--------------------|
| <b>Acquisitions</b> |          |                             |                    |
| Q1                  | 8        | 913                         | 40,537             |
| <b>Total</b>        | <b>8</b> | <b>913</b>                  | <b>40,537</b>      |
| <b>Divestments</b>  |          |                             |                    |
| Q1                  | 9        | 804                         | 26,661             |
| <b>Total</b>        | <b>9</b> | <b>804</b>                  | <b>26,661</b>      |

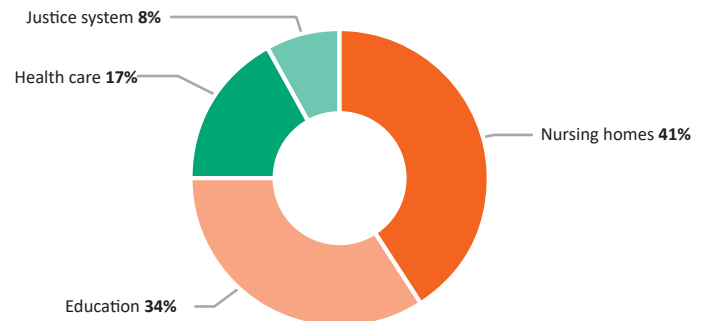
### Property transactions

During the period, 8 properties (7) were acquired for SEK 913 million (536). During the period, 9 properties (1) were divested for SEK 804 million (60).

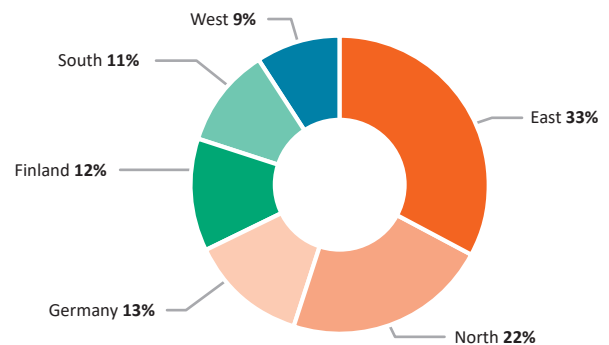
### Investments

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 575 million (518). Of this amount, SEK 528 million (464) pertained to new construction, and SEK 47 million (54) to maintenance and new leaseings.

### The market value of investment properties per property category



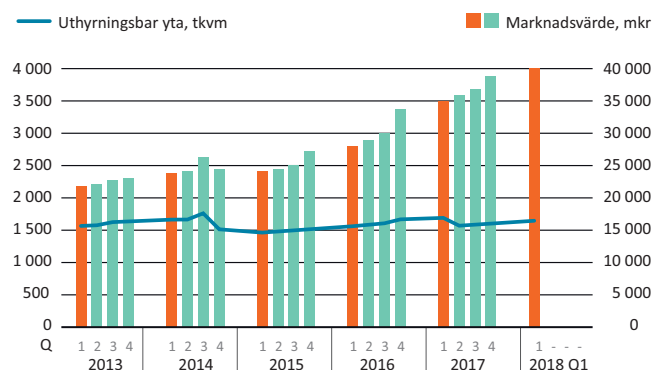
### The market value of investment properties per segment



# SEK 40,152 million

Market value of investment properties

### Market value and area of investment properties





## Hemsö's property categories

|                                   | Nursing homes | Education | Health care | Justice system | Total         |
|-----------------------------------|---------------|-----------|-------------|----------------|---------------|
| No.                               | 168           | 103       | 62          | 12             | <b>345</b>    |
| Leasable area, tsqm               | 733           | 536       | 268         | 121            | <b>1,658</b>  |
| Rental duration, years            | 9.4           | 10.9      | 6.2         | 6.6            | <b>9.1</b>    |
| Property value, SEK million       | 16,527        | 13,373    | 6,923       | 3,329          | <b>40,152</b> |
| Rental income, SEK million        | 263           | 210       | 108         | 55             | <b>636</b>    |
| Net operating income, SEK million | 200           | 154       | 75          | 43             | <b>472</b>    |
| Economic occupancy rate, %        | 99.0          | 98.6      | 94.8        | 98.8           | <b>98.1</b>   |
| Valuation yield, %                | 5.0           | 5.0       | 5.8         | 5.6            | <b>5.2</b>    |

## Tenants

94 per cent of Hemsö's total rental income is derived from taxpayer-funded operations. 14 of the 20 largest tenants are state, municipal or county operators. The share of contracted annual rent with public-sector tenants was 59 per cent, where lease agreements with state operators accounted for 18 per cent, municipal operators for 33 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.

# 98.1 per cent

Economic occupancy rate

In Germany, privately run 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 in Germany amounted to EUR 30 million, of which 23 per cent is secured through pledges.

The largest tenants, each accounting for 4-6 per cent of the total contracted annual rent, are the Swedish Police Authority, Attendo, the Stockholm City Council and AcadeMedia.

## Hemsö's 20 largest tenants

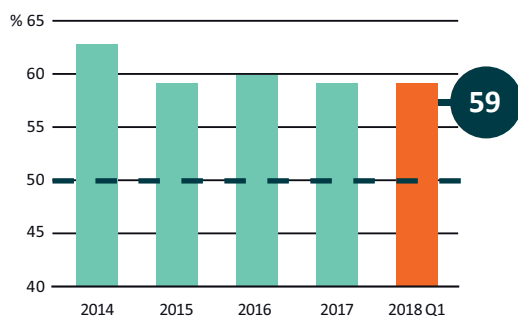
| Tenant                                | Tenant category | Contracted annual rent, SEK million | Share of contracted annual rent, % | No. of lease agreements |
|---------------------------------------|-----------------|-------------------------------------|------------------------------------|-------------------------|
| Swedish Police                        | State           | 150                                 | 5.9                                | 30                      |
| Attendo                               | Private         | 120                                 | 4.7                                | 65                      |
| Stockholm County                      | County          | 112                                 | 4.4                                | 75                      |
| Academedia                            | Private         | 109                                 | 4.3                                | 24                      |
| City of Västerås                      | Municipal       | 68                                  | 2.7                                | 15                      |
| AWO (Germany)                         | Private         | 67                                  | 2.6                                | 8                       |
| The Karolinska Institute              | State           | 66                                  | 2.6                                | 11                      |
| Västra Götaland Region                | County          | 64                                  | 2.5                                | 68                      |
| Norrköping Municipality               | Municipality    | 63                                  | 2.5                                | 20                      |
| HEWAG (Germany)                       | Private         | 54                                  | 2.1                                | 9                       |
| Mälardalen University                 | State           | 53                                  | 2.1                                | 2                       |
| Gävle Municipality                    | Municipality    | 48                                  | 1.9                                | 19                      |
| Region Gotland                        | County council  | 43                                  | 1.7                                | 9                       |
| Municipality of Upplands Väsby        | Municipality    | 40                                  | 1.6                                | 4                       |
| The International English School      | Private         | 39                                  | 1.5                                | 7                       |
| Ambea                                 | Private         | 39                                  | 1.5                                | 5                       |
| Pori Municipality (Finland)           | Municipality    | 37                                  | 1.4                                | 1                       |
| Municipality of Uppsala               | Municipality    | 37                                  | 1.4                                | 22                      |
| Municipality of Nacka                 | Municipality    | 36                                  | 1.4                                | 14                      |
| Royal Swedish Institute of Technology | State           | 36                                  | 1.4                                | 1                       |
| <b>Total</b>                          |                 | <b>1,280</b>                        | <b>50.1</b>                        | <b>409</b>              |

## Property frameworks

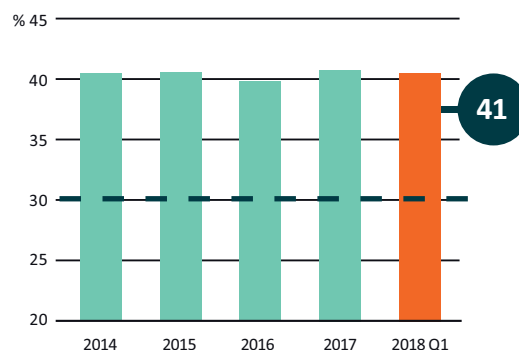
To clarify the company's strategy, Hemsö has a number of property frameworks. The aim of these frameworks is to ensure a

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

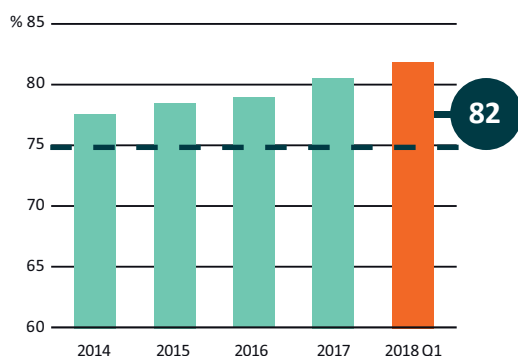
### Public-sector tenants are to account for at least 50 per cent of rental income



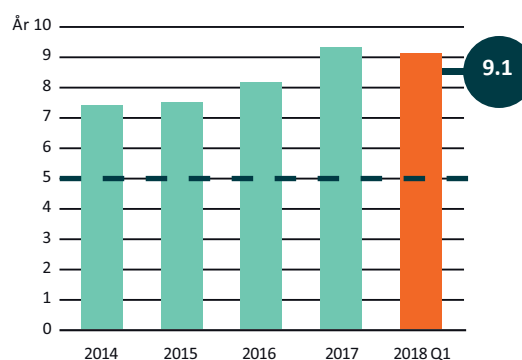
### Nursing homes are to account for at least 30 per cent of rental income



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



### The rental duration is to exceed 5 years



## Earning capacity

The table reflects Hemsö's earning capacity on a 12-month basis at 31 March 2018. 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. Central 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 expenses. Profit from participations in associated companies is calculated using the same assumptions as for Hemsö, with consideration for the size of the participation.

## Property valuation

Hemsö recognises its investment properties at an estimate of

## Earning capacity

| SEK million  | Q1 2018      | Q1 2017      | Change, %   |
|--|--------------|--------------|-------------|
| Rental income                                      | 2,546        | 2,352        |             |
| Property costs                                     | -587         | -570         |             |
| <b>Net operating income</b>                        | <b>1,959</b> | <b>1,782</b> | <b>9.9</b>  |
| Central administrative expenses                    | -129         | -193         |             |
| Profit from participations in associated companies | 5            | -            |             |
| Financial items                                    | -380         | -352         |             |
| <b>Profit from property management</b>             | <b>1,455</b> | <b>1,237</b> | <b>17.7</b> |

fair value, in accordance with IAS 40. At 31 March, the fair value of all properties had been determined 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 40,152 million (35,003).

## Development projects

### Hemsö's five largest ongoing development projects

| Municipality | Property                 | Property category | Project area, sqm | Estimated investment, SEK million | Remaining investment, SEK million | Increase in rental value after project, SEK million | Occupancy rate, % | Estimated year of completion |
|--------------|--------------------------|-------------------|-------------------|-----------------------------------|-----------------------------------|---|-------------------|------------------------------|
| Solna        | Patienten 1 <sup>1</sup> | Health care       | 21,000            | 1,783                             | 1,035                             | 82  | 68                | 2020                         |
| Stockholm    | Princeton 1 <sup>1</sup> | Health care       | 20,000            | 1,453                             | 950                               | 77  | -                 | 2021                         |
| Boden        | Boden 56:36              | Nursing home      | 9,700             | 246                               | 206                               | 19  | 100               | 2020                         |
| Staffanstorp | Stanstorps 5:368         | Nursing home      | 4,100             | 146                               | 107                               | 9   | 100               | 2019                         |
| Västerås     | Widenska                 | Education         | 5,200             | 141                               | 77                                | 10  | 100               | 2019                         |
| Enköping     | Romberga 23:54           | Nursing home      | 4,200             | 110                               | 30                                | 9   | 100               | 2018                         |
| Solna        | Älgörten 1, stage 2      | Education         | 2,000             | 77                                | 20                                | 4   | 100               | 2018                         |
| Solna        | Älgörten 1, stage 3      | Education         | 1,440             | 57                                | 37                                | 3   | 100               | 2019                         |
| <b>Total</b> |                          |                   | <b>67,640</b>     | <b>4,013</b>                      | <b>2,463</b>                      | <b>213</b>  |                   |                              |

<sup>1</sup> Development projects are conducted in companies owned jointly with SveaNor.

### Development projects

Hemsö has many ongoing development projects, primarily the construction of new schools and nursing homes. The largest development projects comprise a total investment of SEK 4,013 million, of which the remaining investment amount is SEK 2,463 million. For all ongoing development projects with project

volumes of more than SEK 20 million, the remaining investment volume is SEK 2,492 million. During the quarter, two development projects totalling SEK 208 million were completed and the properties were transferred to management.

### Development projects completed, 2018

| Municipality | Property       | Property category | Project area, sqm | Estimated investment, SEK million | Rental duration, years | Rental value increase value, SEK million | Occupancy rate, % |
|--------------|----------------|-------------------|-------------------|-----------------------------------|------------------------|--|-------------------|
| Tyresö       | Krusmyntan 1   | Nursing home      | 4,300             | 156                               | 15                     | 10                                       | 100               |
| Sotenäs      | Gravarne 3:139 | Health care       | 2,567             | 52                                | 16                     | 3  | 100               |
| <b>Total</b> |                |                   | <b>6,867</b>      | <b>208</b>                        | <b>15</b>              | <b>13</b>                                |                   |



#### Krusmyntan 1, Tyresö

Hemsö completed a nursing home in Tyresö south of Stockholm. The facility, Villa Basilika, has beds for 63 patients. The new nursing home lies adjacent to Hemsö's existing nursing home in this quiet and green area of Tyresö. The tenant, Ambea, has signed a 15-year lease agreement.

## Financing

The overall objective of Hemsö's financing activities is to secure a long-term stable capital structure, and an optimal net financial position, within the given risk limits. Hemsö's loan-to-value ratio should not exceed 70 per cent, and the interest-coverage ratio should be at least 2.0. At period-end, the loan-to-value ratio was 62.9 per cent (63.6) and the interest-coverage ratio was 4.8 (4.3).

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

### Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 26,380 million (23,435). During the quarter, Hemsö continued to focus on loans with longer maturities. Hemsö issued a 15-year bond of EUR 56 million in the EUR market and a 20-year bond of SEK 150 million. In addition, Hemsö issued 5-year bonds of SEK 800 million and a 2-year bond of SEK 300 million.

In the first quarter of 2018, Hemsö further diversified its borrowing with an unsecured bank loan of SEK 800 million from the Nordic Investment Bank (NIB). The NIB is a development bank that promotes social sustainability across the Nordic region. The loan has an 8-year maturity and is part of the financing for the Patienten development project with St Erik Eye Hospital as the largest tenant. The development project will hold Silver certification under the SGBC system and be included in Hemsö's sustainable financing portfolio.

In the first quarter, a secured loan of SEK 1,220 million was repaid, bringing the proportion of secured debt to 0 per cent (8) at the end of the quarter. Outstanding commercial papers amounted to SEK 3,999 million (4,818). Hemsö works actively to buy back bonds as they approach maturity to minimise the

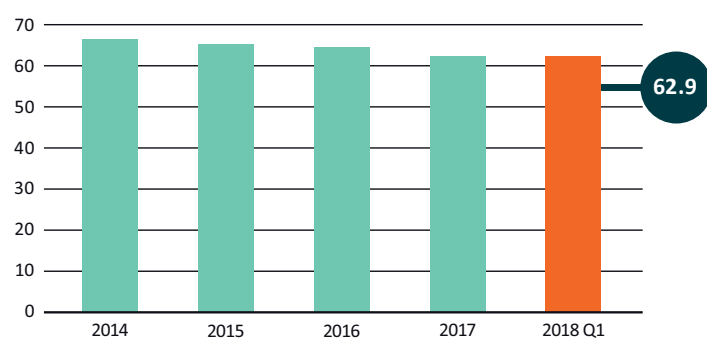
### Sources of funding, SEK million

|                                       | Q1 2018       | Q1 2017       |
|---------------------------------------|---------------|---------------|
| Bonds, SEK                            | 11,963        | 11,149        |
| Bonds, EUR                            | 9,618         | 4,745         |
| <b>Total Bonds</b>                    | <b>21,581</b> | <b>15,894</b> |
| <i>Of which sustainable bonds</i>     | <i>1,000</i>  | <i>1,000</i>  |
| Commercial papers                     | 3,999         | 4,818         |
| Nordic Investment Bank                | 800           | -             |
| Secured loans                         | -             | 2,723         |
| <b>Interest-bearing liabilities</b>   | <b>26,380</b> | <b>23,435</b> |
| <i>Of which sustainable financing</i> | <i>1,800</i>  | <i>1,000</i>  |

### Capital structure, SEK million

|                                       | Q1 2018              | Q1 2017              |
|---------------------------------------|----------------------|----------------------|
| Interest-bearing liabilities          | 26,380               | 23,435               |
| Cash                                  | 1,132                | 1,170                |
| <b>Net debt</b>                       | <b>25,248</b>        | <b>22,265</b>        |
| Market value of investment properties | 40,152               | 35,003               |
| <b>Loan-to-value ratio</b>            | <b>62.9 per cent</b> | <b>63.6 per cent</b> |
| <b>Share of secured debt</b>          | <b>0.0%</b>          | <b>7.8 per cent</b>  |

### Loan-to-value ratio, %



company's refinancing risk. During the period, Hemsö bought back bonds totalling SEK 502 million (0).

During the period, Hemsö focused on loans with longer maturities, which extended the company's average debt maturity to 5.7 years (4.0). The change in fixed-rate period during the quarter is because Hemsö issued fixed-rate bonds with long maturities in both EUR and SEK, which extended the average fixed-rate period to 5.4 years (4.3).

At 31 March 2018, currency exposures corresponded to 5 per cent (3) of the Group's equity.

During the quarter, Hemsö increased the volume of loan commitments by SEK 500 million to a total of SEK 10,500 million (10,500) by the end of the quarter. At 31 March, no loan commitments had been used. Cash and cash equivalents amounted to SEK 1,132 million (1,170) and available liquidity totalled SEK 11,632 million (12,889), bringing the debt-coverage ratio to 168 per cent (139).

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 derivatives portfolio was SEK 9,050 million (7,580). In the first quarter, derivative contracts of SEK 800 million were entered into, linked to bond market issues. The foreign exchange derivatives expired during the same period and at 31 March, Hemsö had no outstanding foreign exchange derivatives.

At period-end, Hemsö's average interest rate was 1.5 per cent (1.5).

## SEK 1,800 million

Sustainable financing

### Currency exposure, SEK million

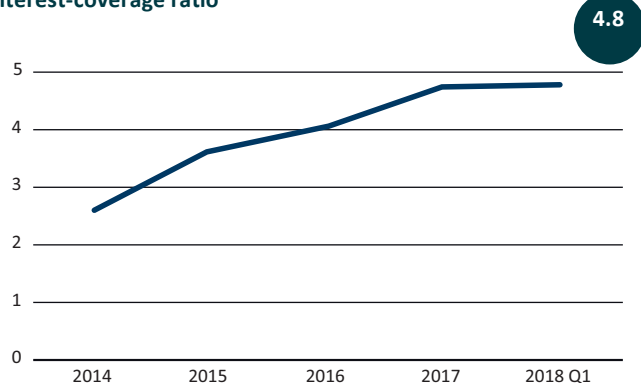
|                          | Q1 2018           | Q1 2017           |
|--------------------------|-------------------|-------------------|
| Properties EUR           | 10,070            | 6,316             |
| Cash EUR                 | 65                | 20                |
| <b>Assets EUR</b>        | <b>10,135</b>     | <b>6,336</b>      |
| Debt EUR                 | 9,618             | 6,046             |
| <b>Exposure EUR</b>      | <b>517</b>        | <b>290</b>        |
| Currency hedging         | -                 | -                 |
| <b>Currency exposure</b> | <b>517</b>        | <b>290</b>        |
| Equity                   | 11,340            | 9,329             |
| <b>Currency exposure</b> | <b>5 per cent</b> | <b>3 per cent</b> |

### Credit commitments, SEK million

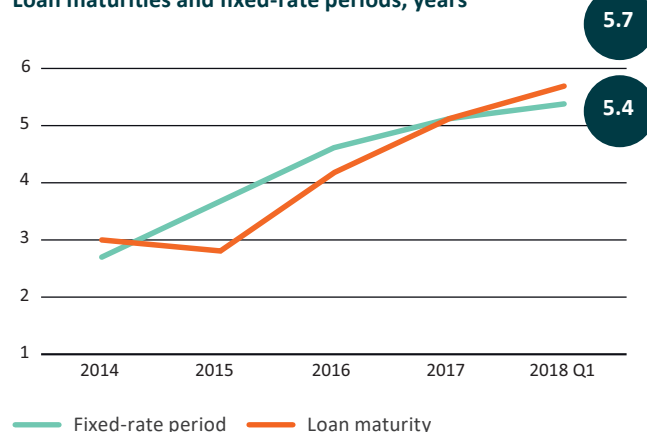
|                               | Q1 2018       | Q1 2017       |
|-------------------------------|---------------|---------------|
| Banks                         | 6,000         | 6,000         |
| AP3                           | 4,000         | 4,000         |
| Construction credit           | -             | 2,640         |
| Credit facility               | 500           | 500           |
| <b>Total loan commitments</b> | <b>10,500</b> | <b>13,140</b> |
| <i>Of which unused</i>        | <i>10,500</i> | <i>11,719</i> |
| Cash                          | 1,132         | 1,170         |
| <b>Available liquidity</b>    | <b>11,632</b> | <b>12,889</b> |
| Short-term loans              | 6,907         | 8,417         |
| Debt-coverage ratio           | 168%          | 139%*         |

\* Excluding unutilised construction credit of SEK 1,219 million

### Interest-coverage ratio



### Loan maturities and fixed-rate periods, years



## Summary of financial policy

| Financing risk            | Policy  | Outcome at 31 March 2018 |
|---------------------------|---|--------------------------|
| Loan-to-value ratio       | Max. 70%  | 62.9 per cent            |
| Loan maturity             | At least 2 years  | 5.7 years                |
| Debt-coverage ratio       | At least 110%   | 168%                     |
| Share of secured debt     | Max. 20%  | 0 per cent               |
| <b>Interest-rate risk</b> |   |                          |
| Interest-coverage ratio   | At least 2.0 (rolling 12-month period)                            | 4.8                      |
| Fixed-rate period         | Hemsö's average fixed-rate period should range from 3-8 years     | 5.4 years                |
| Fixed-rate maturity       | Max. 40% of fixed-rate periods should mature within 12 months     | 28 per cent              |
| <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% (in SEK) of the Group's equity without currency hedging. | 5 per cent               |



## Loan maturities and fixed-rate periods

| Maturity year     | Credit agreements, SEK million | Loan maturity         |            |               | Fixed-rate period |  |
|-------------------|--------------------------------|-----------------------|------------|---------------|-------------------|--|
|                   |                                | Utilised, SEK million | Share, %   | SEK million   | Share, %          |  |
| 2018              | 1,708                          | 1,708                 | 8          | 6,426         | 24                |  |
| 2019              | 11,103                         | 4,103                 | 18         | 1,640         | 6                 |  |
| 2020              | 5,299                          | 2,799                 | 12         | 1,647         | 6                 |  |
| 2021              | 1,503                          | 1,503                 | 7          | 2,099         | 8                 |  |
| 2022              | 400                            | 400                   | 2          | 1,300         | 5                 |  |
| 2023              | 1,800                          | 800                   | 4          | 1,500         | 6                 |  |
| 2024              | 500                            | 500                   | 2          | 2,000         | 8                 |  |
| 2025              | -                              | -                     | -          | -             | -                 |  |
| 2026              | 5,916                          | 5,916                 | 26         | 5,116         | 19                |  |
| >2026             | 4,652                          | 4,652                 | 21         | 4,652         | 18                |  |
| <b>Total</b>      | <b>32,881</b>                  | <b>22,381</b>         | <b>100</b> | <b>26,380</b> | <b>100</b>        |  |
| Commercial papers |                                | 3,999                 |            |               |                   |  |
| <b>Total</b>      |                                | <b>26,380</b>         |            |               |                   |  |

## Quarterly overview

| Amounts in SEK million                             | Q1 2018       | Q4 2017       | Q3 2017       | Q2 2017       | Q1 2017       | Q4 2016       | Q3 2016       | Q2 2016       | Q1 2016       |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Income statement</b>                            |               |               |               |               |               |               |               |               |               |
| Property income                                    | 640           | 617           | 594           | 577           | 587           | 571           | 558           | 540           | 535           |
| Property costs                                     | -168          | -154          | -118          | -147          | -167          | -151          | -111          | -132          | -158          |
| <b>Net operating income</b>                        | <b>472</b>    | <b>463</b>    | <b>476</b>    | <b>430</b>    | <b>420</b>    | <b>420</b>    | <b>447</b>    | <b>408</b>    | <b>377</b>    |
| Central administrative expenses                    | -30           | -43           | -27           | -28           | -33           | -46           | -42           | -48           | -46           |
| Profit from participations in associated companies | 1             | 1             | -             | -             | -             | -             | -             | -             | -             |
| Financial items                                    | -93           | -91           | -93           | -77           | -84           | -90           | -90           | -94           | -85           |
| <b>Profit from property management</b>             | <b>350</b>    | <b>330</b>    | <b>356</b>    | <b>325</b>    | <b>303</b>    | <b>284</b>    | <b>315</b>    | <b>266</b>    | <b>246</b>    |
| Change in value, properties                        | 178           | 739           | 141           | 415           | 388           | 1,735         | 91            | 189           | 56            |
| Change in value, financial instruments             | 28            | 33            | 1             | 54            | 47            | 207           | -5            | -154          | -256          |
| Current tax  | -4            | -13           | -28           | -23           | -25           | 2             | -16           | -18           | -17           |
| Deferred tax                                       | -34           | -229          | -85           | -51           | -113          | -482          | -69           | -36           | 5             |
| <b>Profit for the year</b>                         | <b>518</b>    | <b>886</b>    | <b>385</b>    | <b>720</b>    | <b>600</b>    | <b>1,746</b>  | <b>316</b>    | <b>247</b>    | <b>34</b>     |
| Other comprehensive income                         | 26            | 24            | -3            | 10            | 1             | 15            | 28            | 20            | 18            |
| <b>Comprehensive income for the year</b>           | <b>544</b>    | <b>910</b>    | <b>382</b>    | <b>730</b>    | <b>601</b>    | <b>1,761</b>  | <b>344</b>    | <b>267</b>    | <b>52</b>     |
| <b>Balance sheet</b>                               |               |               |               |               |               |               |               |               |               |
| Investment properties                              | 40,152        | 38,883        | 36,671        | 35,969        | 35,003        | 33,629        | 30,186        | 28,763        | 27,888        |
| Other assets                                       | 715           | 660           | 560           | 901           | 561           | 392           | 296           | 358           | 331           |
| Cash and bank balances                             | 1,132         | 1,134         | 849           | 2,467         | 1,170         | 932           | 2,957         | 606           | 247           |
| <b>Total assets</b>                                | <b>41,999</b> | <b>40,677</b> | <b>38,080</b> | <b>39,337</b> | <b>36,734</b> | <b>34,953</b> | <b>33,439</b> | <b>29,727</b> | <b>28,466</b> |
| Equity   | 11,340        | 10,795        | 9,885         | 9,503         | 9,329         | 8,672         | 6,831         | 6,494         | 6,764         |
| Deferred tax liabilities                           | 2,638         | 2,591         | 2,355         | 2,274         | 2,216         | 2,103         | 1,619         | 1,549         | 1,514         |
| Derivatives  | 515           | 544           | 560           | 615           | 676           | 723           | 1,055         | 1,074         | 927           |
| Interest-bearing liabilities                       | 26,380        | 25,575        | 24,497        | 25,863        | 23,436        | 22,483        | 23,074        | 19,853        | 18,542        |
| Non-interest-bearing liabilities                   | 1,126         | 1,172         | 783           | 1,082         | 1,077         | 972           | 860           | 757           | 719           |
| <b>Total equity and liabilities</b>                | <b>41,999</b> | <b>40,677</b> | <b>38,080</b> | <b>39,337</b> | <b>36,734</b> | <b>34,953</b> | <b>33,439</b> | <b>29,727</b> | <b>28,466</b> |
| <b>Key ratios</b>                                  |               |               |               |               |               |               |               |               |               |
| <b>Financial key ratios</b>                        |               |               |               |               |               |               |               |               |               |
| Loan-to-value ratio, %                             | 62.9          | 62.9          | 64.5          | 64.3          | 63.6          | 64.0          | 66.5          | 66.8          | 65.5          |
| Interest-coverage ratio, <sup>1</sup>              | 4.8           | 4.8           | 4.7           | 4.6           | 4.3           | 4.1           | 3.9           | 4.0           | 3.9           |
| Operating cash flow, SEK million                   | 338           | 330           | 350           | 311           | 281           | 271           | 305           | 260           | 213           |
| Return on equity, % <sup>1</sup>                   | 24.3          | 26.6          | 41.3          | 42.3          | 36.2          | 30.4          | 17.5          | 15.9          | 20.1          |
| <b>Property-related key ratios</b>                 |               |               |               |               |               |               |               |               |               |
| Valuation yield, %                                 | 5.2           | 5.2           | 5.4           | 5.4           | 5.6           | 5.7           | 6.0           | 6.0           | 6.0           |
| Total return, % <sup>1</sup>                       | 9.0           | 9.8           | 13.8          | 14.0          | 13.6          | 12.8          | 8.5           | 8.3           | 8.2           |
| Economic occupancy rate, %                         | 98.1          | 98.3          | 98.8          | 98.7          | 97.9          | 97.5          | 97.5          | 97.0          | 96.9          |
| No. of properties                                  | 345           | 346           | 342           | 339           | 362           | 356           | 333           | 330           | 328           |
| Leasable area, tsqm                                | 1,658         | 1,636         | 1,591         | 1,560         | 1,663         | 1,638         | 1,587         | 1,569         | 1,550         |

1) Calculated on a 12-month rolling outcome

## Group – Condensed statement of comprehensive income

| Amounts in SEK million   | Jan-Mar 2018 | Jan-Mar 2017 | Apr 2017-Mar 2018 | Jan-Dec 2017 |
|--|--------------|--------------|-------------------|--------------|
| Rental income  | 636          | 583          | 2,416             | 2,363        |
| Other income   | 4            | 4            | 12                | 12           |
| Operating costs  | -126         | -129         | -380              | -383         |
| Maintenance costs  | -29          | -27          | -163              | -16          |
| Other property costs   | -13          | -11          | -45               | -43          |
| <b>Net operating income</b>                                      | <b>472</b>   | <b>420</b>   | <b>1,840</b>      | <b>1,788</b> |
| Central administrative expenses                                  | -30          | -33          | -127              | -130         |
| Profit from participations in associated companies               | 1            | -            | 2                 | 1            |
| <b>Operating profit</b>  | <b>443</b>   | <b>387</b>   | <b>1,715</b>      | <b>1,659</b> |
| Financial items  | -93          | -84          | -354              | -345         |
| <b>Profit from property management</b>                           | <b>350</b>   | <b>303</b>   | <b>1,361</b>      | <b>1,314</b> |
| <b>Changes in value</b>  |              |              |                   |              |
| Investment properties  | 178          | 388          | 1,472             | 1,682        |
| Financial instruments  | 28           | 47           | 116               | 135          |
| <b>Profit before tax</b>   | <b>556</b>   | <b>738</b>   | <b>2,949</b>      | <b>3,131</b> |
| Current tax  | -4           | -25          | -42               | -63          |
| Deferred tax   | -34          | -113         | -398              | -477         |
| <b>Profit for the period</b>                                     | <b>518</b>   | <b>600</b>   | <b>2,509</b>      | <b>2,591</b> |
| <b>Profit for the period attributable to</b>                     |              |              |                   |              |
| Parent Company shareholders                                      | 514          | 576          | 2,515             | 2,577        |
| Non-controlling interests  | 4            | 24           | -6                | 14           |
| <b>Other comprehensive income</b>                                |              |              |                   |              |
| Profit for the period  | 518          | 600          | 2,509             | 2,591        |
| Translation difference   | 26           | 1            | 56                | 31           |
| <b>Comprehensive income for the period</b>                       | <b>544</b>   | <b>601</b>   | <b>2,565</b>      | <b>2,622</b> |
| <b>Total comprehensive income for the period attributable to</b> |              |              |                   |              |
| Parent Company shareholders                                      | 540          | 577          | 2,571             | 2,608        |
| Non-controlling interests  | 4            | 24           | -6                | 14           |



## Group – Condensed statement of financial position

| Amounts in SEK million                 | 31 Mar 2018   | 31 Mar 2017   | 31 Dec 2017   |
|--|---------------|---------------|---------------|
| <b>ASSETS</b>                          |               |               |               |
| Investment properties                  | 40,152        | 35,003        | 38,883        |
| Participations in associated companies | 102           | -             | 101           |
| Receivables from associated companies  | 47            | -             | 47            |
| Other non-current assets               | 33            | 69            | 32            |
| Current receivables                    | 533           | 492           | 480           |
| Cash and cash equivalents              | 1,132         | 1,170         | 1,134         |
| <b>TOTAL ASSETS</b>                    | <b>41,999</b> | <b>36,734</b> | <b>40,677</b> |
| <b>EQUITY AND LIABILITIES</b>          |               |               |               |
| Equity                                 | 11,340        | 9,329         | 10,795        |
| Deferred tax liabilities               | 2,638         | 2,216         | 2,591         |
| Interest-bearing liabilities           | 19,473        | 15,397        | 18,884        |
| Non-interest-bearing liabilities       | 515           | 676           | 544           |
| <b>Total non-current liabilities</b>   | <b>22,626</b> | <b>18,289</b> | <b>22,019</b> |
| Interest-bearing liabilities           | 6,907         | 8,039         | 6,691         |
| Non-interest-bearing liabilities       | 1,126         | 1,077         | 1,172         |
| <b>Total current liabilities</b>       | <b>8,033</b>  | <b>9,116</b>  | <b>7,863</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>    | <b>41,999</b> | <b>36,734</b> | <b>40,677</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 2017                   | 1             | 6,856                       | 73                  | 1,525             | 217  | 8,672         |
| Contribution from minority interests         | -             | -                           | -                   | -                 | 57   | 57            |
| Comprehensive income, 1 Jan 2017-31 Mar 2017 | -             | -                           | 1                   | 576               | 24   | 601           |
| <b>Closing equity, 31 Mar 2017</b>           | <b>1</b>      | <b>6,856</b>                | <b>74</b>           | <b>2,101</b>      | <b>298</b>                                     | <b>9,330</b>  |
| Dividends                                    | -             | -                           | -                   | -556              | -  | -556          |
| Comprehensive income 1 Apr 2017-31 Dec 2017  | -             | -                           | 30                  | 2,001             | -10  | 2,021         |
| <b>Closing equity, 31 Dec 2017</b>           | <b>1</b>      | <b>6,856</b>                | <b>104</b>          | <b>3,546</b>      | <b>288</b>                                     | <b>10,795</b> |
| Opening equity, 1 Jan 2018                   | 1             | 6,856                       | 104                 | 3,546             | 288  | 10,795        |
| Comprehensive income                         | -             | -                           | 26                  | 514               | 5  | 545           |
| <b>Closing equity, 31 Mar 2018</b>           | <b>1</b>      | <b>6,856</b>                | <b>130</b>          | <b>4,060</b>      | <b>293</b>                                     | <b>11,340</b> |

## Group – Condensed statement of cash flows

| Amounts in SEK million  | Jan-Mar 2018 | Jan-Mar 2017 | Apr 2017-Mar 2018 | Jan-Dec 2017  |
|---|--------------|--------------|-------------------|---------------|
| <b>Operating activities</b>   |              |              |                   |               |
| Profit from property management   | 350          | 303          | 1,361             | 1,314         |
| <i>Adjusted for items not included in profit from property management</i> |              |              |                   |               |
| Profit/loss from participations in associated companies                   | -1           | -            | -3                | -2            |
| Depreciation and amortisation   | 0            | 0            | 2                 | 2             |
| <i>Adjusted for other non-cash items</i>                                  |              |              |                   |               |
| Exchange-rate differences, unrealised                                     | 55           | 18           | -389              | -134          |
| Capital gain/loss   | -15          | 4            | 63                | 82            |
| Income tax paid   | -11          | -22          | -31               | -42           |
| <b>Cash flow before changes in working capital</b>                        | <b>378</b>   | <b>303</b>   | <b>1,003</b>      | <b>1,220</b>  |
| Increase (+)/decrease (-) in working capital                              | -57          | -88          | 406               | 83            |
| <b>Cash flow from operating activities</b>                                | <b>321</b>   | <b>215</b>   | <b>1,409</b>      | <b>1,303</b>  |
| <b>Investing activities</b>   |              |              |                   |               |
| Acquisition of properties   | -913         | -536         | -3,045            | -2,668        |
| Investments in new construction, extension and refurbishment              | -575         | -518         | -2,247            | -2,190        |
| Property divestments  | 804          | 55           | 2,218             | 1,469         |
| Investment in financial non-current assets                                | 1            | -            | -101              | -102          |
| Other non-current assets  | -            | -            | -2                | -2            |
| <b>Cash flow from investing activities</b>                                | <b>-683</b>  | <b>-999</b>  | <b>-3,177</b>     | <b>-3,493</b> |
| <b>Financing activities</b>   |              |              |                   |               |
| Interest-bearing liabilities  | 2,595        | 1,225        | 9,840             | 8,470         |
| Amortisation of interest-bearing liabilities                              | -2,205       | -259         | -7,511            | 5,565         |
| Contributions from non-controlling interests                              | -            | 56           | 1                 | 57            |
| Dividends paid  | -            | -            | -556              | -556          |
| <b>Cash flow from financing activities</b>                                | <b>390</b>   | <b>1,022</b> | <b>1,774</b>      | <b>2,406</b>  |
| <b>Cash flow for the period</b>   | <b>28</b>    | <b>238</b>   | <b>6</b>          | <b>216</b>    |
| Opening balance, cash and cash equivalents                                | 1,134        | 932          | 1,170             | 932           |
| Exchange-rate differences in cash and cash equivalents                    | -30          | -            | -44               | -14           |
| <b>Closing cash and cash equivalents</b>                                  | <b>1,132</b> | <b>1,170</b> | <b>1,132</b>      | <b>1,134</b>  |
| <b>Operating cash flow</b>  | <b>338</b>   | <b>281</b>   | <b>1,329</b>      | <b>1,272</b>  |

## Parent Company – Condensed income statement

| Amounts in SEK million                     | Jan-Mar 2018 | Jan-Mar 2017 | Apr 2017-Mar 2018 | Jan-Dec 2017 |
|--|--------------|--------------|-------------------|--------------|
| Operating income                           | 15           | 16           | 55                | 56           |
| Central administrative expenses            | -35          | -39          | -141              | -145         |
| <b>Operating profit</b>                    | <b>-20</b>   | <b>-23</b>   | <b>-86</b>        | <b>-89</b>   |
| Financial items                            | 36           | -45          | -86               | -89          |
| Change in value, financial instruments     | -1           | -            | -46               | -45          |
| Appropriations                             | -            | -            | 498               | 498          |
| <b>Profit before tax</b>                   | <b>15</b>    | <b>-68</b>   | <b>219</b>        | <b>136</b>   |
| Recognised tax                             | -            | -            | -28               | -28          |
| <b>Profit for the period</b>               | <b>15</b>    | <b>-68</b>   | <b>191</b>        | <b>108</b>   |
| <b>Other comprehensive income</b>          |              |              |                   |              |
| Other comprehensive income                 | -            | -            | -                 | -            |
| <b>Comprehensive income for the period</b> | <b>15</b>    | <b>-68</b>   | <b>191</b>        | <b>108</b>   |

## Parent Company – Condensed balance sheet

| Amounts in SEK million                       | 31 Mar 2018   | 31 Mar 2017   | 31 Dec 2017   |
|--|---------------|---------------|---------------|
| <b>ASSETS</b>                                |               |               |               |
| <b>Non-current assets</b>                    |               |               |               |
| Intangible assets                            | 5             | 2             | 4             |
| Equipment                                    | 1             | 1             | 1             |
| Shares and participations in Group companies | 6,201         | 6,206         | 6,324         |
| Non-current receivables                      | 4,366         | 4,330         | 3,355         |
| <b>Total non-current assets</b>              | <b>10,573</b> | <b>10,539</b> | <b>9,684</b>  |
| <b>Current assets</b>                        |               |               |               |
| Current receivables                          | 19,250        | 13,140        | 17,273        |
| Cash and cash equivalents                    | 102           | 879           | 906           |
| <b>Total current assets</b>                  | <b>19,352</b> | <b>14,019</b> | <b>18,179</b> |
| <b>TOTAL ASSETS</b>                          | <b>29,925</b> | <b>24,558</b> | <b>27,863</b> |
| <b>EQUITY AND LIABILITIES</b>                |               |               |               |
| Equity                                       | 3,260         | 3,625         | 3,245         |
| <b>Untaxed reserves</b>                      |               |               |               |
| Tax allocation reserve                       | 48            | 13            | 48            |
| <b>Liabilities</b>                           |               |               |               |
| Deferred tax liabilities                     | 25            | 29            | 25            |
| Interest-bearing liabilities                 | 26,380        | 20,712        | 24,354        |
| Non-interest-bearing liabilities             | 212           | 179           | 191           |
| <b>Total liabilities</b>                     | <b>26,617</b> | <b>20,920</b> | <b>24,570</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>          | <b>29,925</b> | <b>24,558</b> | <b>27,863</b> |

## Other information

### Events after period-end

Hemsö's development of Sandbyhov in Norrköping includes a nursing home, a high school, a preschool and new premises for a medical centre and the public dental service. The investment amount was SEK 500 million. The largest tenant is Norrköping Municipality with a 25-year lease agreement.

In Luleå, Hemsö is developing a residential care facility with 144 beds. The investment amount was SEK 270 million and Luleå Municipality has signed a 20-year lease agreement.

Hemsö acquired two nursing homes under construction in the Turku region of Finland. A 12-year lease agreement has been signed with care company Esperio Care Oy for both nursing homes. The investment amount was SEK 125 million.

### Employees

At period-end, Hemsö had 103 employees, of whom 52 were women. Of these employees, 36 worked with asset and property management and 12 with development. Other employees worked with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 96 are employed in Sweden, four in Germany and three in Finland.

### Risks and uncertainties

There were no material changes to Hemsö's risks and uncertainties, which are described on pages 74-79 of the 2017 Annual Report.

### Related-party transactions

Hemsö's related-party transactions are set out in Note 27 of Hemsö's 2017 Annual Report. No significant related-party transactions took place during the period.

### Jointly owned companies

In addition to the Group's wholly owned property portfolio, Hemsö owns shares in a number of companies held jointly with SveaNor and the Third Swedish National Pension Fund. These jointly owned companies are included in the company's consolidated accounts.

Hemsö holds half of the shares and votes in the jointly owned company Vitartes AB, and its subsidiary. The remaining shares are owned by SveaNor Holding AB. Vitartes is also a development company, focused on life sciences properties.

Hemsö also co-owns a joint venture, Hemsö Norden KB, with the Third Swedish National Pension Fund. Hemsö Norden KB currently owns 21 investment properties through limited partnerships.

In addition, Hemsö and Lantmännen owns 50 per cent each of Lanthem Samhällsfastigheter AB. This company is not included in the consolidated accounts. Lanthem Samhällsfastigheter currently owns two 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 9 Financial Instruments

This standard applies for reporting periods beginning on or after 2018 and supersedes IAS 39 Financial instruments. The recommendation requires that Hemsö make an assessment of expected credit loss. Since Hemsö's customers are predominantly public-sector operators, solvent and pose a low credit risk, the standard is not expected to have any material effect on Hemsö's financial statements.

### IFRS 15 Revenue from Contracts with Customers

This standard applies for periods beginning on or after 2018 and specifies how to recognise revenue from contracts with customers as well as non-monetary exchanges between entities in the same line of business. Since Hemsö's revenue essentially consists of rental and leasing income not covered by IFRS 15 but by IFRS 16, the recommendation has no material effect on the financial statements.

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 2017 Annual Report.

### Impact of new or revised IFRS on or after 1 January 2019

#### IFRS 16 Leases

This standard supersedes IAS 17 and will apply for annual reporting periods beginning on or after 1 January 2019. The recognition for lessors will essentially remain unchanged. For lessees (tenants), the standard will mean that most contracts (lease agreements) will be recognised in the balance sheet. For Hemsö, this will primarily affect the recognition of site leasehold agreements, which are to be recognised in the balance sheet and therefore increase total assets. In addition, leasehold fees will be recognised as depreciation of the right of use and as interest expense and, therefore, no longer be included in net operating income. Since Hemsö holds a limited number of site leaseholds, the expected impact on the financial statements is limited.

### Signing of the report

Stockholm, 26 April 2018

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. Detailed definitions and explanations of key ratios are also available at [hemso.se/en/financial-information/definitions/](http://hemso.se/en/financial-information/definitions/)

## Financial definitions

### Share of secured debt

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

### Return on equity

Profit after tax 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 carrying amount of the properties.

### Available liquidity

Cash and cash equivalents and short-term investments plus unutilised loan commitments.

### Profit from property management

Profit before changes in value and tax.

### Average interest rate

The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and loan commitments on the closing date.

### Loan maturity

The average of the remaining term of interest-bearing liabilities, taking loan commitments 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

Net operating income less administrative expenses in relation to net financial items.

### Operating profit

Net operating income plus profit from participations in associated companies less central administrative expenses.

### Debt-coverage ratio

Available liquidity in relation to short-term borrowings.

### Total return

The sum of net operating income and changes in value in relation to average property value, adjusted for changes in value over a rolling 12-month period.

## Property-related definitions

### Valuation yield

Net operating income for the past 12 months, adjusted for the holding period and currency of the properties during the period, in relation to the carrying amount of the properties at period-end, excluding project properties.

### Net operating income

Rental income less operating and maintenance costs, property tax and leasehold fees.

### Economic occupancy rate

Contracted annual rental income as a percentage of rental value.

### Rental income

Rental income for the period less vacancies, discounts and rental losses.

### Rental duration

The weighted average remaining lease term excluding garage/parking, stores/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 project 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.

### Project property

A property or well-defined part of a property that has been vacated in order to convert and develop the property. A project 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 project 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 dedicated to public services. Secure housing facilities are also included in the public properties concept.

### Major 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.

### Surplus ratio

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

**Questions and more information**

For more information, please contact:

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

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

**Financial calendar**

Half-year report Jan-Jun 2018      13 July 2018

Interim report Jan-Sep 2018      19 October 2018

# HEMSÖ



Äldreboende



Utbildning



Vård



Rättsväsende

