

STENKUMLA NURSING HOME IN VÄSTERÅS

Q1

Interim report 2024

HEMSÖ

Significant events during the first quarter

- Fitch Ratings upgraded Hemsö's long-term credit rating from A+ to AA- with a stable outlook, and affirmed Hemsö's short-term credit rating of F1+.
- The City of Helsinki awarded Hemsö the contract for the acquisition and re-development of Vallila elementary school, with places for 350 students. A 20-year lease agreement was signed for 3,500 sqm.
- Hemsö signed a 20-year lease agreement with Eketånga Montessori School in Halmstad for 265 elementary school students. The agreement comprises the existing premises plus an extension, a total of 3,800 sqm.
- Hemsö signed a 10-year lease agreement with Praktikertjänst. The lease comprises 600 sqm for a medical and child health care centre in the Arenaområdet district of Ystad.
- Hemsö divested two nursing homes in Tyresö with Vardaga as the tenant. Heba Fastighets AB acquired the properties for SEK 347 million.

Summary, January–March 2024

- Rental income increased 8 per cent to SEK 1,283 million (1,183).
- Profit from property management increased 2 per cent to SEK 590 million (580).
- Operating cash flow increased 15 per cent to SEK 634 million (551).
- Changes in the value of properties amounted to SEK -190 million (-1,255).
- Changes in the value of financial instruments amounted to SEK 21 million (103).
- Profit after tax for the period totalled SEK 367 million (-463).
- The market value of the properties amounted to SEK 84,236 million (84,784).
- During the period, SEK 828 million (649) was invested in the existing property portfolio.
- During the period, two properties (four) were acquired for SEK 206 million (116), and three properties (0) were divested for SEK 359 million (0).

Hemsö in summary

	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Rental income, SEK million	1,283	1,183	4,918	4,818
Profit from property management, SEK million	590	580	2,355	2,345
Profit/loss after tax, SEK million	367	-463	-1,891	-2,721
Operating cash flow, SEK million	634	551	2,412	2,329
Loan-to-value ratio at period-end, %	58.8	57.3	58.8	58.4
Interest-coverage ratio, times	3.0	3.3	3.0	3.0
Market value of properties at period-end, SEK million	84,236	84,784	84,236	82,624
NOI margin, %	72.0	72.4	74.6	74.7
Economic occupancy rate at period-end, %	97.8	97.9	97.8	97.8
Lease duration at period-end, years	9.4	9.5	9.4	9.5
Lettable area at period-end, tsqm	2,446	2,415	2,446	2,458

CEO statement



As we now close the first quarter of the year, I can see that Hemsö has continued along its chosen path with stable growth in both rental income and cash flow. Rental income rose 8 per cent, while profit from property management and operating cash flow rose 2 and 15 per cent respectively, despite higher interest expenses.

Hemsö's stable growth is due to several factors. The support from our long-term owner, the Third Swedish National Pension Fund, is one of them. Another is my colleagues, whose dedication and expertise guarantee a well-managed company with a long-term local presence in municipalities. This enables us to meet tenant demand with investments in social infrastructure, thereby creating long-term and stable business growth.

Company culture the key to success.

Hemsö's company culture is strong and deep. By that, I mean that we agree on what Hemsö stands for and that we are all responsible for managing and developing our culture. That is confirmed by my daily interactions with colleagues as well as our annual employee satisfaction survey.

In February, Hemsö was honoured with first place in Brilliant Awards – Employee Experience. The distinction is based on employee survey results, where 250,000 responses are summarised and ranked. Well-being is not only good for the actual individual, employees who are happy also tend to be more innovative and perform better. That benefits Hemsö as a company as well as our tenants, who meet a dedicated and driven partner.

Digitisation gains

One example of how the company's culture plays out in practice is our digitisation process. Innovations in our core business have led to a number of continuous improvements. The aim of these initiatives is to work more efficiently with our properties in order to reduce energy use, for example. The vision is that digitisation will lead to positive climate impact and savings of SEK 50 per sqm, or around SEK 125 million per year, in our properties by 2030.

Continued stable tenant demand

Hemsö's property portfolio is growing. This year to date, we have completed development projects with 76 new nursing home beds. The construction of three new development projects has also commenced – the police headquarters in Borlänge, a municipal nursing home with 60 beds in Västerås and a health care centre in Ystad.

In the first quarter, Hemsö signed several new lease agreements. One of them is a 20-year lease agreement with the City of Helsinki for the Vallila elementary school for 350 students. The school building was constructed in 1902 and will now undergo extensive re-development to create a modern learning environment without compromising its historical and architectural value. The original architect, Theodor Höijer, has been described as the foremost architect working in Neo-Renaissance style in Finland. He is also the architect behind several well-known landmarks in Helsinki such as the Ateneum art museum and Hotel Kämp. In Finland, Hemsö has built an unique specialised expertise in complex re-development projects for historical buildings.

A long-term approach has many rewards

Hemsö and the Third Swedish National Pension Fund have a long-term approach to everything that we do. This has also been highlighted outside the public sphere now. In March, credit ratings provider Fitch Ratings upgraded Hemsö's long-term credit rating from A+ to AA-. The upgrade reflects Fitch Ratings' new ratings criteria, which place greater weight on the owner support from the Third Swedish National Pension Fund.

This long-term approach has also been adopted by our public sector tenants, who are renewing and expanding their collaboration with Hemsö. This is a seal of approval for Hemsö and guarantees continued collaboration with a long-term horizon. We thank you for your trust, and we are looking forward to an exciting year.

Nils Styf, CEO

This is Hemsö

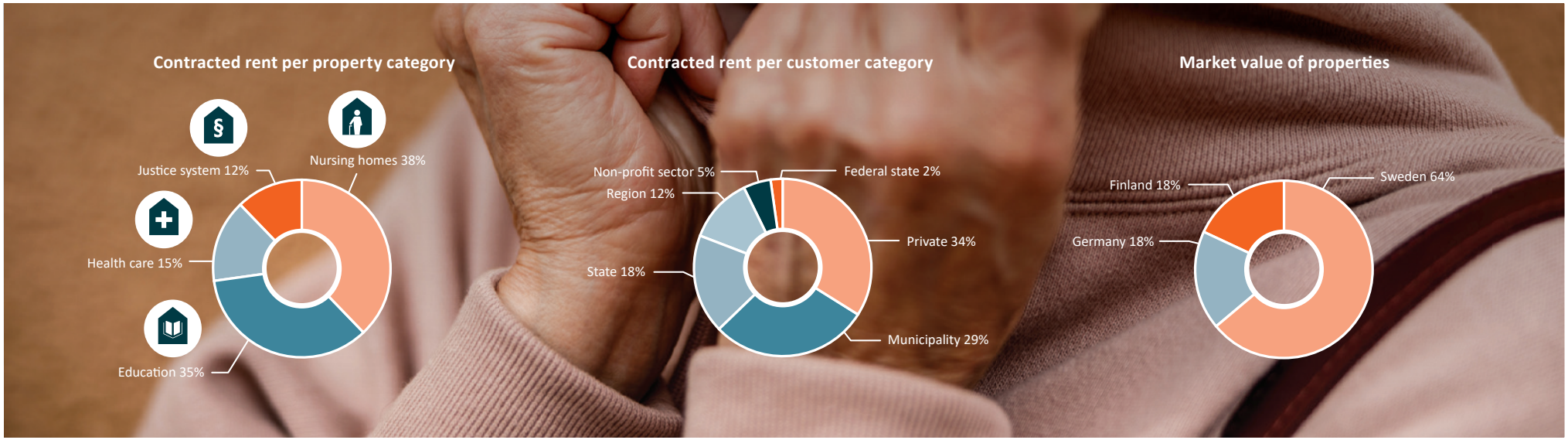
- Hemsö is Sweden's leading owner of social infrastructure.
- The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.
- Hemsö owns properties in Sweden, Germany and Finland.
- Our vision is to strengthen the backbone of society. We are achieving this through sustainable development, ownership and management of social infrastructure.
- The operations are characterised by long-term lease agreements and stable tenants.
- Hemsö is owned by the Third Swedish National Pension Fund.
- The total value of Hemsö's property portfolio is SEK 84.2 billion.
- Hemsö has a credit rating AA- from Fitch Ratings and a credit rating of A- from Standard & Poor's.

Vision

We strengthen the backbone of society

Business concept

To sustainably own, manage and develop social infrastructure



Income, costs and profit

Profit/loss and cash flow items refer to the January-March 2024 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. Key ratio calculations are defined on pages 27–28.

Rental income

Rental income increased 8 per cent to SEK 1,283 million (1,183), attributable to completed development projects, indexation and a positive exchange rate effect. Rental income rose 9 per cent in Sweden, 6 per cent in Germany and 8 per cent in Finland.

Rental income in the comparable portfolio rose SEK 59 million, primarily due to indexation. Exchange rate changes had a positive impact of SEK 3 million on rental income. At period-end, contracted annual rent increased to SEK 5,089 million (4,711) before rent reductions of SEK 50 million (65). Economic vacancies amounted to SEK 113 million (102).

SEK 1,283 million

Rental income

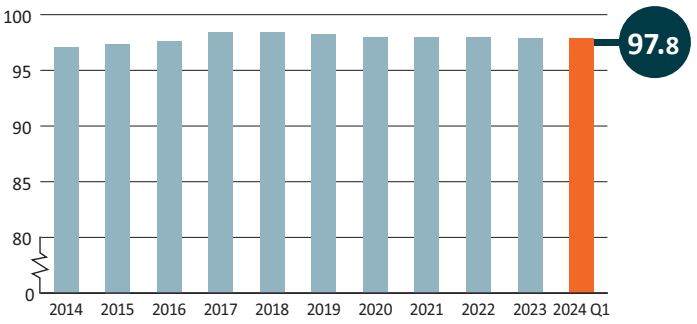
At period-end, the economic occupancy rate was 97.8 per cent (97.9). Lease agreements amounting to annual rent of SEK 206 million will be subject to renegotiation in 2024, corresponding to 4 per cent of Hemsö's contracted rental income. The lease duration was 9.4 years (9.5).

Property costs

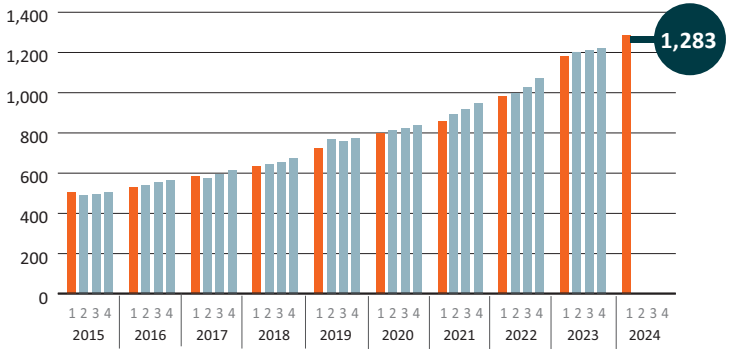
Property costs amounted to SEK 360 million (328), up SEK 32 million. Cost rose due to a larger property portfolio and operating costs increased due to a cold and snowy winter. Snow removal costs rose SEK 9 million, compared with the preceding year. Maintenance costs increased SEK 18 million year-on-year.

In the comparable portfolio, property costs rose SEK 28 million, or 9 per cent.

Economic occupancy rate, %



Rental income per quarter, SEK million



Vacancy changes

SEK million	Jan–Mar 2024
Opening vacancy	112
Terminated lease agreements	6
Adjustment of vacancy rents	1
New lease agreements	-7
Acquired	0
Divested	0
Exchange rate changes	1
Closing vacancy	**113**

Lease maturity

Year	Annual rent, SEK million	Share, %
2024	206	4
2025	343	7
2026	298	6
2027	410	8
2028	367	7
2029	244	5
2030	328	6
2031	271	5
2032	185	4
2033	279	5
>2034	2,158	42
Total	**5,088**	**100**

Net operating income

Net operating income rose 7 per cent to SEK 924 million (862). The increase was mainly attributable to completed development projects and indexation. The NOI margin decreased to 72.0 per cent (72.4). The property yield of the property portfolio, excluding development properties, was 4.7 per cent (4.2).

In the comparable portfolio, net operating income rose 3 per cent to SEK 876 million (850). The increase was mainly attributable to rising rental income due to indexation.

Administration

Administrative expenses were in line with the preceding year and amounted to SEK 49 million (48).

Net interest expense

Net interest expense amounted to SEK -295 million (-250). The change in net interest expense was attributable to higher market rates and lending margins on new loans.

The average interest rate was 2.3 per cent (2.1), primarily an effect of higher market rates. The fixed-rate period was 5.1 years (5.3) and interest-bearing liabilities increased to SEK 50,876 million (50,535).

SEK 924 million

Net operating income

Net interest expense

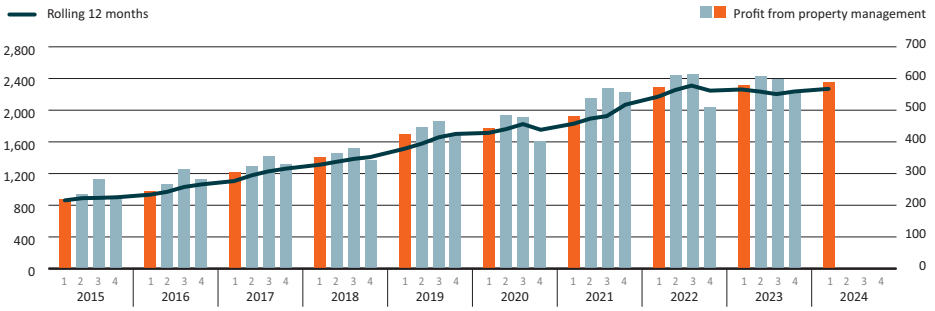
SEK million	Jan–Mar 2024	Jan–Mar 2023
Interest income	15	4
Interest expense	-285	-227
Other financial expenses	-15	-17
Ground leases and leasehold properties	-10	-10
Net interest expense	**-295**	**-250**

Comparable portfolio

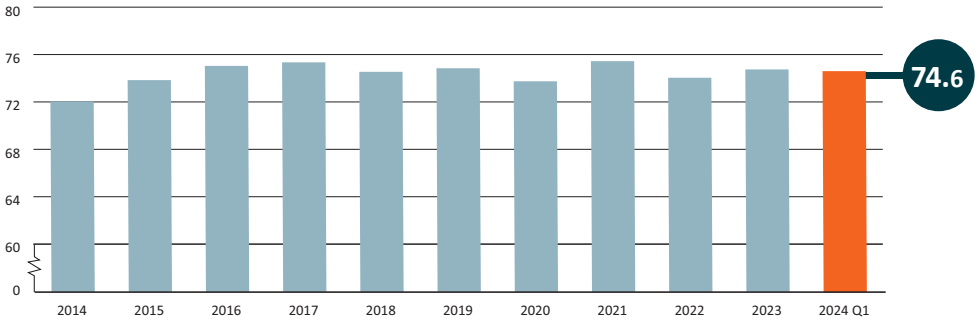
	31 Mar 2024	31 Mar 2023	Change
No. of properties	409	409	–
Market value of properties, SEK million	75,518	77,784	-3%
Property yield, %	4.7	4.1	0.6

SEK million	Jan–Mar 2024	Jan–Mar 2023	Change, %
Rental income	1,206	1,146	5.2
Other income	1	6	-84.6
Operating costs	-234	-225	4.1
Maintenance costs	-71	-52	35.7
Other property costs	-25	-26	-1.8
Net operating income	**876**	**850**	**3.1**

Profit from property management, SEK million



NOI margin, rolling 12-month period, %



Profit from property management

Profit from property management increased 2 per cent to SEK 590 million (580). Profit from property management was positively impacted by an increase of SEK 62 million in net operating income, but adversely impacted by an increase of SEK 58 million in interest expense.

Change in value of investment properties

Change in the value of investment properties for the period was SEK -190 million (-1,255), of which SEK -174 million (-1,255) pertained to unrealised value changes. This corresponds to a value change of -0.2 per cent (-1.5).

Value change attributable to property management and development projects was SEK -19 million (-192), or 0.0 per cent (-0.2). Value change related to market factors amounted to SEK -155 million (-1,063), corresponding to a change of -0.2 per cent (-1.3), due to a marginal upward adjustment of valuation yields in Sweden.

In early 2024, transaction volumes in property markets in Sweden, Germany and Finland remained historically low, despite signs of a recovery in individual property segments. For public properties, the number of completed transactions has remained very low since summer 2022, but one category of buyers that has excelled in Sweden since then is property funds, which have accounted for a major share of the total transaction volume through a few large portfolio acquisitions. Municipalities and municipal property companies have also been increasingly active. The most recent in the list of municipalities to buy properties for their own operations was the Municipality of Sigtuna, which acquired a portfolio of 14 public properties, mainly assisted living facilities and preschools, from Rikshem. Overall, yield requirements are deemed to have risen sharply compared with the first half of 2022, but have remained relatively unchanged since year-end. Uncertainty is higher than normal, however.

The weighted yield used in the valuation of Hemsö's property portfolio was 5.1 per cent (4.6). The valuation yield was 5.0 per cent (4.4) in Sweden, 5.7 per cent (5.2) in Finland and 4.8 per cent (4.2) in Germany.

In Sweden and Finland, market value is reported without taking transaction costs into consideration. In Germany, market value is reported after the deduction of transaction costs. To enable a better comparison of the countries' valuation yields, Hemsö has elected to report the adjusted German valuation yield calculated using the same method as for the Swedish and Finnish properties.

The total return was -0.6 per cent (0.9).

Property valuation

At period-end, the fair value of properties was SEK 84,236 million (84,784). Hemsö measures the fair value of its investment properties in accordance with IAS 40. The measurements are categorised within Level 3 of the fair value hierarchy in IFRS 13. The market value of all properties is determined by an independent valuation institute at least once per year. The market value of all properties is determined quarterly by Hemsö with guidance from external valuations. This quarter, 97 per cent of the Swedish portfolio was valuated externally by Cushman & Wakefield. In the fourth quarter of 2023, 100 per cent of the market value in Germany and Finland was valued externally by CBRE and JLL, respectively. This quarter, all foreign properties were valued internally.

Change in value of property portfolio

	SEK million	No.
Market value, opening balance	82,624	488
Acquisitions	206	2
Investments in new construction, extension and re-development	828	
Divestments	-359	-3
Exchange rate changes	1,110	
Unrealised value changes	-174	
Carrying amount, closing balance	**84,236**	**487**

Unrealised value changes properties, Jan–Mar 2024

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and development projects	-12	–	-6	**-19**
– Market factors	-143	-12	0	**-155**
Total unrealised value changes	**-156**	**-12**	**-6**	**-174**

Sensitivity analysis, property valuation

	Change	Valuation effect, SEK million
Net operating income	+/- 1 per cent	+/- 842
Valuation yield	+/- 0.10 percentage points	-1,876 / +1,964

Change in value of financial instruments

Changes in the value of financial instruments had a positive impact of SEK 21 million (103) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 55 million (-) on profit. Derivatives attributable to currency risk management had a negative impact of SEK -34 million (103) on profit.

Tax

Recognised tax for the period amounted to SEK -53 million (105), of which current tax accounted for SEK -109 million (-40) and deferred tax for SEK 56 million (145). Deferred tax mainly consisted of changes in the temporary difference between the market and taxable value of investment properties. Deferred tax assets were netted against deferred tax liabilities on the balance sheet. At period-end, deferred tax liabilities amounted to SEK 6,271 million (6,406).

Earnings

Profit after tax for the period increased to SEK 367 million (-463). The earnings improvement was mainly attributable to decreased negative changes in the value of investment properties.

Cash flow

Hemsö's operating cash flow rose 15 per cent to SEK 634 million (551). The increase was mainly attributable to higher profit from property management and lower tax paid. Cash flow from operating activities before changes in working capital was SEK 633 million (552). The change in working capital was SEK -218 million (-104). Investing activities had a negative impact of SEK -726 million (-772) on cash flow, while borrowings and loan repayments had a negative impact of SEK -932 million (805) on cash flow from financing activities. The overall change in cash and cash equivalents during the period was SEK -1,244 million (482).

Parent Company

The operations of the Parent Company, Hemsö Fastighets AB, mainly consist of managing the Group's properties in the property-owning subsidiaries. Parent Company sales amounted to SEK 31 million (32) and consisted of fees for services to the subsidiaries.

Administrative expenses increased to SEK -62 million (-61). Financial items amounted to expense of SEK -280 million (53).

SEK 367 million

Profit after tax

Financial items includes interest income of SEK 383 million (227), interest expense of SEK -324 million (-262), profit of SEK 3 million (-) from participations in Group companies and exchange rate effects of SEK -342 million (88). Changes in value of derivatives amounted to SEK -192 million (-35) and loss for the period totalled SEK -210 million (-15).

Properties

487

Market value of properties

SEK 84.2 billion

Segment information

	Profit/loss items per segment				Asset items per segment	
	Rental income		Net operating income		Market value of properties	
Amounts in SEK million	Jan–Mar 2024	Jan–Mar 2023	Jan–Mar 2024	Jan–Mar 2023	31 Mar 2024	31 Mar 2023
Sweden East	309	283	228	204	22,192	23,108
Sweden Central	161	150	108	98	9,937	9,445
Sweden North	210	181	145	124	13,831	13,359
Sweden South	131	128	85	83	8,418	8,611
Germany	205	194	171	173	14,954	15,636
Finland	266	246	188	179	14,904	14,626
Total	**1,283**	**1,183**	**924**	**862**	**84,236**	**84,784**

Segment identification is based on internal reporting. The CEO primarily uses net operating income per segment for performance analysis. Administrative expenses, financial income and expenses, and income tax are managed at Group level.

Property portfolio

Of the market value of properties of SEK 84,236 million (84,784), 64 per cent (64) was attributable to Sweden, 18 per cent (19) to Germany and 18 per cent (17) to Finland. The largest share of the market value of properties, 82 per cent, was attributable to properties located in metropolitan areas and large cities in Sweden, Germany and Finland.

Hemsö divides the property portfolio into four categories. Nursing homes is the largest category and accounts for 38 per cent of the market value of properties, followed by Education at 37 per cent. Health care accounts for 14 per cent and the Justice system for 11 per cent. At 31 March 2024, Hemsö's property portfolio comprised 487 properties (484) with a total lettable area of 2,446 tsqm (2,415).

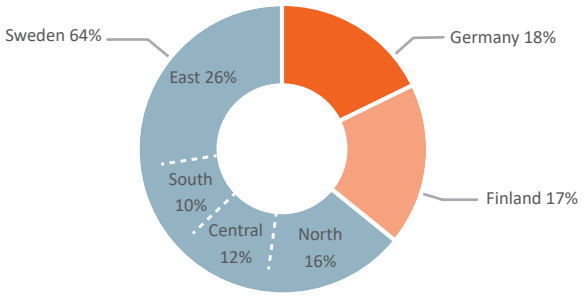
Investments

Investments pertain to new developments and investments in existing properties. Investments in existing properties usually take place in conjunction with new lettings, with the aim of adapting and modernising the premises and thus increasing the rental value. During the period, SEK 828 million (649) was invested, of which SEK 630 million (437) pertained to new construction, extension and re-development, and SEK 198 million (211) to improvements and new lettings.

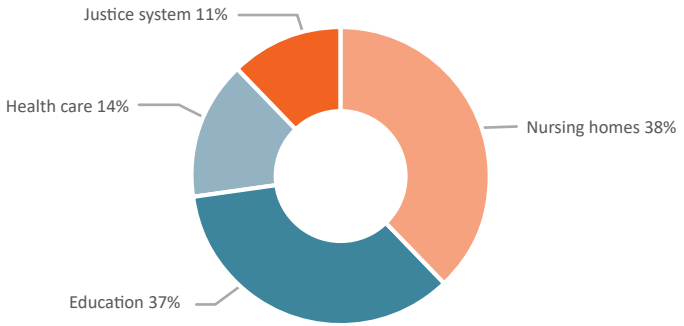
Transactions

During the period, two properties (four) were acquired for SEK 206 million (116), and three properties (0) were divested for SEK 359 million (0). The divestments generated a positive impact of SEK 26 million after tax. The properties were divested at an agreed property value of SEK 354 million, compared with recognised value of SEK 356 million at 31 December 2023.

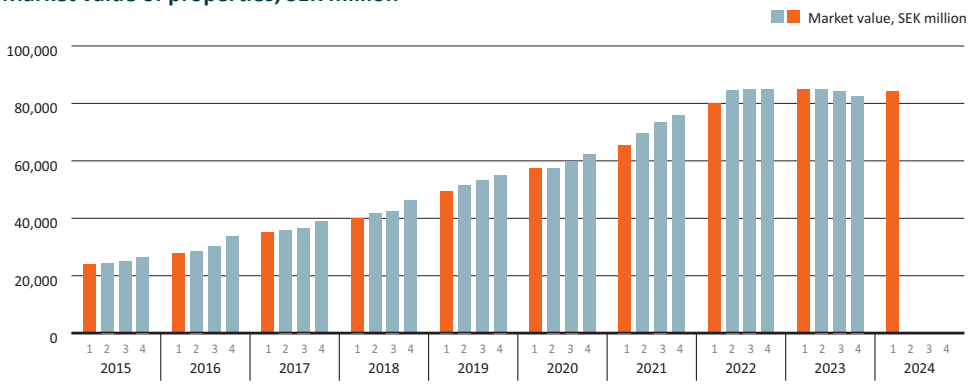
Market value of properties per segment



Market value of properties per property category



Market value of properties, SEK million



Hemsö's property categories

	Nursing homes	Education	Health care	Justice system	Total
No.	241	154	63	29	**487**
Lettable area, tsqm	1,083	821	311	230	**2,446**
Lease duration, years	8.9	11.2	7.3	8.5	**9.4**
Market value of properties, SEK million	32,303	30,710	11,653	9,570	**84,236**
Rental income, SEK million	487	444	198	154	**1,283**
Net operating income, SEK million	351	331	133	109	**924**
Economic occupancy rate, %	98.8	97.8	96.3	97.0	**97.8**
Property yield, %	4.6	4.7	4.8	5.0	**4.7**

Tenants

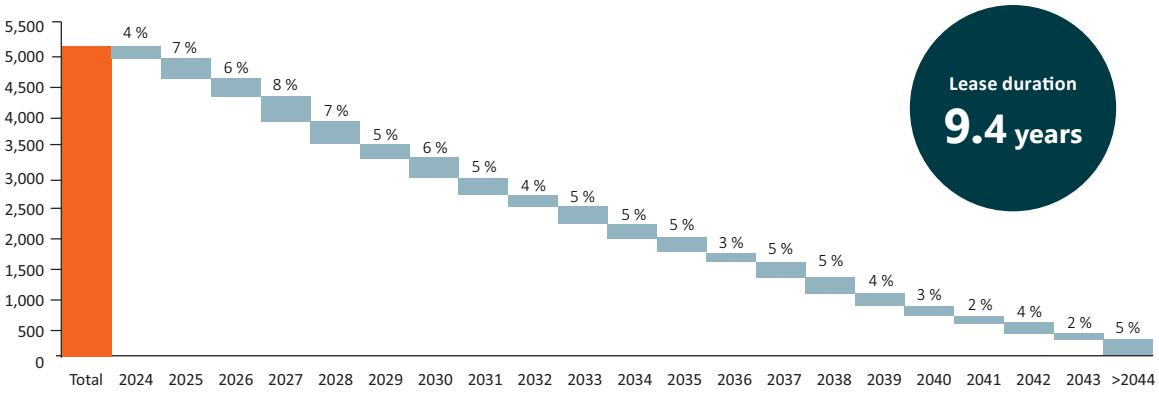
Hemsö's business model is based on long-term lease agreements with public-sector tenants, or with private operators that are taxpayer-funded. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2023, the consumer price index (CPI) was 6.5 per cent. In Finland and Germany, the annual inflation rate was 3.0 and 3.1 per cent, respectively, in 2023. In Finland and Germany, rents are adjusted periodically. The CPI inflation was 90 per cent in Sweden, 78 per cent in Germany and 100 per cent in Finland.

Of Hemsö's total rental income, 95 per cent was derived from taxpayer-funded services. The proportion of contracted annual rent with public-sector tenants was 61 per cent. Contracted annual rent was 29 per cent with municipal operators, 18 per cent with state operators, 2 per cent with federal state operators and 12 per cent with regional operators. Private operators accounted for 34 per cent of the annual rent, and non-profit organisations for 5 per cent.

The largest tenants were the Swedish Police, Region Stockholm, Academedia, the Wellbeing Services County of Southwest Finland and Attendo, which jointly accounted for 20 per cent of rental income. Of Hemsö's 20 largest tenants, 13 were public-sector operators.

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 fees paid by the residents. When the residents are unable to pay their own expenses, funding is provided through municipal contributions.

Lease maturity, annual rent, SEK million



Hemsö's 20 largest tenants

Tenant	Category	Annual rent, SEK million	Share, %	No. lease agreements
Swedish Police	State	252	5.0	35
Region Stockholm	Region	237	4.7	66
Academedia	Private	202	4.0	23
Wellbeing Services County of Southwest Finland (FIN)	Region	168	3.3	17
Attendo	Private	163	3.2	77
Ministry of Justice (FIN)	State	145	2.9	12
City of Västerås	Municipality	126	2.5	22
Mälardalen University	State	125	2.5	3
AWO (GER)	Non-profit	114	2.3	12
International English School	Private	93	1.9	11
City of Lahti (FIN)	Municipality	91	1.8	4
Alloheim (GER)	Private	90	1.8	10
Norrköping Municipality	Municipality	85	1.7	15
Karolinska Institute	State	76	1.5	4
HEWAG (GER)	Private	71	1.4	9
Ambea	Private	70	1.4	8
Västra Götaland Region	Region	70	1.4	61
North Rhine-Westphalia (GER)	Federal state	67	1.3	1
Uppsala Municipality	Municipality	64	1.3	22
City of Gothenburg	Municipality	64	1.3	12
Total		**2,374**	**47.1**	**424**

Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish state	578	11
Swedish regions	363	7
Swedish municipalities	1,178	23
Finnish state	278	6
Finnish regions	241	5
Finnish municipalities	243	5
German state	59	1
German federal states	88	2
German municipalities	55	1
Total	**3,083**	**61**

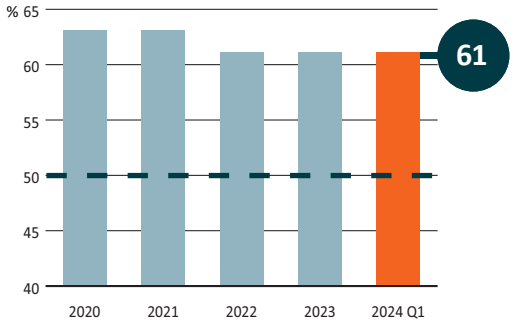
Public-sector tenant
Private-sector tenant

(FIN) = Finland
(GER) = Germany

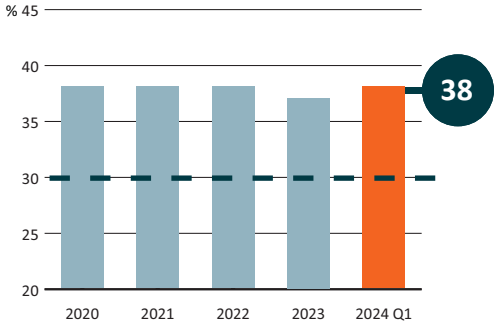
Property frameworks

Hemsö has four property frameworks in order to clarify the company's strategy. The aim of these frameworks is to ensure a low level of risk in the property portfolio and that Hemsö's cash flow remains stable over time.

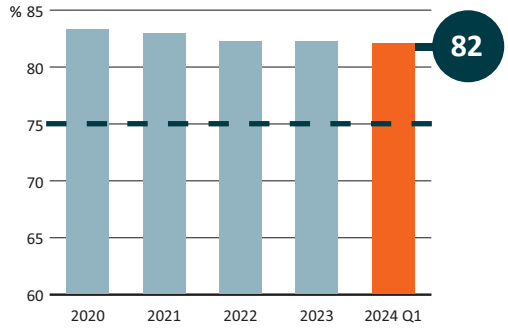
Public-sector tenants
– At least 50 per cent of rental income



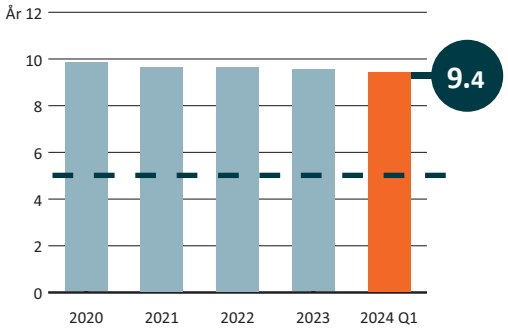
Nursing homes
– At least 30 per cent of rental income



Metropolitan areas and large cities
– At least 75 per cent of rental income



Lease duration
– At least 5 years



Earnings capacity

The table reflects Hemsö's earnings capacity on a 12-month basis. It is important to note that this should not be compared with a forecast for the next 12 months as this does not include, for example, any assessments regarding future vacancies, rental trends, changes in property costs or future property transfers/exits. Rental income is based on annual rental value less vacant premises and rent reductions. Other income and property costs are based on actual results over the past 12 months adjusted for the holding period. Administrative expenses are based on the actual outcome over the past 12 months.

Net interest income/expense has been 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. Share of profit from participations in joint ventures does not include changes in value and tax, i.e. profit from property management, and is calculated using the same assumptions as for Hemsö with consideration for the size of the share. For the calculation of earnings capacity, an exchange rate of 11.53 (11.28) has been used for EUR.

Earnings capacity

SEK million	1 Apr 2024	1 Apr 2023	Change, %
Rental income	5,045	4,646	9
Other income	35	24	46
Property costs	-1,256	-1,125	12
Net operating income	**3,824**	**3,545**	**8**
Central administrative expenses	-197	-193	2
Profit/loss from property management, joint ventures	55	95	-43
Net interest expense	-1,204	-1,102	9
Profit from property management	**2,477**	**2,345**	**6**

Development projects

Ongoing development projects

Hemsö has many ongoing development projects, mainly related to the construction of new schools and nursing homes. Hemsö's ongoing development projects exceeding SEK 100 million comprised a total investment of SEK 5,033 million, of which the remaining investment amount was SEK 3,049 million. The total volume of ongoing new construction and re-development projects was SEK 5,969 million, of which the remaining investment amount was SEK 3,361 million.



We commenced the construction for Stenkumla nursing home in Västerås

Hemsö's ongoing new construction and re-development projects exceeding SEK 100 million

Development projects	Municipality	Category	Lease duration	Area, sqm	Investment, SEK million	Remaining investment, SEK million	Rental value increase, SEK million	Occupancy rate, %	Completion, year
Police headquarters	Borlänge	Justice system	15	21,600	896	828	48	100	2026
Kristiansborg	Västerås	Education	20	9,900	467	109	26	100	2024
Herkules hotel & town hall	Trelleborg	Other	21	10,300	457	311	29	100	2025
Campus Tensta [1]	Stockholm	Education	7	16,800	413	243	29	32	2024-2026
Ektorp school	Nacka	Education	25	9,900	399	229	26	100	2025
Novum [1] [2]	Huddinge	Health care	–	39,400	390	55	n/a	n/a	2024
Ängegärde	Kungälv	Nursing home	15	8,400	320	242	16	100	2025
District court	Vänersborg	Justice system	15	7,000	305	236	18	100	2026
Campus Kronåsen [1] [3]	Uppsala	Education	10	16,200	298	17	41	100	2024
Tempelriddarorden	Stockholm	Nursing home	15	5,900	239	105	15	100	2025
Stauderstrasse	Essen	Nursing home	20	5,900	220	183	12	100	2025
Stenkumla	Västerås	Nursing home	25	4,500	207	169	11	100	2025
Sarvträsk	Nacka	Nursing home	15	4,800	152	118	13	100	2025
Vallgraven Arenaområdet	Ystad	Health care	10	3,000	137	110	8	30	2025
Körsbärsdalen preschool	Helsinki	Education	25	1,900	133	92	8	100	2025
Total				**165,500**	**5,033**	**3,049**	**299**		

Public-sector tenant Private-sector tenant

[1] Re-development. [2] Investment in maintenance, modernisation and energy efficiency of the property.
[3] Stage 1 has been completed, stage 2 will be completed in Q3 2024.

Major completed development projects, 2024

Completed	Development projects	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Increase in rental value, SEK million	Occupancy rate [1], %
Q1	Hoivamme K3	Lahti	Nursing home	BREEAM	1,200	60	13	3	100
Q1	Hoivamme N1	Vichtis	Nursing home	BREEAM	1,200	59	15	3	100
Total									

Public-sector tenant Private-sector tenant

[1] Occupancy rate upon completion.

Sustainability

Hemsö contributes to social value by creating and managing school places and nursing home beds in environments that are customised for the activities taking place in the buildings. We also help Swedish pension funds to grow since most of our profits are returned to Swedish pensioners through our owner, the Third Swedish National Pension Fund.

Climate and environment

Hemsö's climate target is to achieve net zero value chain emissions (Scopes 1, 2 and 3) by 2040. In 2023, emissions decreased by about 30 per cent. For more information, refer to Hemsö's Annual and Sustainability Report published on 28 March 2024.

By building with care and focusing on the life cycle of a property, we are striving to achieve circular construction. The refurbishment of Thelinska magasinet in Trelleborg has commenced. This 19th-century building is being carefully refurbished, with a strong focus on re-use and conservation. The brick façade will be renovated, floorboards re-used and joists and frames reinforced.

Hemsö supports the national roadmap for the construction industry that was submitted to the Swedish government during the period. This is a key contribution to achieving the transition.

Attractive and functional school playgrounds are important for the well-being of both students and employees. It was gratifying to inaugurate the natural grounds of our existing school, Nakterhus School in Haninge. There was a significant improvement in the students' outdoor environment.

Our target is to certify all new developments. At the end of the first quarter, 100 per cent of the completed buildings were certified.

Hemsö's role in society

We contribute to the maintenance and development of social infrastructure. This year to date, we have completed development projects with a total of 76 new nursing home beds.

Hemsö is a member of the City of Stockholm's Integrationspakten (Integration Pact) network. An initiative gathering nearly 500 organisations from the private sector, public sector, clubs and associations to help create a more inclusive city and job market.

During the school spring break, we arranged activities in Pilparken in Tensta, together with Rinkeby Run and the City of Stockholm.

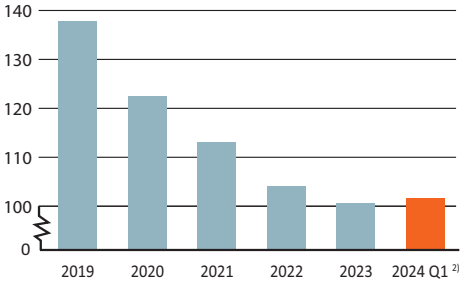
Brilliant Awards selected Hemsö as Best Employer in the Service Industry, based 100 per cent on data from employee surveys.



Safe schools – Handbook for planning safe and secure school environments

In collaboration with Växjö Municipality, the City of Västerås and Hemsö, the Safer Sweden Foundation has produced a handbook for planning safe and secure school environments. The aim of the handbook is to contribute more knowledge. The guide contains specific guidelines and checklists, with a focus on safety and security.

Energy use, kWh/sqm A-temp [1]



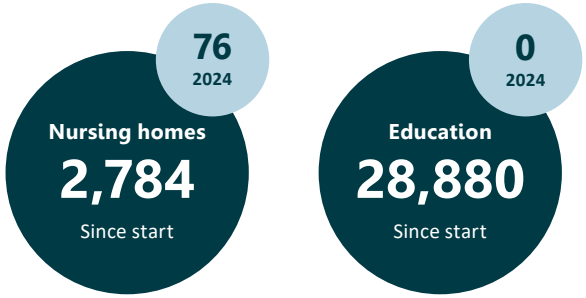
[1] Energy use in Sweden (heating + electricity).
[2] Rolling 12-month period.

KPIs Sustainability

	Q1 2024	Q1–Q4 2023
Environmental certification, new developments, % [1]	100	76
Carbon footprint, new developments, Kg CO_2-eq./sqm GIA [2]	375	347
Floor area under 100 kWh/sqm, % [3]	58	57

[1] Percentage of completed buildings.
[2] Average value for completed buildings, calculated according to the Climate Declaration for Buildings Act.
[3] Pertains to Sweden.

Beds/school places created [1]



[1] The totals pertain to the number of beds/places that Hemsö has added through completed development projects between 2009 and the first quarter of 2024.

Joint ventures

At 31 March 2024, Hemsö owned participations in the following joint ventures: Turku Technology Properties Oy (TTP), Lanthem Samhällsfastigheter AB (Lanthem) and Hemtag Fastigheter AB (HemTag). These companies are reported in Hemsö's consolidated financial statements using the equity method. The participation in TTP is recognised at SEK 1,470 million (1,497), the participation in Lanthem at SEK 214 million (198) and the participation in HemTag at SEK 25 million (4). Total participations in joint ventures amounted to SEK 1,709 million (1,699).

Profit from joint ventures, Jan–Mar 2024

SEK million	TTP	Lanthem	HemTag	Total
Profit from property management	8	2	0	10
Changes in value, Properties	–	–	–	–
Changes in value, Financial instrument	–	–	–	–
Tax	-2	-1	–	-2
Profit recognised	**6**	**2**	**0**	**8**

Turku Technology Properties (TTP)

Hemsö has shared joint control over TTP since 2019. Hemsö owns 52 per cent of the shares in the company and is therefore the largest shareholder. The City of Turku owns 38 per cent of the company and Turku University of Applied Sciences owns 10 per cent. TTP is a joint venture and not consolidated in the Hemsö Group.

TTP is focused on public properties and its property portfolio is concentrated to central Turku. The company combines education, research and private enterprise in a dynamic cluster of tenant firms known as Science Park. At 31 March 2024, 62 per cent of the rental income was derived from public-sector tenants and the lease duration was seven years.



TTP	31 Mar 2024	31 Mar 2023
Participation, %	52	52
Rental value, SEK million	482	462
No. of properties	26	28
Economic occupancy rate, %	93	97
Market value of properties, SEK million	5,693	5,467
Lease duration, years	7	8
Share of public-sector tenants, %	62	63

Lanthem

In 2017, Hemsö entered into a partnership with Lantmännen Fastigheter AB by forming a joint venture, Lanthem Samhällsfastigheter AB. The partnership is based on Lantmännen's land bank. Most of the properties lie adjacent to ports, or centrally in one of Hemsö's prioritised locations.

The partnership will secure Hemsö's access to land for attractive development projects. The company acquired and developed six nursing homes and school properties. The ongoing development projects mainly belong to these two categories. Ownership of Lanthem Samhällsfastigheter AB is shared equally by Hemsö and Lantmännen Fastigheter AB.



Lanthem	31 Mar 2024	31 Mar 2023
Participation, %	50	50
Rental value, SEK million	51	39
No. of properties	6	6
Economic occupancy rate, %	99	100
Market value of properties, SEK million	858	883
Lease duration, years	10	11
Share of public-sector tenants, %	38	46

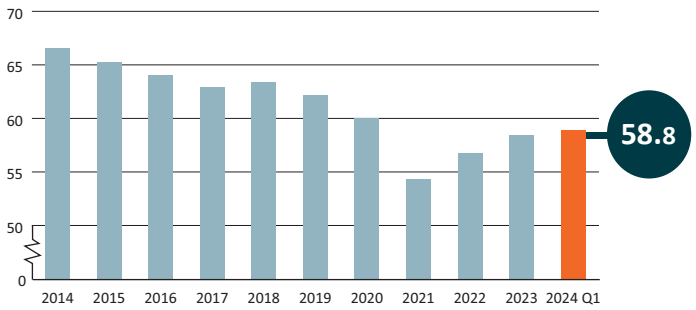
Financing

The aim of Hemsö's financing activities is to ensure a stable capital structure and the highest possible net interest income within predetermined risk constraints. Hemsö's loan-to-value ratio should not exceed 60 per cent over time, and the interest-coverage ratio should be at least 3.0 times. At period-end, the loan-to-value ratio was 58.8 per cent (57.3) and the interest-coverage ratio was 3.0 times (4.0). The interest-coverage ratio declined during the period due to higher market rates.

Hemsö issues bonds in Swedish and European capital markets, and commercial papers in the Swedish market. In addition, Hemsö has committed credit facilities and underwriting commitments from Nordic banks, the Council of Europe Development Bank (CEB) and the Third Swedish National Pension Fund.

At period-end, Hemsö's undrawn committed credit facilities amounted to SEK 13,628 million (13,500). Cash and cash equivalents amounted to SEK 365 million (611). Available liquidity therefore totalled SEK 13,993 million (14,509). The debt-coverage ratio was 183 per cent (173).

Loan-to-value ratio, %



Hemsö has a credit rating of AA- from Fitch Ratings, and A- from Standard & Poor's.

Interest-bearing liabilities

At period-end, Hemsö's interest-bearing liabilities amounted to SEK 50,876 million (50,535).

During the period, Hemsö issued bonds in SEK corresponding to a nominal value of SEK 1,850 million, with maturities ranging from three to five years. During the period, bonds amounting to SEK 1,324 million were repurchased. Hemsö works actively to repurchase bonds to finance future maturities in advance.

Hemsö's credit rating

Credit rating agency	Long-term	Short-term	Outlook	Date
Fitch Ratings	AA-	F1+	Stable	22 Mar 2024
Standard & Poor's	A-	A-2	Stable	2 Nov 2023

Sources of funding, SEK million

	31 Mar 2024	31 Mar 2023
Bonds, SEK	14,789	14,551
Bonds, EUR	20,108	19,665
Bonds, AUD, JPY, NOK, USD	4,783	4,706
Total bonds	**39,681**	**38,922**
Commercial papers, SEK	4,161	4,799
Council of Europe Development Bank, EUR	128	–
European Investment Bank, SEK, EUR	4,242	4,168
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	864	846
Secured bank loans, SEK	1,000	1,000
Total interest-bearing liabilities	**50,876**	**50,535**

Sustainable finance, SEK million

	31 Mar 2024	31 Mar 2023
Sustainability bonds	11,849	8,933
Council of Europe Development Bank	128	–
European Investment Bank	4,242	4,168
Nordic Investment Bank	800	800
Total sustainable finance	**17,019**	**13,900**

Capital structure, SEK million

	31 Mar 2024	31 Mar 2023
Non-current interest-bearing liabilities	43,246	42,169
Current interest-bearing liabilities	7,630	8,366
Current investments	–	-398
Cash and cash equivalents	-365	-611
Net debt	**50,512**	**49,526**
Investment properties	84,236	84,784
Investments in joint ventures	1,709	1,709
Total	**85,945**	**86,493**
Loan-to-value ratio	**58.8%**	**57.3%**
Share of secured debt	**1.2%**	**1.2%**

Hemsö uses derivatives to hedge the company's currency and interest-rate risk. At period-end, the nominal value of the interest-rate derivatives was SEK 3,675 million (0). During the period, Hemsö entered into an interest-rate derivative contract with a nominal value of SEK 500 million and a seven-year term to maturity. The value of derivatives used to manage currency risk corresponded to SEK 7,112 million (8,306).

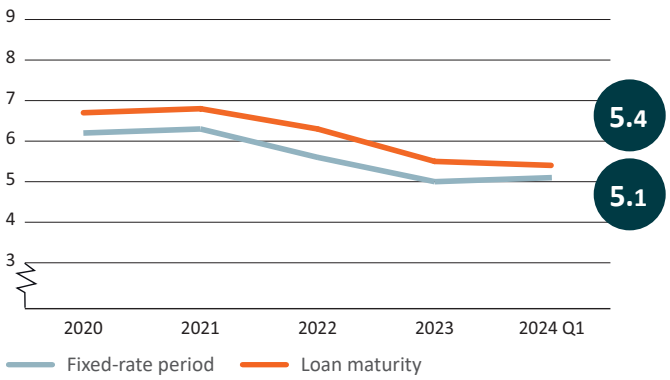
Currency exposure amounted to 0.8 per cent (0.2) of equity.

At period-end, the average loan maturity was 5.4 years (6.1) and the average fixed-rate period was 5.1 years (5.3). The average interest rate was 2.3 per cent (2.1).

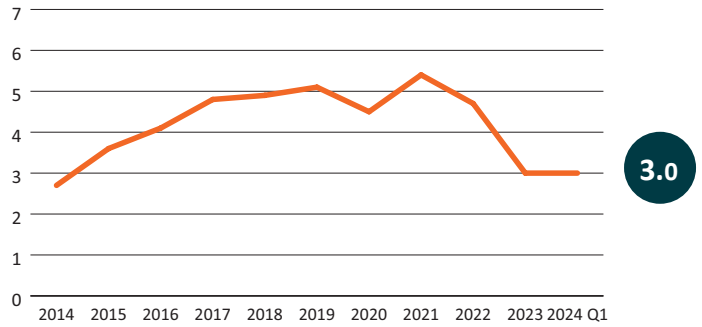


Hemsö is developing a health care property in the emerging Arena area of Ystad

Loan maturity and fixed-rate period, years



Interest-coverage ratio, times



Committed credit facilities and underwriting commitments, SEK million

	31 Mar 2024	31 Mar 2023
Banks	7,500	7,500
Third Swedish National Pension Fund	6,000	6,000
Council of Europe Development Bank	128	–
Total committed credit facilities	**13,628**	**13,500**
Current investments	–	398
Cash and cash equivalents	365	611
Available liquidity	**13,993**	**14,509**
Short-term borrowings	7,630	8,366
Debt-coverage ratio, %	183%	173%

Currency exposure, SEK million

	31 Mar 2024	31 Mar 2023
Properties, EUR	29,858	30,262
Joint ventures, EUR	1,470	1,497
Cash, EUR	344	314
Assets, EUR	**31,672**	**32,073**
Debt, EUR	24,543	23,878
Currency swaps, EUR	6,900	8,126
Exposure, EUR	**230**	**69**
Debt AUD, JPY, NOK, SEK, USD	7,112	8,306
Currency swaps AUD, JPY, NOK, SEK, USD	-7,112	-8,306
Exposure AUD, JPY, NOK, SEK, USD	**0**	**0**
Currency hedging	–	–
Currency exposure	**230**	**69**
Equity	28,589	29,581
Currency exposure, %	**0.8%**	**0.2%**

Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Long-term max. 60%	58.8%
Loan maturity	At least 3 years	5.4 years
Debt-coverage ratio	At least 125%	183%
Share of secured debt	Max. 20%	1.2%
Interest-rate risk		
Interest-coverage ratio	At least 3.0 times (rolling 12-month period)	3.0 times
Fixed-rate period	Average fixed-rate period, 3–8 years	5.1 years
Fixed-rate maturity	Max. 40% within 12 months	19%
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure	Max. 20% of equity	0.8%

Loan maturity and fixed-rate period

	Loan maturity			Fixed-rate period	
Year	Loans and committed credit facilities, SEK million	Loans, SEK million	Share, %	SEK million	Share, %
2024	2,469	2,469	5	9,644	19
2025	9,405	5,405	11	3,703	7
2026	14,604	7,604	15	6,831	13
2027	5,051	4,051	8	2,057	4
2028	7,091	7,091	14	7,313	14
2029	7,096	5,596	11	5,975	12
2030	2,500	2,500	5	2,859	6
2031	1,407	1,407	3	1,764	4
2032	1,328	1,200	2	1,200	2
>2032	9,392	9,392	19	9,530	19
Total	**60,343**	**46,715**	**92**	**50,876**	**100**
Commercial papers		4,161	8		
Total	**60,343**	**50,876**	**100**		



Hemsö participated in the Lava Career Fair at the Royal Institute of Technology



We commenced construction of the new police headquarters in Borlänge



Quarterly overview

Amounts in SEK million	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Income statement									
Rental income	1,283	1,220	1,211	1,203	1,183	1,069	1,025	996	983
Other income	1	9	19	6	7	6	6	5	6
Property costs	-360	-334	-280	-287	-328	-303	-241	-241	-279
Net operating income	**924**	**896**	**951**	**923**	**862**	**771**	**790**	**760**	**711**
Central administrative expenses	-49	-43	-55	-50	-48	-64	-39	-41	-39
Profit/loss from participations in joint ventures	8	-70	14	22	20	-119	23	96	81
Operating profit	**883**	**782**	**910**	**895**	**834**	**588**	**774**	**815**	**754**
Net interest income/expense	-295	-300	-313	-291	-250	-218	-152	-129	-114
Profit after net interest income/expense	**588**	**482**	**597**	**604**	**584**	**370**	**622**	**686**	**640**
- of which Profit from property management	***590***	***560***	***598***	***607***	***580***	***511***	***614***	***612***	***572***
Value change, properties	-190	-1,661	-672	-1,699	-1,255	-2,131	-1,780	2,766	1,734
Value change, financial instruments	21	-86	-63	-178	103	50	133	70	-3
Profit/loss before tax	**420**	**-1,265**	**-138**	**-1,273**	**-568**	**-1,712**	**-1,024**	**3,522**	**2,371**
Current tax	-109	152	-33	-102	-40	-59	-39	-53	-40
Deferred tax	56	39	41	322	145	365	243	-613	-398
Profit/loss for the period	**367**	**-1,074**	**-130**	**-1,054**	**-463**	**-1,406**	**-820**	**2,856**	**1,934**
Other comprehensive income	65	-64	-40	93	16	-12	51	94	53
Comprehensive income for the period	**432**	**-1,138**	**-171**	**-961**	**-448**	**-1,418**	**-769**	**2,950**	**1,987**

Quarterly overview, cont.

Amounts in SEK million	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Balance sheet									
Investment properties	84,236	82,624	84,369	85,071	84,784	84,879	85,004	84,683	79,987
Right-of-use assets	1,027	988	984	1,018	943	932	849	843	801
Participations in joint ventures	1,709	1,636	1,726	1,737	1,699	1,655	1,748	1,475	1,363
Derivatives	–	–	–	–	87	247	389	237	309
Other assets	2,452	2,391	2,142	1,834	1,368	1,209	1,180	992	865
Cash and cash equivalents and short-term investments	365	1,593	1,041	1,334	1,009	526	1,214	325	795
Total assets	**89,789**	**89,231**	**90,260**	**90,993**	**89,889**	**89,447**	**90,383**	**88,554**	**84,121**
Equity	28,589	28,156	28,294	27,465	29,581	30,028	31,449	32,215	30,337
Deferred tax liabilities	5,908	5,954	6,033	6,059	6,378	6,557	6,942	7,143	6,519
Derivatives	357	187	170	313	–	–	–	–	–
Interest-bearing liabilities	50,876	50,823	52,029	53,645	50,535	49,567	48,792	46,361	44,375
Lease liabilities	1,027	988	984	1,018	943	932	849	843	801
Non-interest-bearing liabilities	3,032	3,123	2,751	2,494	2,453	2,363	2,352	1,992	2,089
Total equity and liabilities	**89,789**	**89,231**	**90,260**	**90,993**	**89,889**	**89,447**	**90,383**	**88,554**	**84,121**

Key ratios	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Financial ratios									
Loan-to-value ratio, %	58.8	58.4	59.2	60.3	57.3	56.7	54.8	53.4	53.6
Interest-coverage ratio, times [1]	3.0	3.0	3.1	3.5	4.0	4.7	4.7	5.7	5.6
Operating cash flow, SEK million	634	616	546	615	551	493	562	573	532
Property-related ratios									
Property yield, % [1]	4.7	4.7	4.5	4.4	4.2	4.1	3.9	3.8	4.0
Total return, % [1]	-0.6	-1.9	-2.6	-4.0	0.9	4.5	10.9	17.2	16.9
Economic occupancy rate, %	97.8	97.8	97.7	97.6	97.9	97.9	97.9	97.6	97.9
NOI margin, %	72.0	72.8	77.3	76.3	72.4	71.8	76.6	75.9	71.8
No. of properties	487	488	485	484	484	480	468	466	458
Lettable area, tsqm	2,446	2,458	2,452	2,438	2,415	2,400	2,339	2,311	2,286

[1] Based on rolling 12-month outcome.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Rental income	1,283	1,183	4,918	4,818
Other income	1	7	35	41
Operating costs	-258	-245	-855	-841
Maintenance costs	-74	-56	-308	-290
Other property costs	-28	-27	-97	-97
Net operating income	**924**	**862**	**3,693**	**3,631**
Central administrative expenses	-49	-48	-197	-196
Profit/loss from participations in joint ventures	8	20	-26	-14
- of which profit from property management	*10*	*16*	*59*	*65*
- of which changes in value	*–*	*6*	*-97*	*-91*
- of which tax	*-2*	*-2*	*12*	*13*
Operating profit	**883**	**834**	**3,470**	**3,421**
Net interest expense	-295	-250	-1,199	-1,154
Profit after net interest income	**588**	**584**	**2,271**	**2,267**
- of which Profit from property management [1]	***590***	***580***	***2,355***	***2,345***
Value change, investment properties	-190	-1,255	-4,221	-5,287
Value change, financial instruments	21	103	-307	-225
Profit/loss before tax	**420**	**-568**	**-2,257**	**-3,245**
Current tax	-109	-40	-92	-23
Deferred tax	56	145	458	547
Profit/loss for the period	**367**	**-463**	**-1,891**	**-2,721**

Amounts in SEK million	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Profit/loss for the period attributable to				
Parent Company shareholders	369	-438	-1,865	-2,671
Non-controlling interests	-2	-26	-26	-50
Other comprehensive income				
Profit/loss for the period	367	-463	-1,891	-2,721
Translation difference	65	16	54	4
Comprehensive income for the period	**432**	**-448**	**-1,837**	**-2,717**
Comprehensive income for the period attributable to				
Parent Company shareholders	431	-423	-1,813	-2,667
Non-controlling interests	1	-25	-24	-50

[1] For the calculation of Profit from property management, refer to Key ratio calculations on page 27.

Group – Condensed statement of financial position

Amounts in SEK million	31 Mar 2024	31 Mar 2023	31 Dec 2023
ASSETS			
Investment properties	84,236	84,784	82,624
Right-of-use assets	1,027	943	988
Participations in joint ventures	1,709	1,699	1,636
Derivatives	–	87	–
Other non-current assets	147	67	126
Total non-current assets	**87,120**	**85,579**	**85,373**
Current receivables	2,305	1,301	2,265
Current investments	–	398	–
Cash and cash equivalents	365	611	1,593
Total current assets	**2,669**	**2,310**	**3,858**
TOTAL ASSETS	**89,789**	**89,889**	**89,231**
EQUITY AND LIABILITIES			
Equity	**28,589**	**29,581**	**28,156**
Deferred tax liabilities	5,908	6,378	5,954
Non-current interest-bearing liabilities	43,246	42,169	41,608
Lease liabilities	1,027	943	988
Derivatives	357	–	187
Total non-current liabilities	**50,538**	**49,490**	**48,736**
Current interest-bearing liabilities	7,630	8,366	9,216
Other current liabilities	3,032	2,453	3,123
Total current liabilities	**10,662**	**10,819**	**12,339**
TOTAL EQUITY AND LIABILITIES	**89,789**	**89,889**	**89,231**

Group – Condensed statement of changes in equity

Amounts in SEK million	Share capital	Other capital contributions	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Opening equity, 1 Jan 2023	1	7,835	388	20,932	872	30,028
Comprehensive income (1 Jan 2023–31 Mar 2023)	–	–	15	-438	-25	-448
Closing equity, 31 Mar 2023	**1**	**7,835**	**403**	**20,494**	**847**	**29,581**
Opening equity, 1 Apr 2023	1	7,835	403	20,494	847	29,581
Dividends	–	-1,155	–	–	–	-1,155
Shareholder contributions	–	1,500	–	–	–	1,500
Contributions from minority interests	–	–	–	–	500	500
Comprehensive income (1 Apr 2023–31 Dec 2023)	–	–	-11	-2,234	-25	-2,269
Closing equity, 31 Dec 2023	**1**	**8,180**	**392**	**18,261**	**1,322**	**28,156**
Opening equity, 1 Jan 2024	1	8,180	392	18,261	1,322	28,156
Reversal of non-controlling interests	–	–	–	39	-39	0
Comprehensive income (1 Jan 2024–31 Mar 2024)	–	–	63	369	1	432
Closing equity, 31 Mar 2024	**1**	**8,180**	**455**	**18,668**	**1,285**	**28,589**

Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Operating activities				
Profit from property management	590	580	2,355	2,345
Adjustment for non-cash items				
- Loss from property management, participations in joint ventures	-10	-16	-59	-65
- Depreciation	5	5	21	20
- Exchange differences, unrealised	-1	1	-2	1
Dividends from joint ventures	–	–	45	45
Tax paid	48	-18	49	-17
Cash flow before changes in working capital	**633**	**552**	**2,410**	**2,329**
Increase (+)/decrease (-) in working capital	-218	-104	-496	-381
Cash flow from operating activities	**415**	**448**	**1,915**	**1,948**
Investing activities				
Acquisition of properties	-206	-116	-441	-351
Investments in new construction, extension and re-development	-828	-649	-3,004	-2,825
Property divestments	336	0	426	90
Investments in financial assets	-27	-6	-146	-124
Other non-current assets	-1	-1	-11	-11
Cash flow from investing activities	**-726**	**-772**	**-3,176**	**-3,222**

Amounts in SEK million	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Financing activities				
Interest-bearing loans raised	1,652	2,140	6,463	6,951
Repayment of interest-bearing liabilities	-2,588	-1,337	-6,594	-5,343
Financial instruments realised	3	2	-102	-103
Shareholder contributions received	–	–	1,500	1,500
Contributions from non-controlling interests	–	–	500	500
Dividends paid	–	–	-1,155	-1,155
Cash flow from financing activities	**-932**	**805**	**612**	**2,349**
Cash flow for the period	**-1,244**	**482**	**-650**	**1,076**
Opening cash and cash equivalents	1,593	526	1,009	526
Exchange rate differences in cash and cash equivalents	15	2	5	-9
Cash and cash equivalents at period-end	**365**	**1,009**	**365**	**1,593**
Operating cash flow	**634**	**551**	**2,412**	**2,329**

Parent Company – Condensed income statement

Amounts in SEK million	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Net sales	31	32	120	121
Central administrative expenses	-62	-61	-247	-246
Other operating income	190	0	190	0
Operating profit/loss	**159**	**-30**	**64**	**-125**
Financial items	-280	53	46	380
Change in value of derivatives	-192	-35	-313	-156
Appropriations	–	–	1	1
Profit/loss before tax	**-314**	**-12**	**-202**	**100**
Recognised tax	104	-3	110	3
Profit/loss for the period	**-210**	**-15**	**-92**	**103**

Profit for the period is consistent with comprehensive income for the period.

Parent Company – Condensed balance sheet

Amounts in SEK million	31 Mar 2024	31 Mar 2023	31 Dec 2023
ASSETS			
Non-current assets			
Intangible assets	13	5	12
Equipment	2	2	2
Shares and participations in Group companies	18,621	16,624	16,968
Deferred tax assets	163	50	60
Non-current receivables	33,887	16,204	23,035
Total non-current assets	**52,685**	**32,886**	**40,076**
Current assets			
Current receivables	5,950	23,652	18,223
Current investments	–	398	–
Cash and cash equivalents	0	0	5
Total current assets	**5,950**	**24,050**	**18,227**
TOTAL ASSETS	**58,635**	**56,936**	**58,303**
EQUITY AND LIABILITIES			
Equity			
Restricted equity	1	1	1
Non-restricted equity	5,181	4,928	5,391
Total equity	**5,182**	**4,929**	**5,392**
Liabilities			
Deferred tax liabilities	28	27	28
Interest-bearing liabilities	50,837	50,503	50,787
Non-interest-bearing liabilities	2,588	1,477	2,096
Total liabilities	**53,453**	**52,008**	**52,911**
TOTAL EQUITY AND LIABILITIES	**58,635**	**56,936**	**58,303**

Other information

Significant events after period-end

No significant events occurred after period-end.

Employees

At period-end, Hemsö had 165 employees, of whom 75 were women and 90 men. Of these employees, 47 worked with asset and property management and 28 with development projects. Other employees work with administration, accounting, financing, IT, legal affairs, communication, management, HR and transactions. Of all employees, 137 are employed in Sweden, 16 in Finland and 12 in Germany.

Risks and uncertainties

Hemsö's access to capital remains favourable and the company's long loan maturity and fixed-rate period provide stability. At 31 March 2024, 81 per cent of the loan portfolio was hedged against rising rates and 19 per cent carried variable interest rates, which means that net interest income was impacted by changes in market rates. Access to building materials and delayed deliveries could affect Hemsö's project activities. For more detailed information, refer to page 67 of the 2023 Annual Report. In addition to the above, no changes are deemed to have impacted Hemsö's risks and uncertainties, which are described on pages 67–74 of the 2023 Annual Report.

Related-party transactions

Hemsö's related-party transactions are set out in Note 26 of Hemsö's 2023 Annual Report.

Joint ventures

Hemsö owns participations in Hemsö Norden KB jointly with the Third Swedish National Pension Fund. This company is included in Hemsö's consolidated financial statements. Hemsö Norden KB currently owns 29 investment properties through a limited partnership.

Hemsö owns 52 per cent of the shares in Turku Technology Properties Oy, which owns 26 public properties in Turku through subsidiaries. The company is run as a joint venture together with other partners and is not included in the consolidated financial statements, since Hemsö does not have a controlling interest. In addition, Hemsö and Lantmännen each own a 50 per cent stake in Lanthem Samhällsfastigheter AB. The company is run as a joint venture and is not included in the consolidated financial statements. Lanthem Samhällsfastigheter owns six investment properties through subsidiaries.

In 2021, Hemsö formed a joint venture, HemTag Fastigheter AB, with Tagebad AB. The purpose of the partnership is to develop and manage aquatic centres. The company does not own any properties.

Accounting policies applied

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The same accounting principles were applied as in the 2023 Annual Report, pages 55-106. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have also been prepared in accordance with Swedish law, with application of the Swedish Financial Reporting Board's recommendation RFR, 1 Supplementary Accounting Rules for Groups.

The carrying amount of accounts receivable, other receivables, cash and cash equivalents, accounts payable and other liabilities is considered a reasonable estimate of fair value. Interest rate derivatives and foreign exchange swaps are measured at fair value on the statement of financial position and classified as Level 2 assets in the fair value hierarchy (IFRS 13).

The Parent Company applies the Swedish Annual Accounts Act and recommendation RFR 2, Accounting for Legal Entities. All amounts in the interim report, unless otherwise stated, are rounded to the nearest SEK million, which means some totals may not correspond with the sum of tables and calculations. Figures between 0 and 0.5 in the text and tables are reported as 0.

New and revised IFRSs effective on or after 1 January 2024

No new or amended standards or interpretations issued by the IASB have had any effect on this interim report, or the accounting policies applied by Hemsö.

Signing of the report

Stockholm, 24 April 2024

Nils Styf, CEO

This report has not been audited.

Definitions

Financial definitions

Share of secured debt
Interest-bearing secured debt in relation to investment properties.

Loan-to-value ratio
Net debt in relation to investment properties and investments in joint ventures. Loan-to-value ratio is used to measure the company's financial risk.

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 market value of properties at period-end, excluding development properties. Property yield is used to measure the return on the value of an investment property.

Available liquidity
Cash and cash equivalents and current investments plus undrawn committed credit facilities.

Profit from property management
Profit or loss after net interest income after reversal of changes in value and tax from participations in joint ventures.

Average interest rate
The weighted interest rate on interest-bearing liabilities with consideration for interest-rate derivatives and committed credit facilities on the closing date. Used to measure the company's financial risk.

Investments in joint ventures
The share of equity in joint ventures, and loans to joint ventures.

Loan maturity
The weighted average of the remaining term of interest-bearing liabilities, including the maturities of undrawn committed credit facilities. Average loan maturity is used to measure Hemsö's financial risk.

Short-term borrowings
Loan maturities within 12 months (current interest-bearing liabilities).

EMTN programme
European bond programme.

Net debt
Interest-bearing liabilities less cash and cash equivalents and current investments.

Operating cash flow
Profit from property management after reversal of depreciation and amortisation and profit from property management in joint ventures less tax paid plus dividends from joint ventures.

Interest-coverage ratio
Net operating income less central administrative expenses plus dividends from joint ventures in relation to net interest expense. The interest-coverage ratio is used to measure how vulnerable the company's profit is to interest-rate fluctuations.

Operating profit/loss
Net operating income plus share of profit from joint ventures and administrative expenses.

Debt-coverage ratio
Available liquidity in relation to short-term borrowings.

Equity/assets ratio
Equity in relation to total assets. Used to measure the company's financial stability.

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

Currency exposure
Net of market value of properties, joint ventures, cash and liabilities in foreign currency less currency hedging as a percentage of equity.

Property-related definitions

Net operating income
Rental income less operating and maintenance costs as well as property tax. Ground rent is not included in net operating income.

Economic occupancy rate
Contracted annual rental income in relation to rental value. The occupancy rate is used to measure how efficiently the Group uses its investment properties.

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

Lease duration
The weighted average remaining lease duration, excluding garage/parking storage and housing let to private individuals.

Rental value
Contracted annual rental income plus vacancy rent. Rental value used to measure the Group's revenue potential.

Comparable portfolio
The properties owned throughout the entire period and entire comparative period and not classified as development properties during these periods. Comparable portfolio is used to measure the rental income trend, excluding non-recurring effects for prematurely terminated lease agreements and property costs unaffected by development properties, and properties acquired and sold.

Definitions, cont.

Contracted annual rent
Contracted annual rental income less rent reductions and rental losses.

Net investments
Total of purchasing, including stamp duty and other direct transaction costs and investments in development projects, less the selling price of properties sold and the selling price of properties sold via companies and direct transaction costs. Given as a measure of capital invested in properties.

Development property
Properties under construction and development rights. Development properties also include properties where a significant part of the space has been vacated in order to convert and develop the property.

Public property
A property that is predominantly used for taxpayer-funded operations and is purpose-built for public services. Assisted living is also included in the public properties concept.

Large cities
The definition of large 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.

Lettable area
Those areas of the property for which a tenant 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. The NOI margin is used to measure the remaining amount of the Group's rental income after property costs.

Sustainability-related definitions

Energy use, kWh/sqm
Energy use, rolling 12-month period, divided by the building's temperate area.

Scopes 1, 2 and 3
A method for defining various activities when calculating GHG emissions. This method is provided by the globally recognised Greenhouse Gas (GHG) Protocol.

Scope 1: Direct emissions from controlled and company-owned resources.

Scope 2: Indirect emissions from the generation of purchased energy (electricity, steam, heating and cooling) from a utility provider.

Scope 3: All indirect emissions that are a consequence of the company's business activities but occur from sources the company does not own or control. They are often divided into upstream and downstream emissions, depending on where they occur in the company's value chain.

Science Based Targets (SBT)/Science Based Targets Initiative (SBTi)
Science Based Targets enable companies to set actionable emissions-reduction goals in line with the Paris Agreement. The company commits to aligning its strategies to limit global warming to a maximum of 1.5°C. In order to set Science Based Targets, the company needs to make an inventory of all of its value chain GHG emissions. The company then presents its Science Based Targets to the SBTi for official validation.

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.

Profit from property management	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Profit after net interest income	588	584	2,271	2,267
Reversal				
Changes in value, joint ventures	*–*	*-6*	*97*	*91*
Tax, joint ventures	*2*	*2*	*-12*	*-13*
Profit from property management	**590**	**580**	**2,355**	**2,345**

Operating cash flow	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Profit from property management	590	580	2,355	2,345
Dividends from joint ventures	–	–	45	45
Tax paid	48	-18	49	-17
Reversal				
Loss from property management, participations in joint ventures	*-10*	*-16*	*-59*	*-65*
Depreciation	*5*	*5*	*21*	*20*
Operating cash flow	**634**	**551**	**2,412**	**2,329**

Interest-coverage ratio	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Net operating income	924	862	3,693	3,631
Central administrative expenses	-49	-48	-197	-196
Dividends from joint ventures	–	–	45	45
Total	**875**	**814**	**3,541**	**3,480**
Net interest expense	-295	-250	-1199	-1,154
Interest-coverage ratio	**3.0 times**	**3.3 times**	**3.0 times**	**3.0 times**

NOI margin	Jan–Mar 2024	Jan–Mar 2023	Apr 2023–Mar 2024	Jan–Dec 2023
Rental income	1,283	1,183	4,923	4,818
Other property income	1	7	35	41
Total property income	**1,284**	**1,190**	**4,958**	**4,859**
Net operating income	924	862	3,698	3,631
NOI margin	**72.0%**	**72.4%**	**74.6%**	**74.7%**

Key ratio calculations, cont.

Share of secured debt	31 Mar 2024	31 Mar 2023
Secured debt outstanding	1,000	1,000
Investment properties	84,236	84,784
Share of secured debt	**1.2%**	**1.2%**

Loan-to-value ratio	31 Mar 2024	31 Mar 2023
Non-current interest-bearing liabilities	43,246	42,169
Current interest-bearing liabilities	7,630	8,366
Current investments	–	-398
Cash and cash equivalents	**-365**	**-611**
Net debt	**50,512**	**49,526**
Investment properties	84,236	84,784
Investments in joint ventures	1,709	1,709
Total	**85,945**	**86,493**
Loan-to-value ratio	**58.8%**	**57.3%**

Property yield	31 Mar 2024	31 Mar 2023
Net operating income according to income statement	3,693	3,631
Adjusted for 12-month holding period and exchange rate	7	-45
Adjusted for development properties	-120	-100
Adjusted net operating income	**3,580**	**3,486**
Investment properties	84,236	82,624
Adjusted for development properties	-8,332	-7,871
Adjusted market value of properties	**75,904**	**74,753**
Property yield	**4.7%**	**4.7%**

Debt-coverage ratio	31 Mar 2024	31 Mar 2023
Cash and cash equivalents	365	611
Current investments	–	398
Undrawn committed credit facilities	13,628	13,500
Available liquidity	**13,993**	**14,509**
Short-term borrowings	7,630	8,366
Debt-coverage ratio	**183%**	**173%**

Equity/assets ratio	31 Mar 2024	31 Mar 2023
Equity	28,589	29,581
Total assets	89,789	89,889
Equity/assets ratio, %	**31.8%**	**32.9%**

Total return	Jan–Mar 2024	Jan–Mar 2023
Net operating income	3,693	3,183
Value change, investment properties	-4,221	-2,400
Total	**-528**	**783**
Opening value investment properties	84,784	79,987
Closing value investment properties	84,236	84,784
Adjustment of value change for the period	4,221	2,400
Adjusted average property value	**86,621**	**83,586**
Total return	**-0.6%**	**0.9%**

Accessible
Reliable
Progressive

Questions and more information

For more information, please contact:

CEO, Nils Styf, phone: +46 (0)8-501 170 01, e-mail: nils.styf@hemso.se

CFO and Deputy CEO, Rutger Källén, phone: +46 (0)8-501 170 35, e-mail: rutger.kallen@hemso.se

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

Financial calendar

Annual General Meeting	24 Apr 2024
Half-year report, Jan–Jun 2024	12 Jul 2024
Interim report Jan–Sep 2024	18 Oct 2024

Hemsö Fastighets AB (Corp. Reg. No. 556779-8169) Tel: +46 (0)8-501 170 00 E-mail: kontaktaoss@hemso.se Website: hemso.se
Street address: Linnégatan 2, Box 24 281, SE-104 51 Stockholm, Sweden