

TALLBACKEN, NEW HEALTH CARE PROPERTY IN TURKU, FINLAND

Q2

Half-year report 2024

HEMSÖ

Significant events during the second quarter

- The Swedish Museum of Science and Technology and Hemsö signed a six-year lease agreement for 1,200 sqm in Campus Tensta. The Museum will open in March 2025 and be focused on educational activities linked to technology, mathematics and art.
- Hemsö repurchased bonds of EUR 20 million with a maturity in 2029 (ISIN XS1632767718). The repurchase price was EUR 18 million or 91,2 per cent of the nominal amount.
- Fria Läroverken and Hemsö signed a seven-year lease agreement for a new upper-secondary school in Ystad. The school will have an area of 1,400 sqm and places for 220 students.
- The City of Rangsdorf in Germany and Hemsö signed a 20-year lease agreement for the development of a new secondary school with 8,000 sqm and places for 220 students. The investment amount is EUR 47 million.
- Hemsö and the Wellbeing Services County of Southwest Finland (Varha) signed a 20-year lease agreement for a new health-care building of 3,500 sqm in Tallbacken in Turku. The investment amount is EUR 15 million.
- Hemsö updated its Financial Policy during the quarter. For more information, refer to page 17.

Summary, January–June 2024

- Rental income increased 7 per cent to SEK 2,561 million (2,386).
- Profit from property management increased 4 per cent to SEK 1,240 million (1,187).
- Operating cash flow increased 7 per cent to SEK 1,251 million (1,166).
- Changes in the value of properties amounted to SEK -334 million (-2,954).
- Changes in the value of financial instruments amounted to SEK -96 million (-76).
- Profit after tax for the period totalled SEK 670 million (-1,517).
- The market value of the properties amounted to SEK 84,126 million (85,071).
- During the period, SEK 1,625 million (1,398) was invested in the existing property portfolio.
- During the period, two properties (five) were acquired for SEK 221 million (134), and three properties (one) were divested for SEK 359 million (18).

Hemsö in summary

	Jan–Jun 2024	Jan–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Rental income, SEK million	2,561	2,386	4,993	4,818
Profit from property management, SEK million	1,240	1,187	2,398	2,345
Profit/loss after tax, SEK million	670	-1,517	-534	-2,721
Operating cash flow, SEK million	1,251	1,166	2,413	2,329
Loan-to-value ratio at period-end, %	58.7	60.3	58.7	58.4
Interest-coverage ratio, times	3.1	3.2	3.0	3.0
Market value of properties at period-end, SEK million	84,126	85,071	84,126	82,624
NOI margin, %	73.7	74.4	74.4	74.7
Economic occupancy rate at period-end, %	97.5	97.6	97.5	97.8
Lease duration at period-end, years	9.3	9.7	9.3	9.5
Lettable area at period-end, tsqm	2,457	2,438	2,457	2,458



CEO statement

Hemsö stands firm. During the first half-year, rental income and net operating income increased 7 and 6 per cent, respectively. Growth was driven by a stable occupancy rate, completed development projects and indexation. Profit from property management and operating cash flow also rose 4 and 7 per cent, respectively.

Hemsö's credit margins gradually decreased during the year in both the Swedish and European market. Hemsö's credit margin for a five-year bond in SEK or EUR is now approximately 1 per cent, which is close to the historical average.

Areas with potential and needs

I recently visited the Rangsdorf airfield outside Berlin, together with some German colleagues. From the end of the Second World War until 1993, the Soviet Armed Forces were stationed there. The site has since been abandoned. In the absence of human activity, a unique ecosystem has been created. Plants and trees are growing through the floors, walls and roofs of the dilapidated buildings.

The site has huge potential. We are one of several property developers that will provide the site with housing and social infrastructure. Hemsö will develop a new municipal secondary school with places for 220 students, as well as a youth club, sports field and sports hall for use by the school and various local associations.

When I see a place like this, I feel even more proud that Hemsö is involved in the development of social infrastructure in areas with major needs. The City of Rangsdorf selected Hemsö in a public procurement. Our long-term approach, combined with our experience and expertise in the development and property management of schools, guided the decision. The City will be our tenant for at least the next 20 years and we are looking forward to embarking on this exciting development project together with our new tenant.

Germany is in major need of upgrading its existing schools and building new ones. Many municipalities are finding it difficult to solve this task on their own. I believe that Hemsö can create major value as a partner to the municipalities that need external assistance.

High tenant demand

We also have news from Finland for this quarter. Hemsö will develop a new healthcare building of 3,500 sqm for substance abuse treatment in the Tallbacken hospital area in Turku. A 20-year lease agreement was signed with the Wellbeing Services County of Southwest Finland (Varha), which is Hemsö's fourth-largest tenant and the largest tenant for Hemsö in Finland.

A great deal has also happened in Sweden. New lease agreements were signed with Kristianstad Municipality for the Villa Boulevard nursing home and with Fria Läroverken for a new upper-secondary school in Ystad. We can also welcome the Swedish Museum of Science and Technology as a new tenant to Campus Tensta, where they are opening a branch with a focus on educational activities linked to technology, science and art for children and young people.

During the second quarter, Hemsö signed a lease agreement comprising 17,000 sqm for both new construction and re-development projects, which will increase rental income by SEK 50 million.

Hemsö delivered positive net letting of SEK 57 million during the second quarter and net letting has been positive on an annual basis since 2019.

Hemsö is strengthening the backbone of society

Hemsö participates in a wide range of arenas in the countries where we operate, platforms where the public sector, private sector, civil society and many others come together to discuss common issues and challenges.

I recently visited Almedalen Week in Sweden where Hemsö arranged a number of seminars and roundtable discussions with the aim of discussing how we, in collaboration with the public sector and other partners, can solve some of the challenges of social infrastructure. Society is facing many challenges but there are solutions as well as dedicated people who are ready to roll up their sleeves. The future looks bright, in spite of everything.

Nils Styf, CEO

This is Hemsö

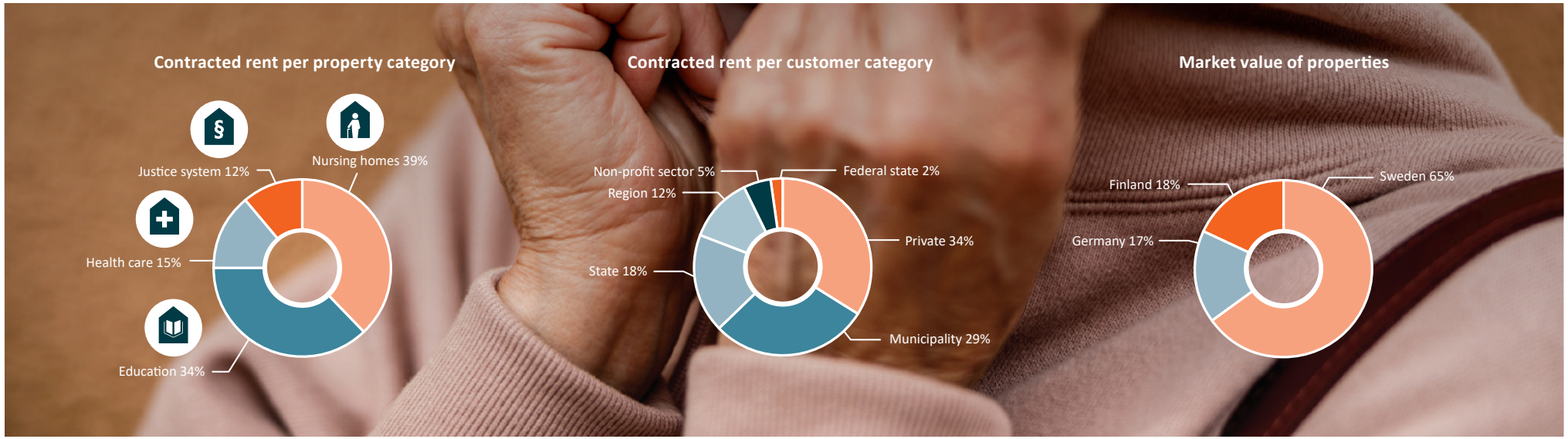
- Hemsö is Sweden's leading owner of social infrastructure.
- The business is based on sustainably owning, managing and developing properties for nursing homes, education, health care and the justice system.
- Hemsö owns properties in Sweden, Germany and Finland.
- Our vision is to strengthen the backbone 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.
- The Third Swedish National Pension Fund is our majority owner.
- The total value of Hemsö's property portfolio is SEK 84.1 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–June period of 2024, 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 28–29.

Rental income

Rental income increased 7 per cent to SEK 2,561 million (2,386), attributable to completed development projects, indexation and a positive exchange rate effect. Rental income rose 8 per cent in Sweden and in Finland and 5 per cent in Germany.

Rental income in the comparable portfolio rose SEK 111 million. Exchange rate changes had a positive impact of SEK 6 million on rental income. At period-end, contracted annual rent increased to SEK 5,016 million (4,832) before rent reductions of SEK 57 million (81).

SEK 2,561 million

Rental income

Economic vacancies amounted to SEK 131 million (120).

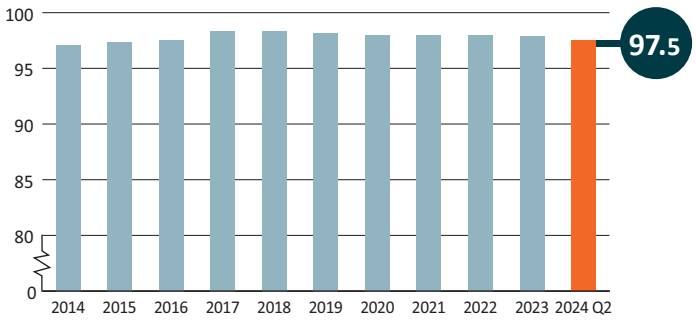
At period-end, the economic occupancy rate was 97.5 per cent (97.6). Lease agreements amounting to annual rent of SEK 163 million will be subject to renegotiation in 2024, corresponding to 3 per cent of Hemsö's contracted rental income. The lease duration was 9.3 years (9.7).

Property costs

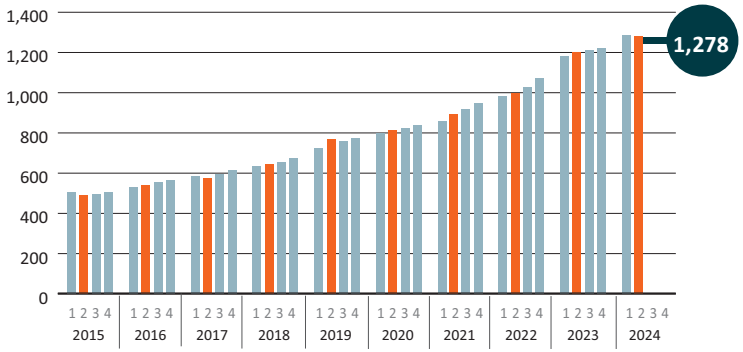
Property costs amounted to SEK 675 million (614), up SEK 60 million. Costs rose due to a larger property portfolio and higher operating costs due to a cold and snowy winter. Maintenance costs increased SEK 34 million year-on-year.

In the comparable portfolio, property costs rose SEK 50 million, or 9 per cent.

Economic occupancy rate, %



Rental income per quarter, SEK million



Vacancy changes

SEK million	Jan–Jun 2024
Opening vacancy	112
Terminated lease agreements	27
Adjusted for vacancy rents	3
New lease agreements	-12
Acquired	0
Divested	0
Exchange rate changes	1
Closing vacancy	**131**

Lease maturity

Year	Annual rent, SEK million	Share, %
2024	163	3
2025	343	7
2026	302	6
2027	380	8
2028	381	8
2029	217	4
2030	333	7
2031	260	5
2032	189	4
2033	275	5
>2034	2,173	43
Total	**5,016**	**100**

Net operating income

Net operating income rose 6 per cent to SEK 1,889 million (1,785). The increase was mainly attributable to completed development projects and indexation. Due to the cold winter, the NOI margin decreased to 73.7 per cent (74.4). The property yield of the property portfolio, excluding development properties, was 4.7 per cent (4.4).

In the comparable portfolio, net operating income rose 3 per cent to SEK 1,782 million (1,730). The increase was mainly attributable to rising rental income due to indexation.

Administration

Administrative expenses decreased to SEK 96 million (98), mainly due to lower consultancy costs.

Net interest expense

Net interest expense amounted to SEK -581 million (-541) for the period. The change in net interest expense was attributable to higher market rates and lending margins on new loans, with higher interest rates for refinancing loans with upcoming maturities.

SEK 1,889 million

Net operating income

The average interest rate was 2.4 per cent (2.3), primarily an effect of higher market rates. The higher average interest rate was partly offset by interest-rate derivatives. The fixed-rate period was 4.9 years (5.1), the proportion of fixed interest rates maturing within 12 months decreased to 23 per cent (26) and interest-bearing liabilities decreased to SEK 51,379 million (53,645).

Net interest expense

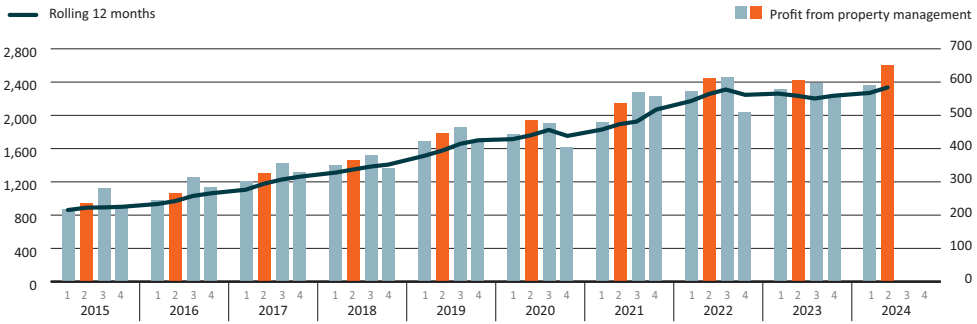
SEK million	Jan–Jun 2024	Jan–Jun 2023
Interest income	29	13
Interest expense	-560	-508
Other financial expenses	-29	-27
Ground leases and leasehold properties	-21	-19
Net interest expense	**-581**	**-541**

Comparable portfolio

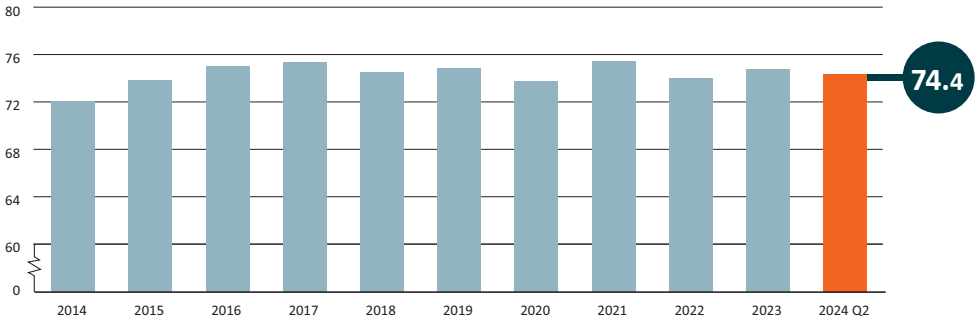
	30 Jun 2024	30 Jun 2023	Change
No. of properties	403	403	–
Market value of properties, SEK million	74,570	77,329	-4%
Property yield, %	4.7	4.3	0.4

SEK million	Jan–Jun 2024	Jan–Jun 2023	Change, %
Rental income	2,393	2,282	4.9
Other income	2	11	-78.9
Operating costs	-422	-412	2.5
Maintenance costs	-145	-111	31.5
Other property costs	-46	-41	12.8
Net operating income	**1,782**	**1,730**	**3.0**

Profit from property management, SEK million



NOI margin, rolling 12-month period, %



Profit from property management

Profit from property management increased 4 per cent to SEK 1,240 million (1,187). Profit from property management was positively impacted by an increase of SEK 104 million in net operating income, and negatively impacted by a change in net interest expense of SEK -40 million.

Change in value of investment properties

Change in the value of investment properties was SEK -334 million (-2,954) for the period. Unrealised value changes amounted to SEK -317 million (-2,952) corresponding to a value change of -0.4 per cent (-3.5).

Value change attributable to property management and development projects was SEK -66 million (632), or -0.1 per cent (0.7). Value change related to market factors amounted to SEK -251 million (-3,584), corresponding to a change of -0.3 per cent (-4.2), due to a marginal upward adjustment of valuation yields in Sweden and lower values for development rights.

In the first half of 2024, the transaction volume in property markets in Sweden, Germany and Finland remained low, despite signs of higher activity and rising optimism towards the end of the half-year. While there are still companies with a need to divest properties, lower interest rates, higher stock market valuations and better bond market terms have all increased the number of potential buyers. One example is the office transactions at Stockholm's most attractive addresses where the purchase price in some cases has exceeded SEK 200,000 per sqm.

For public properties, there have been few completed transactions since summer 2022 but even here, the number of potential buyers is deemed to have risen over the past year. This is particularly clear in the Nursing home category and a typical example is the listed company Heba which, in addition to purchasing two nursing homes from Hemsö this spring/In February, has now acquired another nursing home, this time in Täby. The purchase price was SEK 252 million, entailing SEK 64,000 per sqm and an estimated initial rate of return of 4.5–4.6 per cent. The transaction is considered to have been carried out on market terms and confirms demand for well-located and modern nursing homes.

The weighted yield used in the valuation of Hemsö's property portfolio was 5.1 per cent (4.7). The valuation yield was 5.0 per cent (4.6) in Sweden, 5.7 per cent (5.3) 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 1.2 per cent (-4.0).

Property valuation

At period-end, the fair value of properties was SEK 84,126 million (85,071). 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, 94 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	221	2
Investments in new construction, extension and re-development	1,625	
Divestments	-359	-3
Exchange rate changes	332	
Unrealised value changes	-317	
Market value, closing balance	**84,126**	**487**

Unrealised value changes properties, Jan–Jun 2024

SEK million	Sweden	Germany	Finland	Total
Attributable to				
– Property management and project-related	-125	15	45	**-66**
– Market factors	-186	-62	-2	**-251**
Total unrealised value changes	**-312**	**-47**	**42**	**-317**

Sensitivity analysis, property valuation

	Change	Valuation effect, SEK million
Net operating income	+/- 1 per cent	+/- 841
Valuation yield	+/- 0.10 percentage points	-1,622/+1,687

Change in value of financial instruments

Changes in the value of financial instruments had a negative impact of SEK -96 million (-76) on profit. Changes in the value of interest-rate derivatives had a positive impact of SEK 40 million (17) on profit. Derivatives attributable to currency risk management had a negative impact of SEK -137 million (-93) on profit.

Tax

Recognised tax for the period amounted to SEK -124 million (325), of which current tax accounted for SEK -91 million (-142) and deferred tax for SEK -33 million (467). 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 6,288 million (6,408).

Earnings

Profit after tax for the period increased to SEK 670 million (-1,517). The earnings improvement was mainly attributable to decreased negative changes in the value of investment properties.

Cash flow

Hemsö's operating cash flow rose 7 per cent to SEK 1,251 million (1,166). 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 1,250 million (1,167). The change in working capital was SEK 171 million (-561). Investing activities had a negative impact of SEK -1,549 million (-1,523) on cash flow, while borrowings, loan repayments and dividends had a negative impact of SEK -111 million (1,714) on cash flow from financing activities. Of the approved dividend of SEK 1,173 million for 2023, SEK 391 million was paid out in the second quarter. The remaining amount will be paid out in the third and fourth quarters of 2024. The overall change in cash and cash equivalents during the period was SEK -580 million (797).

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 64 million (61) and consisted of fees for services to the subsidiaries.

SEK 670 million

Profit after tax

Administrative expenses increased to SEK -125 million (-120). Financial items amounted to an income of SEK 296 million (33). Financial items include interest income of SEK 763 million (464), interest expense of SEK -629 million (-611), profit of SEK 200 million (311) from participations in Group companies, and exchange rate effects of SEK -38 million (-130). Changes in the value of derivatives amounted to SEK -233 million (-336) and profit for the period totalled SEK 230 million (-252).

No. of properties

487

Market value of properties

SEK 84.1 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–Jun 2024	Jan–Jun 2023	Jan–Jun 2024	Jan–Jun 2023	30 Jun 2024	30 Jun 2023
Sweden East	608	568	457	420	22,459	22,706
Sweden Central	327	296	225	199	10,019	9,245
Sweden North	415	368	286	268	13,952	13,163
Sweden South	261	258	177	170	8,501	8,427
Germany	413	394	345	352	14,556	16,179
Finland	539	501	399	376	14,640	15,352
Total	**2,561**	**2,386**	**1,889**	**1,785**	**84,126**	**85,071**

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 84,126 million (85,071), 65 per cent (63) was attributable to Sweden, 18 per cent (18) to Finland and 17 per cent (19) to Germany. 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 30 June 2024, Hemsö's property portfolio comprised 487 properties (484) with a total lettable area of 2,457 tsqm (2,438).

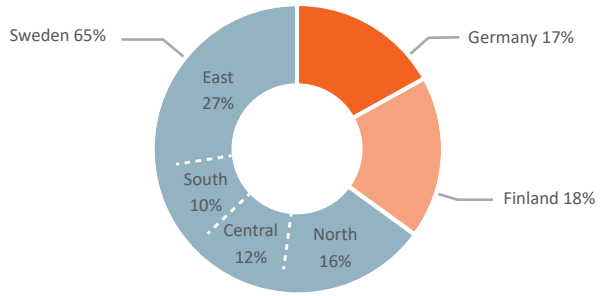
Investments

Investments pertains to new development 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 1,625 million (1,398) was invested, of which SEK 1,215 million (964) pertained to new construction, extension and re-development and SEK 410 million (434) to improvements and new lettings.

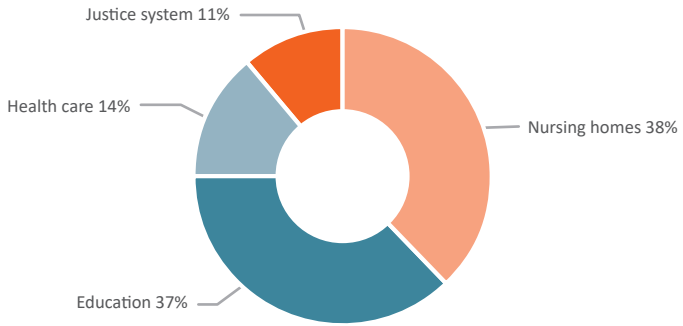
Transactions

During the period, two properties (five) were acquired for SEK 221 million (134), and three properties (one) were divested for SEK 359 million (18). The divestments generated a positive impact of SEK 24 million after tax. The properties were divested at an agreed property value of SEK 354 million, compared with their market value of SEK 356 million at 31 December 2023.

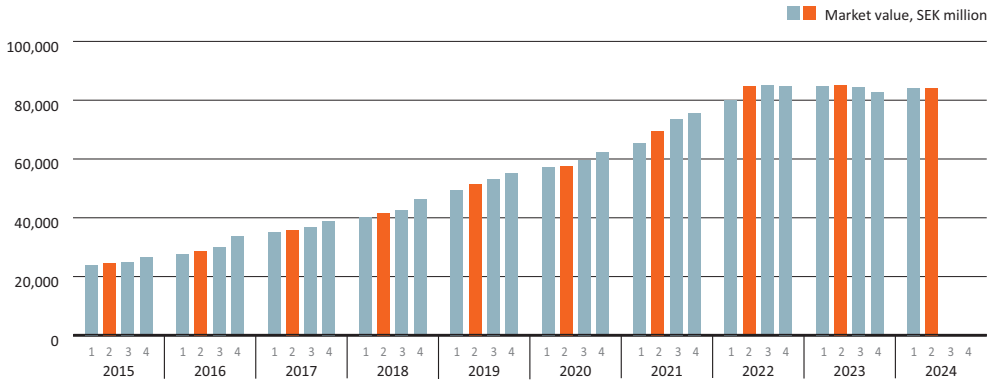
Market value of properties per segment



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. of properties	241	154	63	29	**487**
Lettable area, tsqm	1,088	828	311	230	**2,457**
Lease duration, year	8.8	11.2	7.1	8.4	**9.3**
Market value of properties, SEK million	32,050	30,894	11,689	9,492	**84,126**
Rental income, SEK million	973	891	391	306	**2,561**
Net operating income, SEK million	713	681	269	226	**1,889**
Economic occupancy rate, %	98.8	96.5	96.8	96.9	**97.5**
Property yield, %	4.5	4.8	4.8	5.0	**4.7**

Tenants

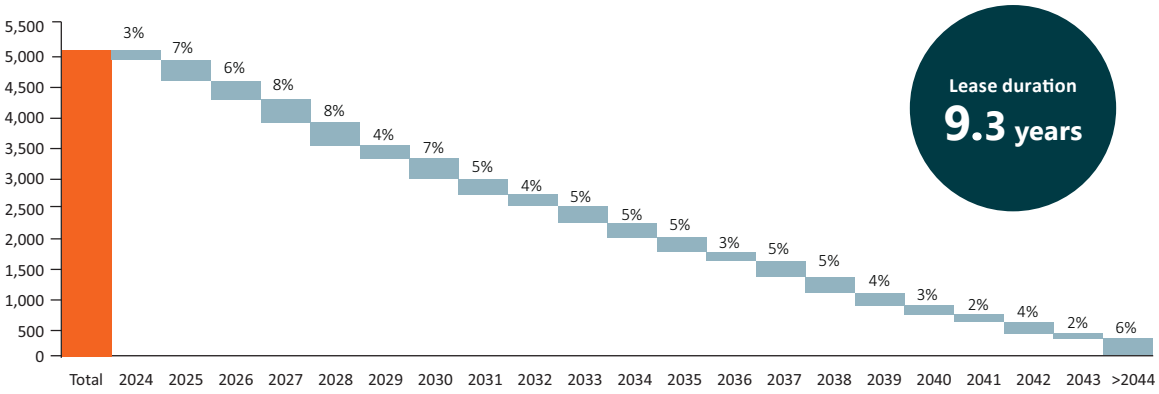
Hemsö's business model is based on long-term lease agreements with public-sector tenants, or with private operators that are taxpayer-funded. In Sweden, rents are adjusted annually in January, based on the Consumer Price Index (CPI) in October of the preceding year. In October 2023, the consumer price 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 for Hemsö´s property portfolio 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 Region Stockholm, the Swedish Police, 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, 12 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
Region Stockholm	Region	238	4.8	65
Swedish Police	State	235	4.7	35
Academedia	Private	202	4.1	23
Wellbeing Services County of Southwest Finland (FIN)	Region	163	3.3	17
Attendo	Private	162	3.3	78
Ministry of Justice (FIN)	State	142	2.9	12
Mälardalen University	State	125	2.5	3
City of Västerås	Municipality	118	2.4	21
AWO (GER)	Non-profit	111	2.2	12
International English School	Private	93	1.9	11
Mehiläinen (FIN)	Private	93	1.9	18
City of Lahti (FIN)	Municipality	88	1.8	4
Alloheim (GER)	Private	88	1.8	10
Norrköping Municipality	Municipality	85	1.7	15
Karolinska Institute	State	76	1.5	4
Västra Götaland Region	Region	70	1.4	62
Ambea	Private	69	1.4	7
HEWAG (GER)	Private	69	1.4	9
North Rhine-Westphalia (GER)	Federal state	65	1.3	1
Uppsala Municipality	Municipality	64	1.3	14
Total		**2,358**	**47.5**	**421**

Rental value – public-sector tenants

Tenant	Annual rent, SEK million	% of Hemsö's rental value
Swedish state	560	11
Swedish regions	364	7
Swedish municipalities	1,171	24
Finnish state	255	5
Finnish regions	238	5
Finnish municipalities	236	5
German state	57	1
German federal states	86	2
German municipalities	54	1
Total	**3,020**	**61**

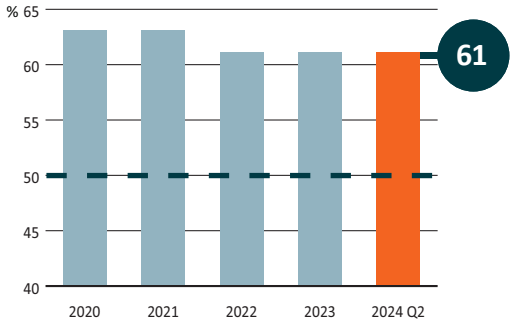
Public-sector tenant
Private-sector tenant

(FIN) = Finland
(GER) = Germany

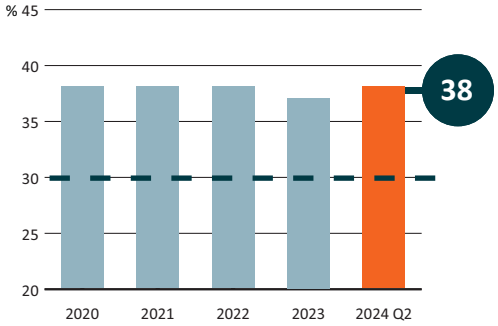
Property frameworks

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.

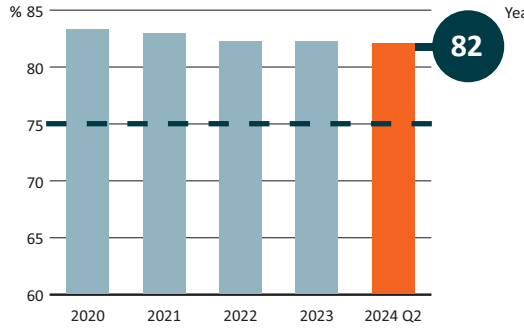
Public-sector tenants
– At least 50 per cent of rental income



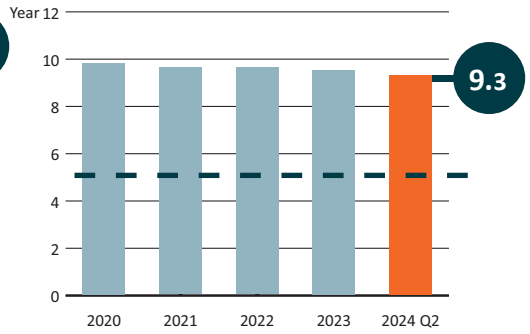
Nursing homes
– At least 30 per cent of rental income



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 11.23 (11.74) has been used for EUR.

Earnings capacity

SEK million	1 Jul 2024	1 Jul 2023	Change, %
Rental income	4,969	4,752	5
Other income	31	24	27
Property costs	-1,271	-1,178	8
Net operating income	**3,729**	**3,599**	**4**
Central administrative expenses	-194	-203	-4
Profit/loss from property management, joint ventures	56	105	-47
Net interest expense	-1,239	-1,253	-1
Profit from property management	**2,351**	**2,248**	**5**

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 4,692 million, of which the remaining investment amount was SEK 2,927 million. The total volume of ongoing new construction and re-development projects amounted to SEK 5,727 million, of which the remaining investment amount was SEK 3,283 million.



Hemsö is developing a new health-care building, Tallbacken in Turku, Finland

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	18,800	896	804	48	100	2026
Herkules hotel & town hall	Trelleborg	Other	21	10,300	473	279	29	100	2025
Campus Tensta [1]	Stockholm	Education	7	16,800	413	173	29	43	2024-2026
Ektorp school	Nacka	Education	25	9,900	399	179	26	100	2025
Novum [1] [2]	Huddinge	Health care	n/a	39,400	390	47	n/a	n/a	2024
District court	Vänersborg	Justice system	15	7,000	326	246	18	100	2026
Ängegärde	Kungälv	Nursing home	15	8,400	291	188	15	100	2025
Tempelriddarorden	Stockholm	Nursing home	15	5,900	239	57	15	100	2025
Stauderstrasse	Essen	Nursing home	20	5,900	214	176	12	100	2025
Stenkumla	Västerås	Nursing home	25	4,500	208	145	11	100	2025
Sarvträsk	Nacka	Nursing home	15	4,800	152	102	13	100	2025
Siltavuorenpenger [1]	Helsinki	Education	15	7,200	150	140	23	72	2025
Tallbacken, building 25	Turku	Health care	20	3,500	149	134	11	100	2025
Byrådirektören [1]	Malmö	Nursing home	n/a	6,200	136	117	11	83	2025
Körsbärsdalen preschool	Helsinki	Education	25	2,100	129	70	7	100	2025
Vallgraven Arenaområdet	Ystad	Health care	10	3,000	126	73	8	50	2025
Total				**153,700**	**4,692**	**2,927**	**275**		

Public-sector tenant Private-sector tenant [1] Re-development. [2] Investment in maintenance, modernisation and energy efficiency of the property.

Major completed development projects, 2024

Completed	Development projects	Municipality	Category	Certification	Area, sqm	Investment, SEK million	Rental duration, years	Rental value increase, SEK million	Occupancy rate [1], %
Q1	Hoivamme K3	Lahti	Nursing home	BREEAM	1,200	58	13	3	100
Q1	Hoivamme N1	Vichtis	Nursing home	BREEAM	1,200	57	15	3	100
Q2	Campus Polacksbacken	Uppsala	Education	n/a	16,200	322	10	42	100
Q2	Kristiansborg, elementary and secondary school	Västerås	Education	Miljöbyggnad	6,700	305	15	17	100
Q2	Kristiansborg, Student and research housing [2]	Västerås	Education	Nordic Swan	3,300	163	n/a	9	30
Total					**28,600**	**905**	**12**	**74**	

Public-sector tenant Private-sector tenant [1] Occupancy rate upon completion. [2] The vacancy is attributable to housing. Letting is in progress.

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 majority owner, the Third Swedish National Pension Fund.

Hemsö has established a Sustainability Committee to further elevate the company's sustainability efforts and at the same time ensure that the company maintains high quality in its sustainability reporting.

Climate and environment

Hemsö's target is net zero value chain emissions (Scopes 1, 2 and 3) by 2040.

We work continuously with energy efficiencies and sustainable sources of energy in the existing portfolio. In Turku in Finland, we completed an energy project where we installed heat pumps that recover waste heat for heating and hot water. Ventilation and automation systems were also modernised. The energy project is estimated to reduce energy use by 30–40 per cent.

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

Assessment of energy use per sqm A-temp

Energy use per sqm A-temp for properties in Sweden, has been adjusted with measured areas for 70 per cent of the portfolio. Previously, standardised areas were used, based on an energy declaration. This had a negative impact on the KPI. For Jan–May 2024, energy use in the comparable portfolio declined 3 per cent compared with the same period of 2023.

Assessment of carbon footprint of new developments

The average value for the climate impact for completed buildings was lower in Q2 compared with Q1 2024, since one of the completed development projects is a re-development, with a considerably lower carbon footprint than a new development.

Hemsö's role in society

We contribute to the maintenance and development of social infrastructure. This year to date, we have completed a total of 76 new nursing home beds and 1,530 new school places.

Hemsö participated in Järva Week for the third consecutive year. The days were full of enriching dialogue and interaction between politicians, businesses, associations and other stakeholders.

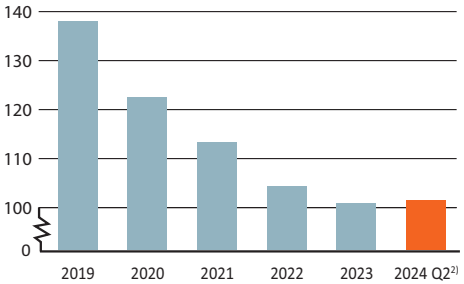
In collaboration with Torstensson Art & Design, a project with recycled art commenced at Ektorp School in Nacka. In addition to the beautification aspect, the project is also aimed at promoting climate change awareness among the students.



Measuring the effect of the actions we are taking in Pilparken at Campus Tensta

22 May was the International Day for Biological Diversity. In Tensta, we are conducting a study together with the IVL Swedish Environmental Research Institute to determine whether Hemsö's maintenance and choice of plants can promote biodiversity. We are collecting insects to see what species are living in Pilparken. When Hemsö has restored the park with new plants and trees, we will take new samples to see whether the number of species has increased.

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



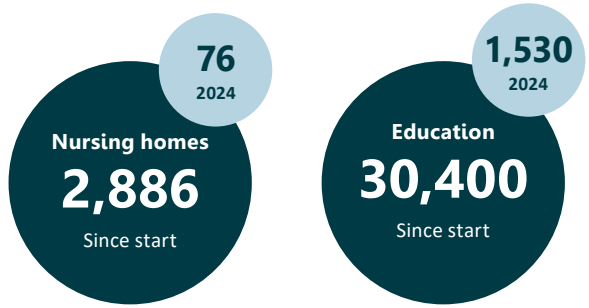
[1] Energy use in Sweden (heating + electricity).
[2] Rolling 12-month period, break month May.

KPIs Sustainability

SEK million	Q2 2024	Q1 2024	Q1–Q4 2023
Environmental certification, new developments, % [1]	100	100	76
Carbon footprint, new developments, Kg CO_2-eq./sqm GIA [2]	186	375	347
Floor area under 100 kWh/sqm, % [3]	58	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 second quarter of 2024.

Joint ventures

At 30 June 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 1,408 million (1,535), the participation in Lanthem at SEK 215 million (199) and the participation in HemTag at SEK 24 million (3). Total participations in joint ventures amounted to SEK 1,648 million (1,737).

Profit from joint ventures, Jan-Jun 2024

SEK million	TTP	Lanthem	HemTag	Total
Profit/loss from property management	24	5	-1	28
Value changes, investment properties	-5	–	–	-5
Value changes, financial instruments	-2	-1	–	-2
Tax	-8	-1	–	-9
Profit/loss recognised	**10**	**3**	**-1**	**12**

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 30 June 2024, 62 per cent of rental income was derived from public-sector tenants and the lease duration was seven years.



TTP	30 Jun 2024	30 Jun 2023
Participation, %	52	52
Rental value, SEK million	476	481
No. of properties	26	28
Economic occupancy rate, %	94	97
Market value of properties, SEK million	5,614	5,754
Lease duration, year	7	7
Share of public-sector tenants, %	62	62

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	30 Jun 2024	30 Jun 2023
Participation, %	50	50
Rental value, SEK million	51	48
No. of properties	6	6
Economic occupancy rate, %	99	82
Market value of properties, SEK million	860	891
Lease duration, year	10	10
Share of public-sector tenants, %	37	45

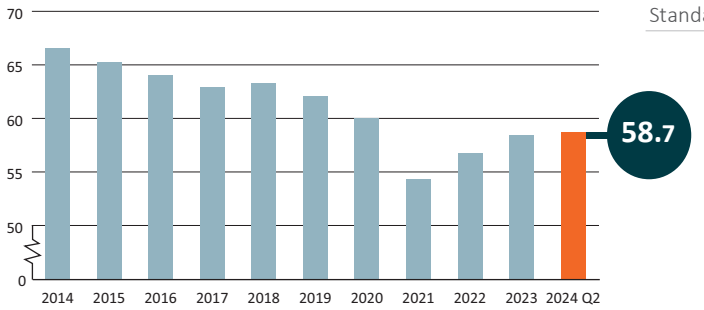
Financing

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 2.5 times (3.0). At period-end, the loan-to-value ratio was 58.7 per cent (60.3) and the interest-coverage ratio was 3.0 times (3.5). 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 and the Third Swedish National Pension Fund.

At period-end, Hemsö's undrawn committed credit facilities amounted to SEK 13,500 million (13,761). Cash and cash equivalents amounted to SEK 1,022 million (1,334). Available liquidity therefore totalled SEK 14,522 million (15,094). The debt-coverage ratio was 149 per cent (162).

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 51,379 million (53,645).

During the first half-year, Hemsö's bond issuance amounted to SEK 3,500 million, which is approximately 75 per cent of the estimated financing requirement for full-year 2024. The total issued volume comprised SEK 3,100 million in the Swedish market and SEK 450 million in the Norwegian market. Around 80 per cent of the issues are bonds with variable interest rates. The interest-rate risk is hedged by entering into new fixed-rate periods via interest-rate derivatives. Hemsö works actively to repurchase bonds in advance of their maturity date. In June, Hemsö implemented a repurchase tender offer where Hemsö repurchased EUR 20 million in a bond maturing in September 2029.

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

	30 Jun 2024	30 Jun 2023
Bonds, SEK	15,178	15,469
Bonds, EUR	19,369	20,472
Bonds, AUD, JPY, NOK, USD	5,063	4,875
Total bonds	**39,611**	**40,816**
Commercial papers, SEK	4,720	5,843
Council of Europe Development Bank, EUR	254	–
European Investment Bank, SEK, EUR	4,152	4,305
Nordic Investment Bank, SEK	800	800
Schuldschein, EUR	842	880
Secured bank loans, SEK	1,000	1,000
Total interest-bearing liabilities	**51,379**	**53,645**

Sustainable finance, SEK million

	30 Jun 2024	30 Jun 2023
Sustainability bonds	12,534	10,738
Council of Europe Development Bank	254	–
European Investment Bank	4,152	4,305
Nordic Investment Bank	800	800
Total sustainable finance	**17,740**	**15,843**

Capital structure, SEK million

	30 Jun 2024	30 Jun 2023
Non-current interest-bearing liabilities	41,628	44,350
Current interest-bearing liabilities	9,751	9,295
Current investments	–	-895
Cash and cash equivalents	-1,022	-439
Net debt	**50,357**	**52,311**
Investment properties	84,126	85,071
Investments in joint ventures	1,648	1,747
Total	**85,774**	**86,818**
Loan-to-value ratio	**58.7%**	**60.3%**
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 4,675 million (875). During the period, Hemsö issued interest-rate derivatives with a nominal value of SEK 1,500 million and an average maturity of 7.7 years. The value of derivatives used to manage currency risk corresponded to SEK 7,478 million (8,492).

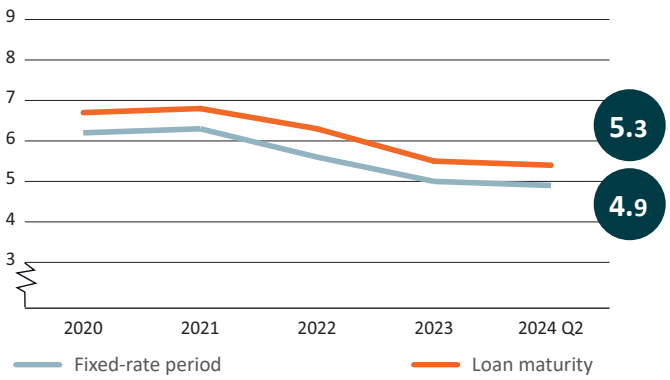
Currency exposure amounted to 1.1 per cent (1.9) of equity, and 1.0 per cent (1.6) of total EUR assets.

At period-end, the average loan maturity was 5.3 years (5.8) and the average fixed-rate period was 4.9 years (5.1). The average interest rate was 2.4 per cent (2.3).

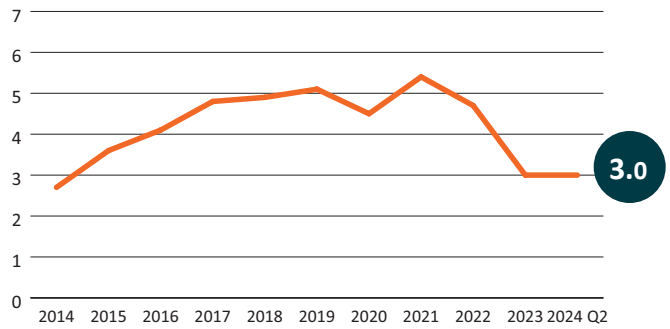


Hemsö was represented at Almedalen Week and participated in several panels and launched a report on nursing homes

Loan maturity and fixed-rate period, years



Interest-coverage ratio, times



Committed credit facilities and underwriting commitments, SEK million

	30 Jun 2024	30 Jun 2023
Banks	7,500	7,500
Third Swedish National Pension Fund	6,000	6,000
Council of Europe Development Bank	–	261
Total committed credit facilities	**13,500**	**13,761**
Current investments	–	895
Cash and cash equivalents	1,022	439
Available liquidity	**14,522**	**15,094**
Short-term borrowings	9,751	9,295
Debt-coverage ratio, %	149%	162%

Currency exposure, SEK million

	30 Jun 2024	30 Jun 2023
Properties, EUR	29,196	31,530
Joint ventures, EUR	1,408	1,535
Cash, EUR	116	227
Assets, EUR	**30,720**	**33,292**
Debt, EUR	23,688	24,857
Currency swaps, EUR	6,721	7,907
Exposure, EUR	**311**	**529**
Debt AUD, JPY, NOK, SEK, USD	7,478	8,492
Currency swaps AUD, JPY, NOK, SEK, USD	-7,478	-8,492
Exposure AUD, JPY, NOK, SEK, USD	**0**	**0**
Currency hedging	–	–
Currency exposure	**311**	**529**
Equity	28,447	27,465
Currency exposure, equity, %	**1.1%**	**1.9%**
Currency exposure, EUR assets, %	**1.0%**	**1.6%**

Summary of Financial Policy

Financing risk	Policy	Outcome
Loan-to-value ratio	Max. 60%	58.7%
Net Debt/EBITDA	Max. 15 times	14.1 times
Loan maturity	At least 3 years	5.3 years
Loan maturity	Max. 25% within 12 months, thereafter max. 20% per year	Fulfilled
Debt-coverage ratio	At least 125%	149%
Share of secured debt	Max. 20%	1.2%
Interest-rate risk		
Interest-coverage ratio	At least 2.5 times (rolling 12-month period)	3.0 times
Fixed-rate period	Average fixed-rate period, 3–8 years	4.9 years
Fixed-rate maturity	Max. 35% within 12 months, thereafter max. 20% per year	Fulfilled
Counterparty risk		
Financial instruments	Bank with a minimum credit rating of A- (S&P)	Fulfilled
Currency risk		
Currency exposure relative to equity	Max. 35%	1.1%
Currency exposure relative to assets in EUR	5–30% [1]	1.0%

[1] The risk measure must be met by the end of 2025.

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	1,426	1,426	3	9,691	19
2025	9,385	5,385	10	3,692	7
2026	14,455	7,455	15	6,674	13
2027	5,051	4,051	8	2,011	4
2028	6,919	6,919	13	7,166	14
2029	7,975	6,475	13	5,634	11
2030	2,738	2,738	5	2,805	5
2031	1,382	1,382	3	1,731	3
2032	1,299	1,299	3	2,299	4
>2032	9,530	9,530	19	9,676	19
Total	**60,159**	**46,659**	**91**	**51,379**	**100**
Commercial papers		4,720	9		
Total	**60,159**	**51,379**	**100**		

Updated Financial Policy

Due to new market conditions, Hemsö has conducted a financial review. Hemsö shall be a company with high creditworthiness and a focus on stable cash flows. Hemsö has revised its Financial Policy by reducing the concentration risk related to interest and capital. Moving forward, Hemsö's capital structure will also be assessed on the basis of the company's cash flow by, in addition to loan-to-value ratio, also add Net Debt/EBITDA (net debt in relation to adjusted operating profit), a metric that is also monitored by rating agencies and bond investors. The interest-coverage ratio in the Policy has been lowered to 2.5 times (3.0) and thereby adapted to a more normalized interest rate environment. The Policy has also been updated in relation to currency exposure which, in future, will also be measured relative to EUR assets. Hemsö intends to adapt its currency exposure in line with the new Policy in 2024/2025. For more information, refer to the table above.



Hemsö participated in Järva Week for the third consecutive year



In April, Nils Styf took part in a panel discussion on the Swedish property market

Quarterly overview

Amounts in SEK million	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Income statement									
Rental income	1,278	1,283	1,220	1,211	1,203	1,183	1,069	1,025	996
Other income	1	1	9	19	6	7	6	6	5
Property costs	-315	-360	-334	-280	-287	-328	-303	-241	-241
Net operating income	**965**	**924**	**896**	**951**	**923**	**862**	**771**	**790**	**760**
Central administrative expenses	-48	-49	-43	-55	-50	-48	-64	-39	-41
Profit/loss from participations in joint ventures	4	8	-70	14	22	20	-119	23	96
Operating profit	**922**	**883**	**782**	**910**	**895**	**834**	**588**	**774**	**815**
Net interest expense	-286	-295	-300	-313	-291	-250	-218	-152	-129
Profit after net interest income	**636**	**588**	**482**	**597**	**604**	**584**	**370**	**622**	**686**
- of which Profit from property management	***650***	***590***	***560***	***598***	***607***	***580***	***511***	***614***	***612***
Value change, properties	-144	-190	-1,661	-672	-1,699	-1,255	-2,131	-1,780	2,766
Value change, financial instruments	-117	21	-86	-63	-178	103	50	133	70
Profit/loss before tax	**374**	**420**	**-1,265**	**-138**	**-1,273**	**-568**	**-1,712**	**-1,024**	**3,522**
Current tax	18	-109	152	-33	-102	-40	-59	-39	-53
Deferred tax	-89	56	39	41	322	145	365	243	-613
Profit/loss for the period	**303**	**367**	**-1,074**	**-130**	**-1,054**	**-463**	**-1,406**	**-820**	**2,856**
Other comprehensive income	-55	65	-64	-40	93	16	-12	51	94
Comprehensive income for the period	**248**	**432**	**-1,138**	**-171**	**-961**	**-448**	**-1,418**	**-769**	**2,950**

Quarterly overview, cont.

Amounts in SEK million	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Balance sheet									
Investment properties	84,126	84,236	82,624	84,369	85,071	84,784	84,879	85,004	84,683
Right-of-use assets	1,003	1,027	988	984	1,018	943	932	849	843
Participations in joint ventures	1,648	1,709	1,636	1,726	1,737	1,699	1,655	1,748	1,475
Derivatives	–	–	–	–	–	87	247	389	237
Other assets	2,833	2,452	2,391	2,142	1,834	1,368	1,209	1,180	992
Cash and cash equivalents and short-term investments	1,022	365	1,593	1,041	1,334	1,009	526	1,214	325
Total assets	**90,632**	**89,789**	**89,231**	**90,260**	**90,993**	**89,889**	**89,447**	**90,383**	**88,554**
Equity	28,447	28,589	28,156	28,294	27,465	29,581	30,028	31,449	32,215
Deferred tax liabilities	5,986	5,908	5,954	6,033	6,059	6,378	6,557	6,942	7,143
Derivatives	376	357	187	170	313	–	–	–	–
Interest-bearing liabilities	51,379	50,876	50,823	52,029	53,645	50,535	49,567	48,792	46,361
Lease liabilities	1,003	1,027	988	984	1,018	943	932	849	843
Non-interest-bearing liabilities	3,441	3,032	3,123	2,751	2,494	2,453	2,363	2,352	1,992
Total equity and liabilities	**90,632**	**89,789**	**89,231**	**90,260**	**90,993**	**89,889**	**89,447**	**90,383**	**88,554**

Key ratios	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Financial ratios									
Loan-to-value ratio, %	58.7	58.8	58.4	59.2	60.3	57.3	56.7	54.8	53.4
Interest-coverage ratio, times [1]	3.0	3.0	3.0	3.1	3.5	4.0	4.7	4.7	5.7
Operating cash flow, SEK million	617	634	616	546	615	551	493	562	573
Property-related ratios									
Property yield, % [1]	4.7	4.7	4.7	4.5	4.4	4.2	4.1	3.9	3.8
Total return, % [1]	1.2	-0.6	-1.9	-2.6	-4.0	0.9	4.5	10.9	17.2
Economic occupancy rate, %	97.5	97.8	97.8	97.7	97.6	97.9	97.9	97.9	97.6
NOI margin, %	75.4	72.0	72.8	77.3	76.3	72.4	71.8	76.6	75.9
No. of properties	487	487	488	485	484	484	480	468	466
Lettable area, tsqm	2,457	2,446	2,458	2,452	2,438	2,415	2,400	2,339	2,311

[1] Based on rolling 12-month outcome.

Group – Condensed statement of comprehensive income

Amounts in SEK million	Jan–Jun 2024	Jan–Jun 2023	Apr–Jun 2024	Apr–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Rental income	2,561	2,386	1,278	1,203	4,993	4,818
Other income	2	13	1	6	31	41
Operating costs	-471	-453	-212	-208	-859	-841
Maintenance costs	-152	-117	-78	-62	-324	-290
Other property costs	-52	-44	-25	-17	-105	-97
Net operating income	**1,889**	**1,785**	**965**	**923**	**3,735**	**3,631**
Central administrative expenses	-96	-98	-48	-50	-195	-196
Profit/loss from participations in joint ventures	12	42	4	22	-43	-14
- of which profit from property management	*28*	*41*	*18*	*25*	*52*	*65*
- of which changes in value	*-7*	*5*	*-7*	*-1*	*-103*	*-91*
- of which tax	*-9*	*-4*	*-7*	*-2*	*7*	*13*
Operating profit	**1,805**	**1,729**	**922**	**895**	**3,497**	**3,421**
Net interest expense	-581	-541	-286	-291	-1,194	-1,154
Profit after net interest income	**1,224**	**1,188**	**636**	**604**	**2,303**	**2,267**
- of which Profit from property management [1]	***1,240***	***1,187***	***650***	***607***	***2,398***	***2,345***
Value change, investment properties	-334	-2,954	-144	-1,699	-2,667	-5,287
Value change, financial instruments	-96	-76	-117	-178	-246	-225
Profit/loss before tax	**794**	**-1,842**	**374**	**-1,273**	**-610**	**-3,245**
Current tax	-91	-142	18	-102	28	-23
Deferred tax	-33	467	-89	322	48	547
Profit/loss for the period	**670**	**-1,517**	**303**	**-1,054**	**-534**	**-2,721**

[1] For the calculation of Profit from property management, refer to Key ratio calculations on page 28.

Amounts in SEK million	Jan–Jun 2024	Jan–Jun 2023	Apr–Jun 2024	Apr–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Profit/loss for the period attributable to						
Parent Company shareholders	651	-1,447	283	-1,009	-573	-2,671
Non-controlling interests	19	-70	20	-45	39	-50
Other comprehensive income						
Profit/loss for the period	670	-1,517	303	-1,054	-534	-2,721
Translation difference	12	109	-55	93	-93	4
Comprehensive income for the period	**682**	**-1,409**	**248**	**-961**	**-627**	**-2,717**
Comprehensive income for the period attributable to						
Parent Company shareholders	662	-1,342	231	-919	-663	-2,667
Non-controlling interests	20	-67	17	-42	36	-50

Group – Condensed statement of financial position

Amounts in SEK million	30 Jun 2024	30 Jun 2023	31 Dec 2023
ASSETS			
Investment properties	84,126	85,071	82,624
Right-of-use assets	1,003	1,018	988
Participations in joint ventures	1,648	1,737	1,636
Other non-current assets	154	87	126
Total non-current assets	**86,930**	**87,913**	**85,373**
Current receivables	2,679	1,747	2,265
Current investments	–	895	–
Cash and cash equivalents	1,022	439	1,593
Total current assets	**3,701**	**3,081**	**3,858**
TOTAL ASSETS	**90,632**	**90,993**	**89,231**
EQUITY AND LIABILITIES			
Equity	**28,447**	**27,465**	**28,156**
Deferred tax liabilities	5,986	6,059	5,954
Non-current interest-bearing liabilities	41,628	44,350	41,608
Lease liabilities	1,003	1,018	988
Derivatives	376	313	187
Total non-current liabilities	**48,993**	**51,740**	**48,736**
Current interest-bearing liabilities	9,751	9,295	9,216
Other current liabilities	3,441	2,492	3,123
Total current liabilities	**13,192**	**11,789**	**12,339**
TOTAL EQUITY AND LIABILITIES	**90,632**	**90,993**	**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
Dividends	–	-1,155	–	–	–	-1,155
Comprehensive income (1 Jan 2023–30 Jun 2023)	–	–	105	-1,447	-67	-1,409
Closing equity, 30 Jun 2023	**1**	**6,680**	**493**	**19,485**	**806**	**27,465**
Opening equity, 1 Jul 2023	1	6,680	493	19,485	806	27,465
Shareholder contributions	–	1,500	–	–	–	1,500
Contributions from minority interests	–	–	–	–	500	500
Comprehensive income (1 Jul 2023–31 Dec 2023)	–	–	-101	-1,224	16	-1,309
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
Dividends	–	–	–	-391	–	-391
Reversal of non-controlling interests	–	–	–	39	-39	0
Comprehensive income (1 Jan 2024–30 Jun 2024)	–	–	11	651	20	682
Closing equity, 30 Jun 2024	**1**	**8,180**	**403**	**18,559**	**1,303**	**28,447**

Group – Condensed statement of cash flows

Amounts in SEK million	Jan–Jun 2024	Jan–Jun 2023	Apr–Jun 2024	Apr–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Operating activities						
Profit from property management	1,240	1,187	650	607	2,398	2,345
Adjustment for non-cash items						
- Loss from property management, joint ventures	-28	-41	-18	-25	-52	-65
- Depreciation	10	10	4	5	21	20
- Exchange differences, unrealised	0	1	1	0	0	1
Dividends from joint ventures	28	44	28	44	28	45
Tax paid	1	-34	-47	-16	18	-17
Cash flow before changes in working capital	**1,250**	**1,167**	**618**	**615**	**2,413**	**2,329**
Increase (+)/decrease (-) in working capital	-171	-561	47	-457	9	-381
Cash flow from operating activities	**1,080**	**606**	**665**	**158**	**2,421**	**1,948**
Investing activities						
Acquisition of properties	-221	-134	-14	-18	-437	-351
Investments in new construction, extension and re-development	-1,625	-1,398	-797	-749	-3,052	-2,825
Property divestments	335	17	-1	17	407	90
Investments in financial assets	-35	-6	-8	0	-154	-124
Other non-current assets	-4	-3	-2	-2	-12	-11
Cash flow from investing activities	**-1,549**	**-1,523**	**-823**	**-752**	**-3,248**	**-3,222**

Amounts in SEK million	Jan–Jun 2024	Jan–Jun 2023	Apr–Jun 2024	Apr–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Financing activities						
Interest-bearing loans raised	4,149	5,822	2,497	3,682	5,278	6,951
Repayment of interest-bearing liabilities	-3,872	-2,901	-1,285	-1,565	-6,315	-5,343
Financial instruments realised	4	-52	1	-54	-47	-103
Shareholder contributions received	–	–	–	–	1,500	1,500
Contributions from non-controlling interests	–	–	–	–	500	500
Dividends paid	-391	-1,155	-391	-1,155	-391	-1,155
Cash flow from financing activities	**-111**	**1,714**	**822**	**909**	**525**	**2,349**
Cash flow for the period	**-580**	**797**	**663**	**315**	**-301**	**1,076**
Opening cash and cash equivalents	1,593	526	365	1,009	1,334	526
Exchange rate differences in cash and cash equivalents	9	11	-6	9	-10	-9
Cash and cash equivalents at period-end	**1,022**	**1,334**	**1,022**	**1,334**	**1,022**	**1,593**
Operating cash flow	**1,251**	**1,166**	**617**	**615**	**2,413**	**2,329**

Parent Company – Condensed income statement

Amounts in SEK million	Jan–Jun 2024	Jan–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Net sales	64	61	124	121
Central administrative expenses	-125	-120	-251	-246
Other operating income	188	0	188	0
Operating profit/loss	**128**	**-59**	**62**	**-125**
Financial items	296	33	642	380
Change in value of derivatives	-233	-336	-53	-156
Appropriations	–	–	1	1
Profit/loss before tax	**191**	**-362**	**653**	**100**
Recognised tax	40	110	-68	3
Profit/loss for the period	**230**	**-252**	**585**	**103**

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

Parent Company – Condensed balance sheet

Amounts in SEK million	30 Jun 2024	30 Jun 2023	31 Dec 2023
ASSETS			
Non-current assets			
Intangible assets	15	7	12
Equipment	1	2	2
Shares and participations in Group companies	19,250	16,596	16,968
Deferred tax assets	102	164	60
Non-current receivables	33,825	15,328	23,035
Total non-current assets	**53,193**	**32,097**	**40,076**
Current assets			
Current receivables	6,140	25,986	18,223
Current investments	–	895	–
Cash and cash equivalents	0	0	5
Total current assets	**6,140**	**26,881**	**18,227**
TOTAL ASSETS	**59,333**	**58,978**	**58,303**
EQUITY AND LIABILITIES			
Equity			
Restricted equity	1	1	1
Non-restricted equity	5,230	3,536	5,391
Total equity	**5,231**	**3,537**	**5,392**
Liabilities			
Deferred tax liabilities	28	27	28
Interest-bearing liabilities	51,339	53,610	50,787
Non-interest-bearing liabilities	2,734	1,804	2,096
Total liabilities	**54,101**	**55,441**	**52,911**
TOTAL EQUITY AND LIABILITIES	**59,333**	**58,978**	**58,303**

Other information

Significant events after period-end

No significant events occurred after period-end.

Employees

At period-end, Hemsö had 171 employees, of whom 81 were women and 90 men. Of these employees, 49 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, 142 are employed in Sweden, 16 in Finland and 13 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 30 June 2024, 77 per cent of the loan portfolio was hedged against rising rates and 23 per cent carried variable interest rates, which means that net interest income was impacted by changes in market rates. 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. 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

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

Stockholm, 12 July 2024

Kerstin Hessius, Chair of the Board

Staffan Hansén, Board member

David Mindus, Board member

Johanna Skogestig, Board member

Johan Thorell, Board member

Nils Styf, Chief Executive Officer

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.

Adjusted operating profit
Net operating income less administrative expenses plus dividends from 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
Net operating income plus share of profit from joint ventures and administrative expenses.

Net Debt/EBITDA
Net debt in relation to adjusted operating profit last 12 months. Net Debt/EBITDA is used to measure debt in relation to earnings and thereby evaluate the company's capital structure based on the company's cash flow.

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. The key ratio is presented relative to equity, or to the sum of properties, joint ventures and cash in foreign currency.

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.

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

Definitions, cont.

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/m²
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–Jun 2024	Jan–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Profit after net interest income/expense	1,224	1,188	2,303	2,267
Reversal				
Changes in value, joint ventures	*7*	*-5*	*103*	*91*
Tax, joint ventures	*9*	*4*	*-8*	*-13*
Profit from property management	**1,240**	**1,187**	**2,398**	**2,345**

Operating cash flow	Jan–Jun 2024	Jan–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Profit from property management	1,240	1,187	2,398	2,345
Dividends, joint ventures	28	44	28	45
Tax paid	1	-34	18	-17
Reversal				
Loss from property management, joint ventures	*-28*	*-41*	*-52*	*-65*
Depreciation	*10*	*10*	*21*	*20*
Operating cash flow	**1,251**	**1,166**	**2,413**	**2,329**

Interest-coverage ratio	Jan–Jun 2024	Jan–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Net operating income	1,889	1,785	3,735	3,631
Central administrative expenses	-96	-98	-195	-196
Dividends from joint ventures	28	44	28	45
Total	**1,820**	**1,732**	**3,568**	**3,480**
Net interest expense	-581	-541	-1,194	-1,154
Interest-coverage ratio	**3.1 times**	**3.2 times**	**3.0 times**	**3.0 times**

NOI margin	Jan–Jun 2024	Jan–Jun 2023	Jul 2023–Jun 2024	Jan–Dec 2023
Rental income	2,561	2,386	4,993	4,818
Other property income	2	13	31	41
Total property income	**2,564**	**2,399**	**5,024**	**4,859**
Net operating income	1,889	1,785	3,735	3,631
NOI margin	**73.7%**	**74.4%**	**74.4%**	**74.7%**

Key ratio calculations, cont.

Share of secured debt	30 Jun 2024	30 Jun 2023
Secured debt outstanding	1,000	1,000
Investment properties	84,126	85,071
Share of secured debt	**1.2%**	**1.2%**

Loan-to-value ratio	30 Jun 2024	30 Jun 2023
Non-current interest-bearing liabilities	41,628	44,350
Current interest-bearing liabilities	9,751	9,295
Current investments	–	-895
Cash and cash equivalents	-1,022	-439
Net debt	**50,357**	**52,311**
Investment properties	84,126	85,071
Investments in joint ventures	1,648	1,747
Total	**85,774**	**86,818**
Loan-to-value ratio	**58.7%**	**60.3%**

Property yield	30 Jun 2024	30 Jun 2023
Net operating income/expense according to income statement	3,735	3,346
Adjusted for 12-month holding period and exchange rate	-41	89
Adjusted for development properties	-79	-180
Adjusted net operating income	**3,615**	**3,254**
Investment properties	84,126	85,071
Adjusted for development properties	-7,131	-10,933
Adjusted market value of properties	**76,994**	**74,138**
Property yield	**4.7%**	**4.4%**

Equity/assets ratio	30 Jun 2024	30 Jun 2023
Equity	28,447	27,465
Total assets	90,632	90,993
Equity/assets ratio, %	**31.4%**	**30.2%**

Net Debt/EBITDA	30 Jun 2024	30 Jun 2023
Net debt	**50,357**	**52,311**
Net operating income	3,735	3,346
Central administrative expenses	-195	-200
Dividends from joint ventures	28	44
Adjusted operating profit	**3,568**	**3,189**
Net Debt/EBITDA	**14.1 times**	**16.4 times**

Debt-coverage ratio	30 Jun 2024	30 Jun 2023
Cash and cash equivalents	1,022	439
Current investments	–	895
Undrawn committed credit facilities	13,500	13,761
Available liquidity	**14,522**	**15,094**
Short-term borrowings	9,751	9,295
Debt-coverage ratio	**149%**	**162%**

Total return	Jul 2023–Jun 2024	Jul 2022–Jun 2023
Net operating income	3,735	3,346
Value change, investment properties	-2,667	-6,865
Total	**1,069**	**-3,520**
Opening value investment properties	85,071	84,683
Closing value investment properties	84,126	85,071
Adjustment of value change for the period	2,667	6,865
Adjusted average property value	**85,932**	**88,310**
Total return	**1.2%**	**-4.0%**

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

Interim report Jan–Sep 2024	18 Oct 2024