

PRESS RELEASE 2022-04-27

Interim report January-March 2022

Klövern is consolidated in Corem from 15 June 2021.

- Income increased to SEK 1,099 million (258).
- Net operating income increased to SEK 727 million (184).
- Net financial items amounted to SEK –271 million (–18), of which dividends from shareholdings accounted for SEK 0 million (53).
- Profit from property management increased to SEK 409 million (157).
- Investments in new constructions, extensions and refurbishments amounted to SEK 442 million. Project development, including development of building rights, contributed with increases in value of properties of SEK 327 million. The total changes in value of properties amounted to SEK 1,082 million (481) and the value of the investment properties amounted to SEK 83,869 million on 31 March.
- Changes in value of derivatives amounted to SEK 720 million (83).
- Net profit increased to SEK 1,736 million (409), corresponding to SEK 1.47 (1.14) per ordinary share of Class A and B.
- Net asset value (NAV) per ordinary share of Class A and B amounted to SEK 30.97.

IMPORTANT EVENTS

- In January, Corem issued unsecured green bonds for SEK 2,350 million with a floating interest rate of 3 months STIBOR plus 275 basis points. At the same time, unsecured bonds at a nominal amount of SEK 1,898 million with floating interest rate of 3 months STIBOR plus 400 basis points were repurchased.
- In February, Corem and ALM Equity announced that a contract had been signed to establish a joint company, whose purpose is to develop space-efficient and climate-smart rental housing for own management. To the joint company, Corem will divest properties and residential building rights with a total market value of SEK 5.4 billion.
- On 3 March, it was announced that Corem will start a programme to repurchase its own shares. During the month of March shares were repurchased for SEK 50 million.
- On 28 March, Corem made an offer to all preference shareholders in Corem to exchange their preference shares for newly issued ordinary shares of Class D. The exchange offer means that Corem offers 1.12 ordinary shares of Class D for each preference share that is redeemed. The exchange offer is conditional upon a decision at Corem's annual general meeting on 27 April. On 26 April, it was announced that the board of directors, due to prevailing market conditions, proposes that the AGM does not vote in accordance with the previously submitted proposal for the exchange offer.
- In April, a previously agreed upon 15-year lease contract in New York to A24 Films was expanded from approximately 3,800 sq.m. to a bit more than 4,500 sq.m.

Comment by the CEO

A stable beginning to 2022 for the new Corem

During the first quarter of the year the effects of the pandemic have subsided, with a continued return to offices, while there has been a serious deterioration in the geopolitical situation with the war in Ukraine. For Corem, integration of Klöver has proceeded completely according to plan at the same time as our two core activities property management and project development are moving ahead in a stable way. I am happy to note that we have started the year with a continued good development of earnings, a strong increase in value in the property portfolio and a net asset value (NAV) which has improved to SEK 30.97 per share.

Good earnings development and many new lease contracts

During the quarter, profit from property management increased by 161 per cent to SEK 409 million. After a continued strong value development in the property portfolio, net earnings per share increased by 29 per cent. The net asset value (NAV) per ordinary share of Class A and B improved to SEK 30.97, an increase of 5 per cent during the quarter and 32 per cent during the last 12 months.

Activity on the office rental market continued to be high and the same applies to demand for city logistics. After record-high net letting in the fourth quarter of 2021, net letting for the first quarter of 2022 amounted to SEK 0 million, mainly due to a handful of previously expected terminations. During the past 12-month period, net letting amounted to SEK 119 million.

In all, 399 new and renegotiated lease contracts were signed during the quarter, which contributed to net letting by SEK 117 million. These include a 7-year lease with Epishine for around 1,200 sq.m. in Malmö and a 5-year lease with Dynamic Code for around 3,300 sq.m. in Linköping. It is gratifying that letting work, an essential part of our core business, is showing good results.

An environment marked by the geopolitical situation

Due to the rapidly changing geopolitical situation, we now have an extra focus on the macroeconomic effects that may follow, primarily as regards interest rates and inflation. Corem works continuously and in an unchanged way to limit the interest rate risk by interest rate swaps and caps, where the effect of large interest rate rises is limited by the interest rate caps. At the end of the quarter, 68 per cent of the interestbearing liabilities were interest rate hedged or at a fixed rate.

Rising inflation, for energy and raw materials among other products, also creates some uncertainty. The rise in inflation during 2021 has at the same time a positive effect on Corem's rental income for 2022 as 84 per cent of our Swedish lease contracts are indexed in Relation to October's consumer price index (CPI), which rose by 2.8 per cent. This means a positive effect on rental income of around SEK 90 million in 2022.

Concentration of the property portfolio

Through the acquisition of Klöver, Corem's building rights portfolio has markedly grown. We see large future values here and opportunities to realise these. As a step in this work, Corem and ALM Equity signed a contract during the first quarter to establish a joint company with the purpose of developing around 24,000 space-efficient and climate-smart rental housing units for own management. For Corem, the transaction means that properties and residential building rights with a total market value of SEK 5.4 billion are planned to be transferred to the joint company. The properties to be transferred during the second quarter have a lettable area of approximately 123,000 sq.m and an economic occupancy rate of 84 per cent. Through the transaction, Corem's portfolio will be focused to an even greater extent on management and letting of commercial premises.

As part of the geographical and segment-related concentration of Corem's commercial portfolio, 12 properties have been divested and handed over for SEK 977 million during the first quarter.

Continued focus on value-creating project development

A number of exciting projects are in process in Sweden and abroad. During the first quarter, 5 new large projects have been started, among other places in Nacka after an 11-year lease contract was signed with Bilia and in Arlandastad after a 15-year contract was signed with Statens Försvarshistoriska Museer at the end of 2021. In central Stockholm, work is also in process to modernize the office property on Klarabergsgatan close to the Central Station.

Our two largest new construction projects in process are two high-quality office buildings in attractive locations in Manhattan which have now reached exterior completion but where interior tenant customization will continue throughout 2022. Letting work is in process and at the start of the second quarter, a previously agreed lease contract with A24 Films was expanded to include an additional floor, which means that they will rent over 4,500 sq.m. within the framework of the 15-year lease when they move in later this year.

Sustainable financing

In addition to an ongoing great focus throughout all of our activities on sustainable urban development and reduced energy consumption, green financing is continuing to grow in importance. In January, we issued green bonds for SEK 2.35 billion with a floating interest rate of 3 months Stibor plus 275 basis points. This was done to refinance bonds, issued by Klöver, with a floating rate of 3 months Stibor plus 400 basis points.

We are working in a focused way towards the goal of complementing the Scope rating of BBB- with an additional investment grade rating from one of three large rating agencies at the latest during 2023. This means that we always need to give priority to the most profitable and value-creating transactions in combination with cost-efficient financing. For the second quarter in a row we managed to reduce the loan-to-value ratio, this time by one additional percentage point to 52 percent.

I am looking forward to a continued eventful and successful 2022 where we together in the new Corem further develop and optimize the property portfolio with an unchanged focus on local property management close to the customer.

Eva Landén, CEO

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