

PRESS RELEASE 2022-07-13

## Interim report January-June 2022

*Klövern is consolidated in Corem from 15 June 2021.*

- Income increased to SEK 2,192 million (636).
- Net operating income increased to SEK 1,482 million (459).
- Net financial items amounted to SEK –488 million (-102), of which dividends from shareholdings accounted for SEK 34 million (76).
- Profit from property management increased to SEK 900 million (306).
- Changes in value of properties amounted to SEK 741 million (781).
- Changes in value of financial investments amounted to SEK –1,014 million (614).
- Changes in value of derivatives amounted to SEK 1,335 million (91).
- Net profit increased to SEK 1,823 million (1,537), corresponding to SEK 1.43 (3.76) per ordinary share of Class A and B.
- The value of investment properties amounted to SEK 81,088 million on 30 June.
- Net asset value (NAV) per ordinary share of Class A and B amounted to SEK 29.73 on 30 June.

### IMPORTANT EVENTS

- On 28 April, Corem handed over 25 properties to the company (Klövern) that Corem has established with ALM Equity for development of in-house managed rental housing. As at 30 June, Corem's ownership stake was 49.4 per cent. The holding is reported as shares in associated companies.
- As part of the concentration of Corem, contracts were signed during the second quarter to divest nine properties in Växjö, Jönköping, Västerås, Malmö and Stockholm for an aggregate underlying property value of SEK 804 million. In total, the transactions are done slightly above book value.
- During the second quarter, the first two tenants in New York have taken possession of premises on 1245 Broadway. In April, a previously agreed 15-year lease to A24 Films was expanded from around 3,800 sq.m. to over 4,500 sq.m. at the property 1245 Broadway, where 40 per cent of the total area is now let.
- Net letting amounted to SEK 13 million during the second quarter and SEK 117 million during the past four quarters.

### Comment by the CEO

A stable quarter characterized by concentration

The second quarter of 2022 was marked by the geopolitical situation, the macroeconomic development with accelerating inflation and rising interest rates as well as rapid changes in the financial market. Corem has continued to concentrate its property portfolio, both through the 25 properties that have been transferred to the housing company established jointly with ALM Equity and through contracts signed for divestment of nine properties for over SEK 800 million. Our two core operations, property management and project development, are making stable progress with positive net letting, the first two tenants in New York taking possession of premises and a continued major focus on customer service and cash flow.

### **A year with the new Corem**

Over a year has now passed since we acquired and consolidated Klöver (with a recent change of name to Corem Kelly) and in this way created a new larger and stronger Corem. Integration has gone according to plan and the estimate of synergies identified in conjunction with the acquisition is unchanged. Through the merger, the customer offering has been broadened at the same time as financing opportunities have improved. Corem is now one of the leading commercial real estate companies in the Nordic region, focused mainly on offices and city logistics. We own 479 investment properties at a value of SEK 81 billion and have a diversified customer base consisting of around 4,000 tenants with over 7,000 lease contracts which gives stability.

### **Positive net letting**

Demand for office premises is good on most markets, including Solna where Corem's properties are now practically fully let. Activity on the rental market for city logistics continues to be high.

Net letting amounted to SEK 13 million during the second quarter and SEK 117 million during the most recent 12-month period, which indicates a good recovery after the pandemic. In total, 273 new and renegotiated lease contracts were signed during the quarter, which contributed SEK 123 million to net letting. These include, for example, a 6-year lease with the Swedish National Space Agency for around 1,100 sq.m. in Solna and a 10-year lease with Mälarenergi which expands its premises by around 1,000 sq.m. in Västerås.

During the period January-June, profit from property management increased by 194 per cent to SEK 900 million. The net asset value (NAV) per ordinary share of Class A and B amounted to SEK 29.73, an increase of 13 per cent during the past 12 months.

### **New macroeconomic conditions**

Due to the fast-changing geopolitical situation, we now have an extra focus on the macroeconomic effects that arise. Accelerating inflation, inter alia for energy, is creating some uncertainty. At the same time, rising inflation has a positive effect on Corem's rental income as 84 per cent of our Swedish lease contracts are indexed in relation to the consumer price index (CPI). During 2022, this entails a positive effect on rental income of approximately SEK 90 million; and if inflation stays at the current level, in the autumn, the positive effect for 2023 will be around SEK 250 million.

### **Stable financing**

We work continuously and in an unchanged way to limit the interest rate risk through both interest rate swaps and interest rate caps, where the effect of large interest rate increases is limited by the interest rate caps. At the end of the quarter, 79 per cent of Corem's interest-bearing liabilities were interest rate hedged or at a fixed rate.

Corem has a high share of bank financing. On 30 June, bank credits amounted to 73 per cent of interest-bearing liabilities. This provides stability in periods of volatility in the bond market. During the second quarter, Corem has refinanced a number of bank loans on substantially unchanged terms, in some cases refinancing has been done at a better margin. When it comes to bonds, Corem has no bonds maturing during the rest of 2022, and during the first half of 2023 maturities amount to SEK 1,184 million.

Otherwise, we continue our focused work with the aim of complementing the BBB- rating from Scope with an additional investment grade-rating from one of the three large rating agencies.

### **Continued concentration**

As a step in the continued streamlining of the portfolio, Corem has, during the second quarter, transferred 25 properties to the new housing company established jointly with ALM Equity. After the addition of one additional owner, Corem's ownership amounts to 49.4 per cent. For Corem, the transaction entails that properties and residential building rights are transferred to the joint company, of which the majority was transferred during the second quarter. As the market for residential building rights has been affected by raised inflation assumptions and rising interest rates, market values for these are estimated to have declined by 5-7 per cent. A review of market values is in process and is expected to be finalized at the end of August. Through the transaction, Corem's portfolio is 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, contracts have been signed during the second quarter to divest nine properties in Växjö, Jönköping, Västerås, Malmö and Stockholm for an aggregate underlying property value of SEK 804 million. In total, the transactions are done slightly above book value.

#### **Value-creating, cash flow-focused project development**

In project development, our ambition through every single project is to improve the company's cash flow which indirectly contributes to the value development of the property portfolio. A number of projects are in process both in Sweden and abroad. We are engaged in urban development projects in Uppsala and Västerås as well as in Kista and Söderstaden in Stockholm among other places.

In the central parts of Västerås, including the travel centre, a number of projects are in process that contribute to the future development and quality of the core of the city. During the second quarter, we have had the pleasure of announcing several important new lettings at the Punkt shopping mall, including the anchor tenants Coop and Systembolaget, which are moving in during 2023.

Our two largest ongoing new construction projects are two high-quality office buildings in attractive locations in Manhattan, which have now been externally completed while interior tenant customizations will continue throughout 2022. During the quarter, the first two tenants have taken possession of premises at 1245 Broadway. The first to move in was the Swedish computer game developer Avalanche Studios Group which is leasing around 1,370 sq.m. At the start of the second quarter, a previously agreed letting to A24 Films was expanded by an additional floor, making a total of around 4,500 sq.m., which have now been taken possession of, in the framework of a 15-year lease. Even though letting in New York has not taken place at the desired rate, we now see good future prospects with the return to physical offices after the pandemic.

I would like to wish a pleasant summer and thank all our personnel for the first year with the new Corem. Together, we are continuing to develop and optimize our operations and the property portfolio with an unchanged focus on local property management close to the customer.

Eva Landén, CEO

Stockholm 13 July 2022

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This information is information that Corem Property Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act (2007:528). This information was submitted for publication through the agency of the contact persons set out above, at 08.00 CEST on 13 July 2022.

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