

PRESS RELEASE 24 October 2024

Interim Report January - September 2024

- Income amounted to SEK 2,780 million (3,228)
- Operating surplus amounted to SEK 1,808 million (2,250)
- Net financial income amounted to SEK –950 million (–1,098)
- Profit from property management amounted to SEK 736 million (1,016)
- Changes in value of properties amounted to –473 million (–5,823) during the period and SEK 12 million (–2,912) during the quarter
- Profit/loss for the period amounted to SEK –268 million (–4,934), corresponding to SEK –0.62 (–4.91) per ordinary share of class A and B
- Net letting amounted to SEK 99 million during the period (90)
- The value of the investment properties amounted to SEK 56,063 million (58,033)
- Net asset value (NAV) per ordinary share of class A and B amounted as of 30 September to SEK 16.56 (17.57)

EVENTS DURING THE THIRD QUARTER

- During the quarter, one divested property was transferred at a total underlying property value of SEK 83 million. During the nine-month period, a total of 32 divested properties were transferred at an underlying property value of SEK 2,6 billion
- During the quarter, several leases were signed, including two leases in the property Helgafjäll 5 in Kista and two leases in the 28&7 property in New York
- During the quarter, a directed share issue of Corem's ordinary shares of class B were carried out in accordance with two separate issue decisions, partly as a directed share issue of 77,560,333 ordinary shares of class B to Swedish and international institutional investors and partly as a directed issue of 28,645,832 ordinary shares of class B. The latter, after approval at an extraordinary shareholders meeting, to M2 Asset Management AB (publ) and Gårdarike AB.
- Senior unsecured green bonds of SEK 1,300 million were issued under a framework of SEK 2 billion with a term of 3 years, carrying a variable interest rate of 3-month Stibor plus 295 basis points and maturity on 26 September 2027
- Bonds with an outstanding amount of SEK 1,460 million were redeemed, of which SEK 1,024 million with maturity in October 2024 and SEK 436 million with maturity in February 2025
- Hybrid bonds totalling SEK 148 million were redeemed during the quarter

EVENTS AFTER THE END OF THE PERIOD

- Bonds with an outstanding amount of SEK 610 million with maturity in October 2024, were redeemed early, on 11 October 2024
- Hybrid bonds of SEK 20 million were repurchased during October 2024

Comment by the CEO

Continued strong net letting and focus on financial flexibility

The third quarter has been an eventful quarter for Corem. We note a high level of activity in our lettings, and today we are reporting another quarter with positive net letting thanks to a number of important lease contracts. During the quarter, we have continued to focus strongly on strengthening our financial flexibility, for example, through a directed share issue of just over one billion Swedish -kronor and by issuance of new

green bonds for SEK 1.3 billion. We see increasing liquidity in the capital market, falling long-term interest rates and are pleased that interest rate reduction is now firmly in process.

A more favourable macroeconomic environment

After a turbulent start to the 2020s and despite a continued serious geopolitical climate, we now see a turn in the macroeconomic environment. Inflation has come down as well as interest rates and the real estate industry is no longer under pressure from increased financial expenses nor from further decreases in value. Falling long-term interest rates and expectations of further interest rate cuts are beneficial for the whole industry which will eventually have a positive impact on the real estate market. The interest rate reductions are also a prerequisite for avoiding a further downturn in the economy.

Continued strong net letting

It is evident in our letting statistics that our core business is stable and function well. Net letting during the first three quarters has amounted to SEK 99 million, of which SEK 13 million has taken place in the third quarter, mainly due to a number of fine lettings in Stockholm and New York.

The operating surplus has decreased compared with last year because of a number of divestments. In a comparable portfolio, income has, however, increased by -3 per cent and operating surplus by 1 per cent. Profit from property management amounted to SEK 736 million for the first three quarters.

Intensity in the portfolio

Many now witness an office rental market that is somewhat hesitant. The supply of office premises is increasing and rental increases are slowing down, which increases competition for every vacant square metre. However, at Corem, we are experiencing a continued high level of demand and intensity of transactions at almost all locations, which is also reflected in our net letting statistics.

There is still some uncertainty in the office rental market about how to best react to continued opportunities for working from home and how this will affect the demand for premises, but we experience this as being just applicable to Stockholm. In the rest of the country, people are back at work and office attendance is also continuously increasing in Stockholm. It is evident that office design has become increasingly important given new digital working methods and as a social meeting place.

Kista – one of Sweden’s most innovative places and Corem’s strongest letting unit to date during 2024

The Stockholm market component Kista is one of Corem’s prioritized development areas where we and other owners of real estate are now developing the location to a vibrant urban environment with a mixture of workplaces, service and housing.

In Kista, large established companies are located side by side with new tech companies, which makes it one of Sweden’s most innovative places. The location with good communications close to Stockholm City and Arlanda airport, with direct access to the E4 and E18 motorways, is unique. There are top modern offices here but unlike other alternatives in the city centre, they are offered at competitive rental levels, which make the area perfect for large and small companies and for public authorities and activities.

It is worth noting that Corem’s portfolio in Kista has by itself produced a positive net letting of SEK 19 million, which makes the management unit Corem’s strongest during the quarter. Kista also accounts for 50 per cent of Corem’s total net letting in Sweden during the year. Among other lettings, we have let approximately 6,000 square metres to Mycronic, which is moving parts of its business from Täby to Kista, and around 1,100 square metres to Transcom. This is evidence of a well-functioning office letting market and that we at Corem offer competitive premises.

Financial flexibility

For a long time, we have had a strong focus on reducing indebtedness and thus strengthening our balance sheet. During 2024 alone, we have dealt with three large bond maturities of almost SEK 5.5 billion, which have been totally redeemed and we have also carried out buybacks of almost SEK 700 million in bonds that

mature in February 2025. In addition, we have as per today's date repurchased a total of SEK 168 million of our hybrid bond.

Since the year-end, we have seen increasing liquidity in the capital market, which has also entailed shrinking credit margins leading us to issue new green bonds during the year totalling SEK 3.6 billion, of which SEK 1.3 billion in the third quarter.

During the summer, a directed new share issue was made of ordinary shares of class B for just over SEK 1 billion to proactively strengthen Corem's financial position.

This liquidity is being used to create the prerequisites for Corem to further reduce outstanding hybrid loans and bonds to continue to reduce our interest costs, which will provide greater future financial liquidity.

Concentration and sustainable project commitments

One of our foremost priorities is to increase efficiency and continue to concentrate our property portfolio. In recent years, we have made the divestments required to deal with bond maturities during 2023 and 2024. Now that the capital market has stabilized, we are focusing primarily on smaller but strategic divestments to refine our portfolio. This strengthens our balance sheet and aims at increasing our focus on development of our assets in growth areas. During the first three quarters of the year, we have divested 32 properties at an underlying property value of SEK 2.6 billion.

We are continuing to invest in our existing properties but are maintaining a lower investment rate today than a couple of years ago. We are completing major projects and prioritizing tenant customization for new and existing tenants. We are, however, intensifying our work on sustainability projects. We see increased interest for green leases and energy-efficient solutions, which are in line with our sustainability targets. Through these initiatives, we can both reduce our environmental impact and create long-term value for both Corem and for our tenants.

Given the further interest rate cuts that are anticipated, we have a positive view of future development and on our strategy of owning and developing properties in metropolitan areas and growth locations through local sustainable management.

I would like to thank our employees for their commitment and our tenants for their continued confidence. We look forward to the coming quarters with the same drive and focus on long-term creation of value.

Rutger Arnhult
CEO

Stockholm, 24 October 2024

Corem Property Group AB (publ)

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