Interim Report
January – June 2023

COREM KELLY AB

PART OF corem

This interim report for the period January-June 2023 has been prepared for the purpose of complying with the terms of Corem Kelly AB's (publ) bond and loan agreements.

JANUARY–JUNE 2023

- Income amounted to SEK 1,817 million (1,680).
- Profit from property management amounted to SEK 695 million (710).
- Profit before tax amounted to SEK –2,800 million (2,253).

EVENTS DURING THE SECOND QUARTER

- In July, Corem signed, after the end of the period, together with ALM Equity och Broskeppet Bostad, an agreement with the property investor Nrep on the sale of 51 percent of the shares in Klövern for approximately SEK 2.5 billion. The accounting effect of the deal is negative profit effect of approximately SEK 1 billion, which is reported in the quarter. The transfer is planned for August 2023. The deal means a positive liquidity effect amounting to SEK 1.4 SEK billion.
- In May, Corem Kelly, redeemed a bond loan of SEK 700 million.
- In June, Corem Kelly received an updated credit rating from Scope Ratings. The update confirms that Corem Kelly maintains the previous credit rating of BBB-, stable outlook.

The income statement items are compared with the corresponding time period last year. The balance sheet items refer to the position at the end of the period and are compared with the preceding year-end. The quarter refers to April–June and the period refers to January–June.

INCOME, EXPENSES AND PROFIT

Income amounted to SEK 899 million (836) during the quarter. Property costs amounted to SEK 269 million (275) and the operating surplus amounted to SEK 630 million (561). The operating margin amounted to 70 per cent (67) and profit from property management amounted to SEK 351 million (383). Profit before tax amounted to SEK –1,932 million (456).

TAXES

During the quarter, deferred tax amounted to SEK 83 million (464) and current tax to SEK –15 million (–12).

CASH FLOW

The cash flow from current operations before change in working capital amounted to SEK 354 million (341) during the second quarter. Investment operations have affected the cash flow by a net SEK 256 million (–610). Financing operations have affected the cash flow by SEK –256 million (–22). In total, the cash flow amounted to SEK –53 million (–340). Liquid assets at the end of the quarter amounted to SEK 438 million, compared with SEK 457 million as of 30 June 2023.

FINANCING

On 30 June 2023, the external interest-bearing liabilities amounted to SEK 30,727 million (33,079). In addition, there is debt to the parent company of SEK 6,045 million. Accrued borrowing overheads amounted to SEK 221 million, which means that the reported interest-bearing liabilities in the balance sheet amounts to SEK 36,551 million (36,897). Net financial items during the quarter amounted to SEK –239 million (–146), of which financial income accounted for SEK 5 million (14) and site leasehold expenses amounted to SEK –17 million (–11).

The interest coverage ratio amounted during the period to 2.6 (3.2) and to 2.6 during the last four quarters.

Corem Kelly's interest-bearing liabilities are mainly secured by mortgages in properties and/or shares in subsidiaries. Unsecured interest-bearing liabilities consist of unsecured bonds, SEK 5,389 million (6,250) at the end of the quarter. Corem Kelly's commercial paper programme was phased out during 2022 and is replaced on a group level by Corem Property Group's programme.

Derivatives effectively limit the interest rate risk. The effect of larger interest rate increases is markedly limited by interest rate caps. Changes in value of derivatives totalled SEK 80 million (478) during the quarter. As of 30 June, the value was SEK 1,096 million (1,237).

Unrealized changes in value do not affect the cash flow; on maturity the value of the derivatives is always zero. All derivatives are classified at Level 2 according to IFRS 13. No derivatives have changed classification during the period. Corem Kelly's assessment is that there is no significant difference between the book value and the fair value of interest-bearing liabilities.

FIXED INTEREST AND TIED-UP CAPITAL[1]

	Fixed interest	Tied-up capital			
Year due	Loan volume, SEKm	Contract volume, SEKm	Utilized, SEKm	Of which bonds outstanding, SEKm	Unutilized, SEKm
Floating[2]	13,073	—	—	—	—
2023	—	4,721	4,289	736	432
2024	5,613	8,994	8,344	1,950	650
2025	4,000	10,144	9,644	2,700	500
2026	—	2,161	1,129	—	1,032
2027	514	341	341	—	—
Later	7,528	6,980	6,980	—	—
TOTAL	30,727	33,342	30,727	5,389	2,615

1 External debt

2 SEK 1,328 million of Floating volume is covered by interest-rate caps.

COMMERCIAL PROJECTS

As of 30 June 2023, the remaining investment volume of ongoing projects amounted to SEK 1,115 million. At the same time, seven projects with an estimated investment exceeding SEK 50 million each were ongoing. These projects encompass in total 47,835 sq.m. and have a total remaining investment of SEK 852 million. The two largest ongoing projects are the construction of two high-quality office buildings in Manhattan, New York. The projects are called 1245 Broadway och 28&7. Both buildings have reached exterior completion. Letting is ongoing and interior tenant customization will continue.

COREM KELLY'S LARGEST ONGOING COMMERCIAL PROJECTS

City	Property	Description	Let area, 000 sq.m.	Project area, sq.m.	Estimated investment, SEKm	Accrued Investment, SEKm	Rental value, SEKm	Completion, year/quarter
New York	1245 Broadway	New construction office	9,216	17,582	1,917	468	224	24Q1
New York	28&7	New construction office	2,580	9,183	939	139	104	24Q1
Stockholm	Orgelpipan 4	Redevelopment, offices	4,240	4,240	342	68	34	23Q4
Uppsala	Fyrislund 6:6	New construction, office/laboratory, phase 1	0	3,097	158	41	11	23Q3
Västerås	Loke 24	Refurbishment of building, tenant customization for health center	4,634	7,014	160	5	9	23Q3
Västerås	Mats 5	Refurbishment of building	3,529	3,985	136	57	8	23Q3
Nyköping	Furan 2	Construction school	2,735	2,735	77	74	8	23Q4
TOTAL			26,934	47,835	3,729	852	398	

PROPERTIES AND CHANGES IN VALUE

On 30 June 2023, Corem Kelly´s property portfolio consisted of 272 investment properties (316) with a total lettable area of 2,125,000 sq.m. (2,291,000), a fair value of SEK 61,378 million (64,789) and a rental value of SEK 4,027 million (3,823).

The changes in value of Corem Kelly's investment properties totalled SEK −2,233 million (525) during the period January-June. The changes in value include realized changes in value of SEK −15 million (−336) and unrealized changes in value of SEK −2,218 million (861). On average, Corem Kelly's property portfolio, as at 30 June 2023, has been valued with a yield requirement of 5.3 per cent (5.0).

Corem Kelly values 100 per cent of the property portfolio every quarter, of which 20 to 30 per cent are normally valued externally. The external valuations have been performed by Cushman & Wakefield, Newsec, Savills, BBG Real Estate Service (USA) and Newmark (USA). Every property in the portfolio is valued externally at least once per year. All properties are classified at Level 3 in accordance with IFRS 13. See Corem Kelly´s annual report for 2022 for a detailed description of valuation principles.

PROPERTIES: FAIR VALUE

SEKm	2023 Jan–Jun	2022 Jan–Jun	2022 Jan-Dec
Fair value, as of 1 January	63,382	67,140	67,140
Acquisitions	—	80	80
Investments	906	1,020	2,367
Divestments	–1,384	–1,050	–1,921
Reclassification to shares in associated companies	—	–4,374	–4,374
Unrealized changes in value	–2,218	861	–1,452
Currency conversion	691	1,112	1,542
Fair value at the end of the period	61,378	64,789	63,382

INCOME STATEMENT ITEMS AND INVESTMENTS PER ORGANIZATIONAL UNIT

	Income, SEKm		Property costs, SEKm		Op. surplus, SEKm		Operating margin, %		Investments, SEKm	
	2023 Jan–Jun	2022 Jan–Jun	2023 Jan–Jun	2022 Jan–Jun	2023 Jan–Jun	2022 Jan–Jun	2023 Jan–Jun	2022 Jan–Jun	2023 Jan–Jun	2022 Jan–Jun
Region Stockholm	928	877	–327	–337	601	540	65	62	284	368
Region East	374	358	–120	–124	254	234	68	65	104	199
Region West	318	302	–101	–107	217	195	68	65	74	134
International – Copenhagen	146	129	–14	-6	132	123	90	95	13	9
International – New York	51	14	–10	–1	41	13	80	93	431	310
TOTAL	1,817	1,680	–572	-575	1,245	1,105	69	66	906	1,020

KEY RATIOS PER ORGANIZATIONAL UNIT

	Number of properties		Fair value, SEKm		Rental value, SEKm		Economic occupancy rate, %		Lettable area, tsqm	
	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022	30.06.2023	30.06.2022
Region Stockholm	100	111	29,553	31,133	2,145	2,019	86	86	982	1,021
Region East	78	101	8,718	10,173	773	807	93	88	555	653
Region West	83	91	8,225	8,940	709	675	89	87	461	489
International – Copenhagen	7	8	7,725	7,419	283	262	93	94	117	122
International – New York	4	5	7,157	7,124	117	60	100	100	10	6
TOTAL	272	316	61,378	64,789	4,027	3,823	88	87	2,125	2,291

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

A real estate company is exposed to various risks in its business activities. Internal regulations and policies limit exposure to different risks. Corem Kelly's significant risks and exposure and their management are described in the 2022 annual report.

DISPUTES

Corem Kelly has no ongoing disputes that can have a significant profit impact.

ACCOUNTING POLICIES

Corem Kelly prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The interim report for the Group has been prepared in accordance with the Annual Accounts Act and IAS 34, Interim Financial Statements and, in the case of the Parent Company, in accordance with the Annual Accounts Act. The accounting policies applied in this interim report are in essential parts those described in Note 1 of Corem Kelly´s annual report for 2022.

The financial reports are prepared for the purpose of complying with the terms of the company´s bond and loan agreement.

The undersigned certify that this six-month report provides a fair overview of the Parent Company's and Group's business activities, financial position and profit and describes significant risks and uncertainty factors for the Parent Company and the companies belonging to the Group.

Stockholm, 14 July 2023

Patrik Essehorn, *Chairman of the Board*

Katarina Klingspor, *Board member*

Fredrik Rapp, *Board member*

Christian Roos, *Board member*

Christina Tillman, *Board member*

Magnus Uggla, *Board member*

Rutger Arnhult, *CEO and Board member*

This interim information has not been subject to a review by Corem Kelly's auditors.

Consolidated Statement of Income *Summary*

SEKm	2023 3 months Apr–Jun	2022 3 months Apr–Jun	2023 6 months Jan–Jun	2022 6 months Jan–Jun	2022/2023 Rolling 12 months Jul–Jun	2022 12 months Jan–Dec
Income	899	836	1,817	1,680	3,605	3,467
Property costs	–269	–275	–572	–575	–1,296	–1,299
Net operating income	**630**	**561**	**1,245**	**1,105**	**2,309**	**2,168**
Central administration	–40	–32	–73	–66	–139	–132
Net financial items	–239	–146	–477	–328	–855	–706
Profit from property management (properties)	**351**	**383**	**695**	**710**	**1,315**	**1,330**
Share of earnings in associated companies	–1,178	–33	–1,075	–30	–1,908	–863
Changes in value, properties	–1,115	–413	–2,233	525	–4,725	–1,968
Changes in value, derivatives	80	478	–120	1,016	–141	995
Changes in value, other assets	–29	41	–26	33	–72	–12
Impairment of goodwill	–41	0	–41	–2	–41	–2
Profit before tax	**–1,932**	**456**	**–2,800**	**2,253**	**–5,572**	**–519**
Taxes	68	452	214	63	421	271
Net profit for the period	**–1,864**	**908**	**–2,586**	**2,316**	**–5,151**	**–248**
Net profit for the period attributable to:						
The parent company's shareholders	–1,863	907	–2,570	2,308	–5,106	–227
Holdings without controlling influence	–1	1	–16	8	–45	–21
	–1,864	**908**	**–2,586**	**2,316**	**–5,151**	**–248**
Other comprehensive income, items which may later be reversed in the income statement						
Translation difference regarding foreign operations	428	681	414	801	669	1,056
Comprehensive income for the period	**–1,436**	**1,589**	**–2,172**	**3,117**	**–4,482**	**807**
Comprehensive income for the period attributable to:						
The parent company's shareholders	–1,435	1,588	–2,156	3,109	–4,437	828
Holdings without controlling influence	–1	1	–16	8	–45	–21
	–1,436	**1,589**	**–2,172**	**3,117**	**–4,482**	**807**

Consolidated Balance Sheet *Summary*

SEKm	30.06.2023	30.06.2022	31.12.2022
ASSETS			
Goodwill	103	144	144
Investment properties	61,378	64,789	63,382
Right of use assets	1,409	753	1,386
Machinery and equipment	61	67	69
Participation rights in associated companies	2,311	4,257	3,415
Financial assets at fair value through statement of income	6	91	65
Derivatives	1,096	1,237	1,216
Properties classified as current assets	257	135	206
Other receivables	1,140	1,231	1,050
Liquid funds	438	457	407
TOTAL ASSETS	68,199	73,161	71,341
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to the parent company's shareholders	24,202	29,073	26,745
Equity attributable to holdings without controlling influence	27	73	43
Deferred tax liability	4,405	4,831	4,623
Interest-bearing liabilities	36,551	36,955	36,897
Leasing liabilities	1,409	753	1,386
Accounts payable	62	33	226
Other liabilities	428	411	262
Accrued expenses and prepaid income	1,115	1,032	1,159
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	68,199	73,161	71,341

Change in Consolidated Shareholders' Equity *Summary*

	Shareholders' equity attributable to		
SEKm	The parent company´s shareholders	Holdings without Controlling influence	Total shareholders' equity
Shareholders' equity 31.12.2021	26,336	143	26,479
Dividend	–329	—	–329
Hybrid bond	–87	—	–87
Change in holding without controlling influence	–4	–78	–82
Other comprehensive income	1,056	—	1,056
Net profit for the period	–227	–21	–248
Shareholders' equity 31.12.2022	26,745	43	26,788
Dividend	–329	—	–329
Hybrid bond	–59	—	–59
Other comprehensive income	414	—	414
Net profit for the period	–2,570	–16	–2,586
Shareholders' equity 30.06.2023	24,202	27	24,229

Consolidated Cash Flow Statement

Summary

SEKm	2023 3 months Apr–Jun	2022 3 months Apr–Jun	2023 6 months Jan–Jun	2022 6 months Jan–Jun	2022 12 months Jan–Dec
Current operations					
Operating surplus including central administration	590	529	1,172	1,039	2,036
Adjustment for items not included in the cash flow	5	5	10	11	22
Interest received	5	1	5	3	6
Interest paid	–244	–194	–463	–382	–747
Income tax paid	–2	0	–2	–4	–4
Cash flow from current operations before change in working capital	354	341	723	666	1,313
Changes in working capital					
Change in properties classified as current assets	–24	–54	–50	–71	–143
Change in operating receivables	–33	–79	–187	–37	215
Change in operating liabilities	–350	84	–284	–242	–82
Total change in working capital	–407	–49	–517	–350	–10
Cash flow from current operations	–53	292	206	316	1,303
Investment operations					
Divestment of properties	699	115	1,369	1,084	1,782
Acquisition of and investment in properties	–467	–711	–906	–1,100	–2,447
Change in associated companies	6	—	30	—	—
Change in financial assets	2	–5	3	–1	3
Change in other non-current assets	16	-9	–2	–9	–21
Cash flow from investment operations	256	–610	494	–25	–683
Financing operations					
Change in interest-bearing liabilities	–225	215	–614	–7	–271
Dividend	0	–216	0	–299	–381
Hybrid bond	–31	–20	–59	–39	–87
Change in holding without controlling influence	0	0	0	–82	–82
Cash flow from financing operations	–256	–22	–673	–426	–821
Total cash flow	–53	–340	23	–135	–201
Liquid funds at the beginning of the period	483	753	407	555	555
Exchange rate differences in liquid funds	8	44	8	38	53
Liquid funds at the end of the period	438	457	438	457	407

Parent Company Income Statement

Summary

SEKm	2023 6 months Jan–Jun	2022 6 months Jan–Jun	2022 12 months Jan–Dec
Net sales	217	64	129
Cost of services sold	–217	–65	–130
Gross profit	0	–1	–1
Central administration	0	0	0
Operating profit	0	–1	–1
Changes in value, derivatives	—	31	31
Net financial items	393	470	710
Profit before tax	393	500	739
Taxes	–75	–9	–30
Net profit for the period	318	491	709
Other comprehensive income	—	—	—
Comprehensive income for the period	318	491	709

Parent Company Balance Sheet

Summary

SEKm	30.06.2023	30.06.2022	31.12.2022
ASSETS			
Participation rights in group companies	1,838	1,736	1,839
Receivables from group companies	35,738	33,170	33,581
Derivatives	–	7	1
Deferred tax assets	52	147	126
Other receivables	53	224	28
Liquid funds	232	821	610
Total assets	37,914	36,105	36,186
SHAREHOLDERS’ EQUITY AND LIABILITIES			
Shareholders’ equity	10,026	9,923	10,094
Interest-bearing liabilities	15,334	16,652	18,549
Liabilities to group companies	11,745	8,665	7,292
Other liabilities	729	787	172
Accrued expenses and prepaid income	80	78	78
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	37,914	36,105	36,186

Key ratios

	30.06.2023 3 months Apr–Jun	30.06.2022 3 months Apr–Jun	30.06.2023 6 months Jan–Jun	30.06.2022 6 months Jan–Jun	31.12.2022 12 months Jan–Dec
Property					
Number of properties	272	316	272	316	306
Lettable area, 000 sq.m.	2,125	2,291	2,125	2,291	2,255
Rental value, SEKm	4,027	3,823	4,027	3,823	3,867
Rental value per lettable area, SEK/sq.m.	1,896	1,668	1,896	1,668	1,715
Fair value investment properties, SEKm	61,378	64,789	61,378	64,789	63,382
Yield requirement valuation, %	5.3	5.0	5.3	5.0	5.1
Operating margin, %	70	67	69	66	63
Occupancy rate, economic, %	88	87	88	87	88
Occupancy rate, area, %	79	79	79	79	80
Average lease term, years	3.7	3.7	3.7	3.7	3.7
Financial					
Equity ratio, %	35	40	36	40	38
Leverage, %	47	53	47	53	49
Interest coverage ratio	2.6	3.6	2.6	3.2	2.9
Interest-bearing liabilities, SEKm	30,727	37,100	30,727	37,100	33,079

Definitions

Property

CHANGES IN VALUE PROPERTIES, REALIZED
Property divestments after deduction of the properties'most recent fair value and selling expenses.

CHANGES IN VALUE PROPERTIES, UNREALIZED
Change in fair value excluding acquisitions, divestments,investments and currency conversion.

DEVELOPMENT PORTFOLIO
Properties where conversion or extension projects are inprocess or planned, which lead to a higher standard or changed use of premises.

INVESTMENT PORTFOLIO
Properties currently being actively managed.

INVESTMENT PROPERTIES
The term investment properties in the balance sheet includes the investment portfolio as well as the development portfolio.

OCCUPANCY RATE, AREA-BASED
Let area in relation to total lettable area.

OCCUPANCY RATE, ECONOMIC
Contract value in relation to rental value.

OPERATING MARGIN
Operating surplus in relation to income.

PROPERTIES CLASSIFIED AS CURRENT ASSETS
Properties with ongoing production of tenant-owned apartments or which are intended for futuretenant-owned production.

RENTAL VALUE
Contract value plus assessed market rent for area notrented.

YIELD REQUIREMENT, VALUATION
The required yield of property valuations on the residualvalue.

Financial

INTEREST COVERAGE RATIO
Profit from property management plus share of associated companies' profit from property management, excluding financial expenses1, divided by financial expenses1.

LEVERAGE
Interest-bearing liabilities after deduction for the market value of listed shareholdings, interestbearing assets and liquid funds, in relation to the fair value of the properties and the shares in associated companies.

EQUITY RATIO
Equity[2] in relation to total assets.

1) Excluding site leasehold expenses.
2) Equity attributable to the Parent Company's shareholders.

Calendar

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Year-end report January - December 2023	February 2024

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