

Year-end Report

31 December 2022

Q4

October–December

- Revenue for the quarter amounted to SEK 139.4 million (115.1), a year-on-year increase of 21.1 per cent.
- The Group's net operating income amounted to SEK 75.4 million (62.9), up 19.9 per cent year-on-year.
- Profit from property management for the quarter amounted to SEK 25.4 million (22.7), a year-on-year increase of 11.9 per cent.
- Changes in the value of investment properties amounted to SEK -147.7 million (303.7) and changes in the value of derivatives to SEK 9.5 million (4.4).
- Profit for the quarter totalled SEK -96.2 million (251.7), corresponding to SEK -0.73 per share (2.19) before dilution.
- As of Dec. 31, the loan-to-value ratio amounts to 49.3 percent with only bank financing.

January–December

- Revenue for the period amounted to SEK 501.6 million (344.2), up 45.8 per cent year-on-year.
- The Group's net operating income for the period amounted to SEK 278.9 million (189.9).
- Profit from property management amounted to SEK 113.4 million (76.4), a year-on-year increase of 48.4 per cent.
- Changes in the value of investment properties amounted to SEK -25.7 million (737.3) and changes in the value of derivatives to SEK 95.9 million (10.9).
- Profit for the period totalled SEK 125.1 million (640.5), corresponding to SEK 0.95 per share (7.75).
- The net realizable value per share is SEK 34.4 (33.9), a 1.5 per cent increase compared with the preceding year.
- The Board has proposed to the Annual General Meeting (AGM) that no dividend be paid for the 2022 financial year, which is in line with the company's dividend policy.

The period in brief

Significant events during the fourth quarter of 2022

- Joined LFM30, Malmö's local roadmap for a climate-neutral construction sector by 2030 at the latest, consisting of six strategic focus areas each with detailed targets.
- Revised and established new sustainability goals in line with the Paris Agreement and the UN Sustainable Development Goals (SDGs). The new goals also include social responsibility and corporate governance.
- Signed a six-year lease comprising 350 square metres with the National Government Service Centre in Västervik, with an annual rental value of approximately SEK 1.7 million, as well as an expanded lease with Praktikertjänst in Malmö comprising an additional just over 130 square metres, with annual rent of approximately SEK 0.2 million.

Significant events during the period

- 126 rental apartments were acquired in the city of Umeå. The apartments have an underlying property value of SEK 175 million and total floor area of approximately 8,700 square metres. The acquisition was financed with bank loans and cash.
- A land allocation in the Anderstorg district was awarded by Skellefteå Municipality. The land allocation includes a completed detailed development plan with approximately 7,200 square metres GFA where the company will construct about 100 rental apartments.
- The Group won a land allocation competition in the Vikaholm district in Växjö Municipality. Vikaholm has been designated as a sustainable residential area and will have approximately 1,000 homes once it has been completed. KlaraBo's contribution comprises approximately 10,500 square metres GFA, corresponding to about 120 rental apartments.
- KlaraBo was awarded, together with partner OBOS Nya Hem, a land allocation by the City of Malmö to build the "Öster om mässan" block in Hyllie. The land allocation comprises a completed detailed development plan comprising 21,500 square metres GFA, corresponding to 318 apartments, combining tenant-owned and rental units. The volume of the development is distributed equally between KlaraBo and OBOS, the detailed development plan has entered into legal force and the start of construction is planned for spring 2024.
- A total of 515,000 Class A shares were converted to Class B shares, which meant that the number of votes in the company decreased from 283,162,883 to 278,527,883, with each Class A share representing ten votes and each Class B share representing one.
- Recruitment of interim Sustainability Manager Kristin Lundmark, who will take up the position in mid-August, as part of KlaraBo's continued strategic development within sustainability.
- Three- to five-year refinancing credits were signed, totalling approximately SEK 1.5 billion and corresponding to nearly 40 per cent of the total loan volume. New loans of just under SEK 250 million were also raised and just over SEK 1.3 billion in additional borrowings were raised to be used for future acquisitions. Arrangement fees of nearly SEK 11 million were recognised as a non-recurring item in profit or loss.
- As a result of this refinancing, the company's credit lock-in period increased, and the average loan margin declined since the credits were obtained at more advantageous margins than the company's previous loans. After the refinancing, KlaraBo has just over SEK 2 billion in available funds.
- Buyback programme initiated in accordance with the authorisation from the Annual General Meeting on 3 May 2022. KlaraBo's holding of own shares may not at any time correspond to more than 10 per cent of the total number of shares in the company. Repurchases shall be made at a price within the registered price range on the date of the repurchase. Payment for the shares shall be made in cash.
- Changes to the management group to enhance efficiency of work related to the growth strategy in new construction. The current Head of Business Development, Magnus Johansson, took on a new role with responsibility for the company's new construction on 1 September 2022.
- 37 rental apartments were acquired in Västervik with an underlying property value of approximately SEK 34 million. The total area amounts to 2,200 square metres RFA and is divided among three properties. The properties will be managed by the existing organisation and complement KlaraBo's 167 existing rental apartments in the city.
- Acquisition of a housing portfolio in Östersund comprising a total of 877 rental apartments at a value of approximately SEK 860 million following deductions for latent tax, with total floor area of about 62,000 square metres. The rental value amounts to approximately SEK 65 million per year with an average rent of SEK 964 per square metre. The acquisition was financed with bank loans and cash, with the bank loans carrying fixed interest of 1.4 per cent.
- Signed a four-year lease comprising just over 2,000 square metres with the Swedish Police Authority in Borlänge. The rental value amounts to approximately SEK 4.4 million.

Profit for the period	Net realizable value per share	Real occupancy rate, housing units	Number of apartments in project development
SEK 125.1 m	SEK 34.4	98.1 %	1,509
SEK 640.5 million 2021	SEK 33.9 2021	98.6% 2021	1,494 2021

KPIs: For complete key performance indicators, refer to page 24.

	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Rental revenue, SEK m	139.4	115.1	501.6	344.2
Profit from prop mgmt, SEK m	25.4	22.7	113.4	76.4
Profit for the period, SEK m	-96.2	251.7	125.1	640.5
Surplus ratio, %	54.1	54.6	55.6	55.2
Real occupancy rate, %	98.1	98.6	98.1	98.6
Investment properties, SEK m	9,170.7	7,850.0	9,170.7	7,850.0
No. of apartments under mgmt	6,533	5,412	6,533	5,412
No. of apartments in project devt	1,509	1,494	1,509	1,494
Equity/assets ratio, %	44.6	49.3	44.6	49.3
Loan-to-value ratio, %	49.7	41.6	49.7	41.6
Interest-coverage ratio, multiple	2.0	2.1	2.0	2.1
Profit from property management per share, SEK	0.19	0.20	0.86	0.93
Earnings per share before dilution, SEK	-0.73	2.19	0.95	7.75
Earnings per share after dilution, SEK	-0.73	2.17	0.95	7.67
Net realizable value per share, SEK	34.5	33.9	34.5	33.9
Number of shares at the end of the period	131.2	131.8	131.2	131.8
Weighted average number of shares for the period, before dilution, million	131.4	114.8	131.7	82.3
Weighted average number of shares for the period, after dilution, million	131.4	115.7	131.7	82.3

*The number of shares has changed in connection with the company's buyback programme

Comments from CEO Andreas Morfiadakis

Value-creating measures supporting our property values

KlaraBo continued to refine its portfolio during the quarter. A total of 86 renovations were carried out in the quarter, leading to an increase in rental value of a full 1.1 percentage points excluding general rent increases. We renovated an average of 72 apartments per quarter during 2022, which is a record number for us. The advantage with our model is that it allows us to maintain control over our business, while demand will likely remain high as a result of reduced construction. Around two-thirds of our entire portfolio of approximately 6,500 apartments still need to be upgraded, which is reassuring in an otherwise uncertain market.

Back in Q2 and Q3, I mentioned that market values would likely need to be adjusted due to sharply rising interest rates and the lack of transactions, which indicates that the values are intact. During the quarter, external valuations indicated that property values had decreased as a result of an average increase in yield requirements of approximately 25 basis points. According to our sensitivity analysis, this increase is equivalent to just over SEK 510 million, or approximately 5 per cent of the value from the third quarter, all other things being equal. Nonetheless, this is exactly where we see the potential of KlaraBo's business model, which limited our decline in value for the quarter to SEK 148 million, in large part because of our value-creating measures and the fact that inflation did not increase further. This means it is important for us to continue developing the portfolio through improvements and densification in line with our strategy. We currently have an average rent of SEK 1,026 per square metre in the portion of the portfolio where there is potential for improvement, which leaves plenty of room for future value creation through improvements.

Active risk limitation

We see a troubled market around us and have acted proactively to limit risks and continuously ensure long-term stable financing. In the balance sheet, only marginal values are recorded for the project portfolio since we lowered the risk by reducing the production pace. For the quarter, our interest rate level was 67.1 percent, while we extended the fixed interest period from 1.6 years to 3.4 years in 2022. In addition, we had a credit commitment period of 2.5 years, where just under SEK 450 million matures during the latter part of 2023. The loan-to-value ratio was 49.3 percent with only bank loans, and we had approximately SEK 340 million in cash at year-end. All in all, this means that we believe that the risk level is low and that the company is financially stable.

So far, we have landed rent negotiations for 2023 for around one-third of the portfolio, leading to an average increase of approximately 4 per cent. This is lower than inflation, which was around 10 per cent for 2022, but from a long-term historical perspective, rent increases have typically exceeded inflation and we expect this to be the case after equilibrium has been achieved.

Greater focus on sustainable development

A great deal of progress was also achieved in the area of sustainability during the quarter. We revised and established new sustainability goals in line with the Paris Agreement and the UN SDGs. The new goals presented in this report include social responsibility and corporate governance. We joined LFM30, Malmö's local roadmap for a climate-neutral construction sector by 2030 at the latest. The initiative is in line with our target to achieve climate-neutral properties by 2030 at the latest.

Outlook

The world has faced a variety of challenges in the last few years, including a pandemic, rapidly increasing energy prices and inflation. One way or another, however, the world will adapt to these new and somewhat grim conditions, which is why we are convinced that rent levels and energy prices will eventually find a new equilibrium. Developments are still difficult to predict, but we have recently seen several indications that the outlook for Sweden's economy is not as dire as it was in the fourth quarter.

As we indicated earlier, we do not intend to propose any dividends for the operating year. This is because we can create more shareholder value over the long term by continuing to invest in our property portfolio. Nor is it impossible that attractive acquisition possibilities will turn up later in the year, after a cautious transaction market in the fourth quarter and the beginning of 2023.

Andreas Morfiadakis
CEO, KlaraBo



Andreas Morfiadakis, CEO

This is KlaraBo

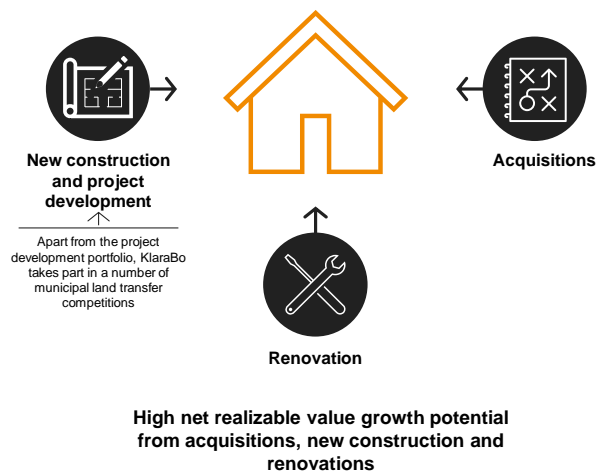
KlaraBo is a real estate company that acquires, builds, owns and manages attractive residential properties. The company was formed in 2017 and operates throughout the country. The strategy is to acquire existing residential properties and land for new construction in growth regions. Our newly constructed apartments are developed in-house and space efficient, which contribute to reasonable rents. Both apartments and buildings are designed in collaboration with the municipality to fit local needs. With wood as the main building material, the new construction holds a high environmental standard. KlaraBo is a long-term property owner.

The company concentrates on residential properties, which comprised 88 per cent of contracted rents on 31 December. As of 31 December, KlaraBo's property portfolio had a lettable area of approximately 498,712 square metres distributed across 6,533 apartments with contracted annual rent of about SEK 569 million. The portfolio also includes 1,509 apartments under construction and project development.

Overall goal

KlaraBo's overall goal is to create value for the company's shareholders on a long-term basis by owning, developing and actively managing sought-after residential properties in growth regions with robust demand. Value creation is measured as growth in net realizable value and profit from property management per share.

KlaraBo's business model



Östersund

Operational goals

- KlaraBo has the goal of owning and managing at least 500,000 square metres of residential floor space by the end of 2025.
- KlaraBo's objective is to commence construction of at least 200 housing units in the period from 2021 to 2023, with a long-term goal of commencing construction of at least 500 housing units per year. The housing units are to mainly be self-developed and environmentally certified.
- The rental trend for our existing housing units that can be renovated is to significantly exceed the general annual rental increase through active management and investments.

Financial goals

- KlaraBo is to achieve average annual growth in net realizable value per share of at least 15 per cent including any value transfers over the course of a business cycle.
- KlaraBo is to achieve average annual growth in profit from property management per share of at least 12 per cent over the course of a business cycle.

Dividend policy

- KlaraBo has a long-term goal of distributing 50 per cent of the taxed profit from property management. However, KlaraBo will prioritise growth via new construction, investments in the existing portfolio, and acquisitions in the next few years, which is why a dividend may not be distributed.

Sustainability goals

- The company has established goals in the following areas: climate and energy, circular society, secure and pleasant neighbourhoods, employees and sustainable business. The company's overall climate and energy goals are that only renewable energy will be used for electricity, heating and vehicles by no later than 2030, and that the entire value chain will be climate neutral by no later than 2045.

Financial risk limitations

KlaraBo strives to limit its financial risk with the following overall risk limitations:

- The loan-to-value ratio is not to exceed 65 per cent of the market value of the properties over the long term.
- The equity/assets ratio is to exceed 25 per cent over the long term.
- The interest-coverage ratio is to exceed a multiple of 1.5 over the long term.

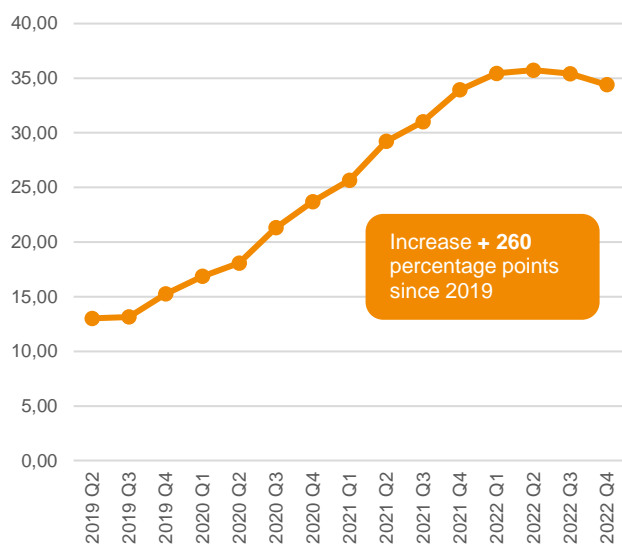
Strategy

KlaraBo will focus on new construction, management of residential properties and acquisitions in municipalities in growth regions:

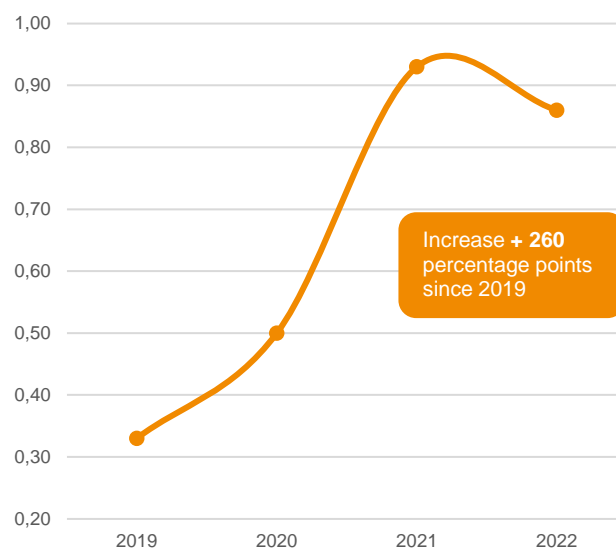
- Acquisitions of residential properties, preferably with the potential for renovation, and acquisitions of land and development rights for the new construction of housing units for long-term ownership;
- New construction of sustainable and environmentally certified, high-quality, functional, cost- and space-efficient housing units through self-developed and industrially produced KlaraBo buildings; and
- Value-creating measures in existing investment properties, increasing revenue and reducing costs.

OVERALL GOALS		Goal	Outcome 2022 YTD
Number of apartments	KlaraBo has the goal of owning and managing at least 500,000 square metres of residential floor space by the end of 2025.	>500,000 sq. m.	433,080
Development rights	KlaraBo's objective is to commence construction of at least 200 housing units in the period from 2021 to 2023, with a long-term goal of commencing construction of at least 500 housing units per year. The housing units are to mainly be self-developed and environmentally certified.	>200 housing units	-
Rental value	The rental trend for our existing housing units that can be renovated is to significantly exceed the general annual rental increase through active management and investments.	>General rent increase	2.9 percent
Net realizable value	KlaraBo is to achieve average annual growth in net realizable value per share of at least 15% including any value transfers over the course of a business cycle.	>15%	See chart below
Profit from property management	KlaraBo is to achieve average annual growth in profit from property management per share of at least 12% over the course of a business cycle.	>12%	See chart below
Dividend	KlaraBo has a long-term goal of distributing 50% of the taxed profit from property management. However, KlaraBo will prioritise growth via new construction, investments in the existing portfolio, and acquisitions in the next few years, which is why a dividend may not be distributed.	>50% of taxed profit from property management	-
Sustainability	The overall goals for KlaraBo in the area of climate and energy are to use only renewable energy for electricity, heat, and cars by 2030 and to have achieved climate neutrality in the entire value chain by 2045.	2030 - Only renewable energy 2045 - Climate neutrality	-

Long-term net realizable value per share, SEK



Profit from property management per share, SEK



Höör

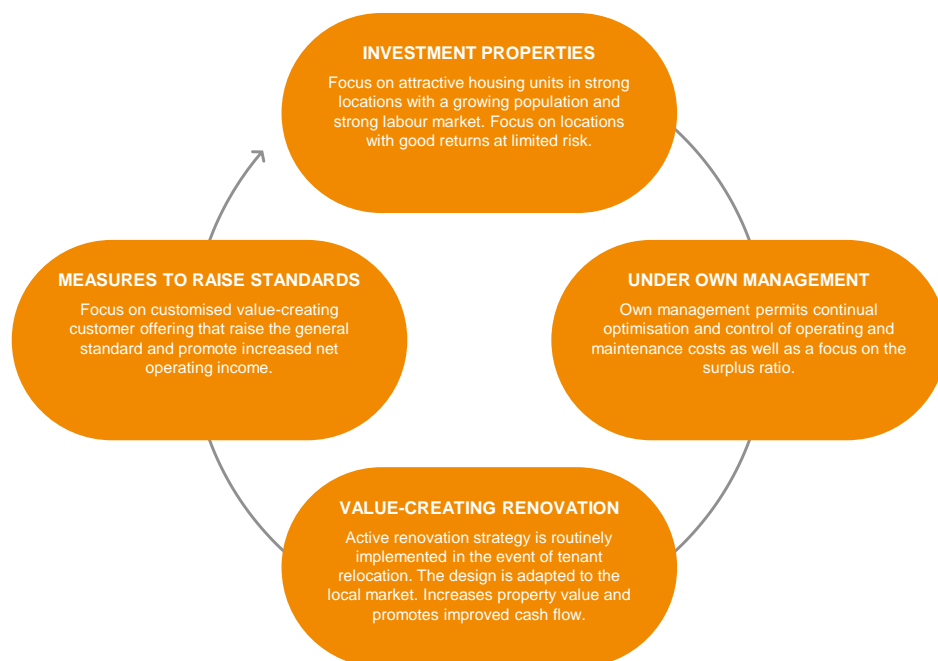
Property portfolio

Investment properties

KlaraBo's portfolio of investment properties reaches across Sweden, from Trelleborg in the south to Umeå in the north and Visby in the east. 88 per cent of the portfolio consists of residential properties. The properties are divided into four geographic regions: South, East, Central and North. The company focuses on investment properties in cities with growing populations and strong labour markets.

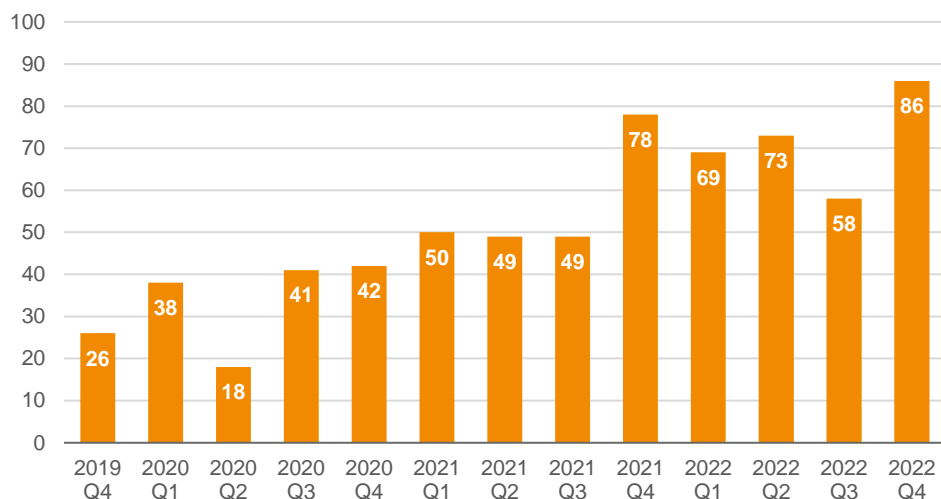
The property holdings consist of 224 properties with a total lettable area of approximately 498,712 square metres, excluding parking spaces and garages.

KlaraBo works on the basis of a customer-oriented property management model under its own management, which enables continual optimisation of operating costs and cost control.



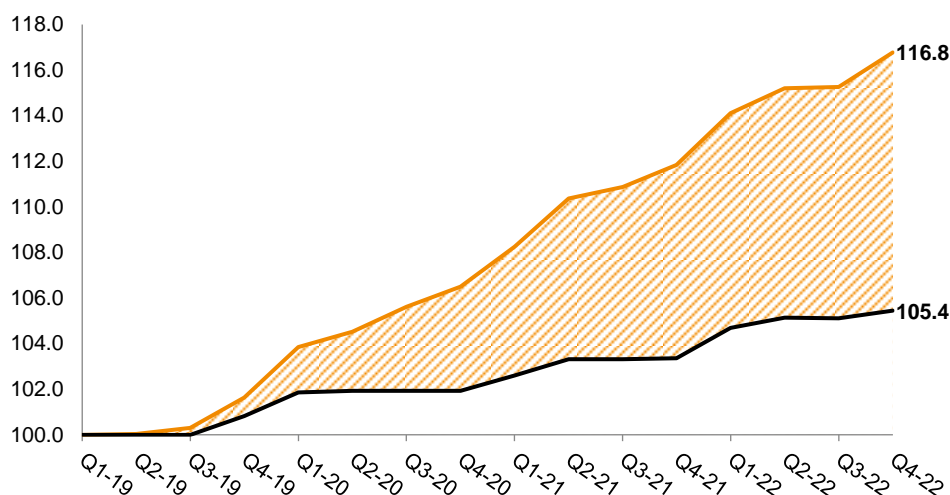
During the quarter, the company invested SEK 61.7 million (51.5) in existing investment properties through value-creating measures, with the primary investment measure being total renovation as well as energy-saving measures in order to create value. Total renovation means that the apartments are renovated in conjunction with natural turnover in the portfolio. Renovation measures are carried out when an existing tenant vacates the apartment and is concluded before a new tenant moves in. The renovation takes four to six weeks, and the apartment is advertised as vacant during that time, which has a temporary negative impact on the economic occupancy rate.

Number of total renovations performed



Rental value development

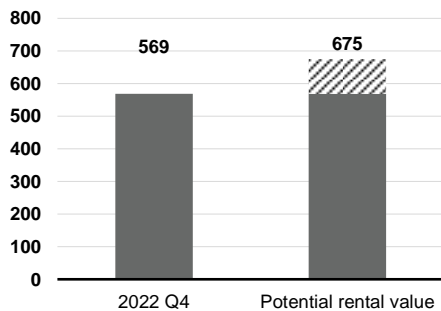
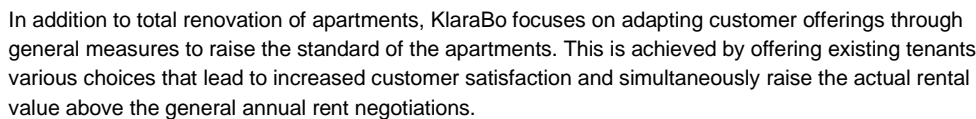
Percentage points



One of the company's operational goals is for the rental trend for housing units to exceed the general annual rental increase through active management and investments. The graph above shows the company's fulfilment of this goal, with the rental trend exceeding the general increase by 11.3 percentage points for portfolios on a like-for-like basis since 2019. During the fourth quarter, the difference in rental value grew 1.4 percentage points, including a general rent increase for the Ronneby portfolio. Adjusted for the general rent increase in Ronneby, the increased rental value for homes amounted to 1.1 percentage points during the fourth quarter. Unrenovated apartments are often of a low standard and total renovations are performed when we believe that the apartments have reached the end of their technical life. We reset the technical standard and ensure that the apartments meet today's standards, with modern kitchens, bathrooms and energy-efficient installations. This is both needed and in demand among tenants.

The reason that KlaraBo can maintain this level of renovation is because the natural shift in the portfolio is relatively constant and apartments that are vacated are unrenovated. The outcome for the fourth quarter was 86 apartments, which means that the average rate of renovations for the last four quarters is over 72 apartments per quarter. Our assessment is that this rate will continue during the coming quarters.

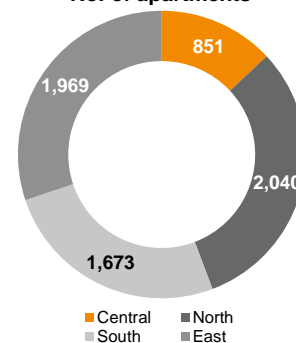
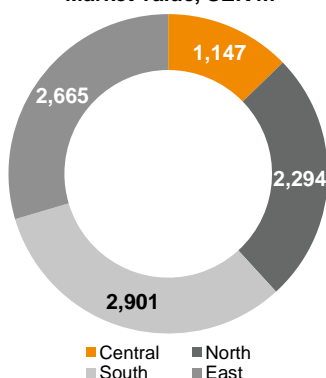
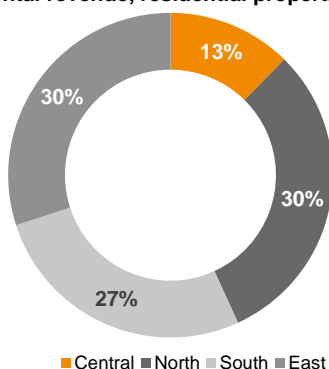
The rental market is still strong, and all renovated apartment are let after completion. This results in a strong real occupancy rate of 98.1 per cent.



Category	Value (kSEK)	Percentage
Apartment value	961	3.9%
Yield expansion	109	+0.5%
Apartment value	851	4.4%
Renovation net value increase	197	
Market value apartment	1,049	

Region	No. of properties	No. of apartments	Area, 000 sq. m.			Market value	
			RFA	Other	Total	SEK m	SEK/sq. m.
Central	76	851	54.7	11.8	66.5	1,147	17,246
North	34	2,040	141.3	10.5	151.8	2,294	15,111
South	60	1,673	107.4	26.2	133.6	2,901	21,719
East	54	1,969	129.7	17.1	146.8	2,665	18,159
	224	6,533	433.1	65.6	498.7	9,008	18,063

* Rental revenue increased SEK 18 million based on the assumption that rent for all homes will increase 4% for 2023.



Project development and new construction

KlaraBo works with the entire value chain for rental apartments, from project development through construction to own management. For us, business development is about pursuing projects from idea to completed construction. We thus create value regardless of whether we focus on improving our existing properties or on entirely new project ideas.

Project development

To achieve the operational goals regarding new construction of rental units, development rights are continually being created.

This work is carried out by actively seeking prospects in the private sector and through participation in municipal land allocation competitions, canvassing of municipalities for direct allocations of land, densification of our own properties and acquisitions of properties with existing or potential development rights. The process is based on an analysis in which the population trend, the functional labour market and the payment capacity of the market are investigated.

The number of apartments in the project development portfolio is 1,509.



New construction

KlaraBo applies a tried and tested standardised model for the housing unit product. In a controlled industrial process, with timber as the main construction material, housing units are manufactured that are based on a number of basic apartment models, or “base apartments”. These well-planned and space-efficient base apartments form the foundation for all of the housing units that KlaraBo constructs, thereby achieving optimal use of resources. KlaraBo has developed a number of base apartments – everything from studios to three-bedroom apartments. These apartment layouts can be inverted and used in a variety of combinations to create an attractive offering for different market segments. This construction approach leads to energy savings and quicker assembly with shorter construction time than traditional site-built construction, resulting in lower production costs.

The completed apartment buildings exhibit a diversity of configurations. Even though the individual apartments have a common basis and are constructed using wooden frames, the exteriors and rooftops may have many different designs using a variety of materials.

The construction volumes are prefabricated by partners in indoor environments before being transported to the construction site.

On 31 December, KlaraBo had four ongoing projects with 127 apartments in production and a further 1,382 apartments under project development, totalling 1,509 apartments.

Project portfolio

High production costs and significant challenges in procuring contractors at a reasonable price continued during the quarter. Along with uncertainty with respect to the market's view on the yield for newly constructed rental units and a weak Swedish krona, the situation remains difficult to assess.

Since the market has not improved, we did not start any new construction projects during the quarter and thus did not meet our goal of starting construction on 200 apartments in 2022.

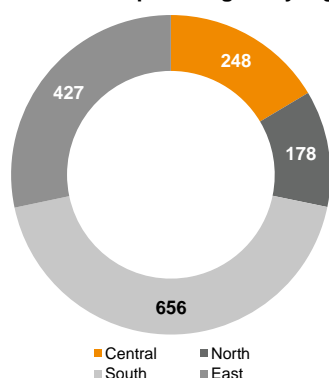
The company's decision in the third quarter to indefinitely delay projects that had not yet been started meant that there was a risk that some land allocations or agreements would be changed. As a result, the development rights previously reported for Karlstad, Karlshamn and Motala have been removed from the table for the quarter. This is due to changes in the joint venture party's ownership and disposal of current properties. Negotiations are ongoing with the new parties for continued work in the joint venture partnership. Previously reported development rights in Skellefteå were removed from the table since the land allocation had expired. Our interest in building in Skellefteå remains but other parties involved have either chosen to step back from the project or have not provided a workable project proposal. The Skellefteå Municipality has chosen to review the project for the area and is searching for new partners along with us. The plan from the municipality is to commit to a new land allocation agreement with us and new partners in the spring.

All new construction projects in progress are almost exclusively procured at fixed prices, which means that general cost changes in the market have a smaller impact on production costs. Projects in progress are also currency hedged, so that changes in the EUR/SEK exchange rate do not affect these calculations. An average EUR/SEK exchange rate for the period has been used in the calculations for projects in the procurement process that have not been started.

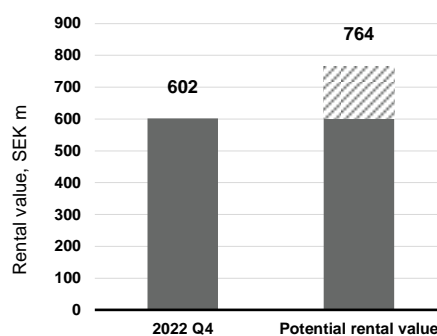
Information about ongoing project developments includes assessments and assumptions, which entails uncertainty with respect to schedules, area, costs and future rental value. The information is updated regularly and should therefore not be viewed as a forecast.

For a full overview of ongoing construction and project development as of 31 December, see below.

Planned development rights by region



Rental value (SEK m)



The above left diagram shows the number of planned development rights by geographic region, while the above right diagram illustrates the rental value of the existing management portfolio as of 31 December 2022, with an additional bar for the expected rental value on completion of ongoing new construction.

Construction in progress and project development

Region	Project	Municipality	No. of apartments	Area, 000 sq. m.		Est. start	Est. occupancy	Rental value		Status	Owner share, %
				GFA	RFA			SEK m	SEK/sq. m.		
Construction in progress											
South	Bardisanen 14	Malmö	30	1.2	0.9	2021	2023	2.1	2,132	2	100
Central	Kvarnsveden 3:197	Borlänge	58	4.5	3.7	2021	2023	6.8	1,855	1	60
South	Bildsnidaren 1	Trelleborg	23	1.7	1.4	2021	2023	2.5	1,837	1	100
South	Navaren 8 & 10 vind	Helsingborg	16	0.8	0.6	2021	2023	1.3	2,132	1	100
Project devt in progress											
North	Härsta 9:3	Sundsvall	68	5.1	4.2	2024	2025	8.2	1,960	1	60
South	Aspeholm 13	Lund	20	1.4	1.2	2024	2025	2.2	1,816	2	100
South	Hällef Lundran 8, vind	Malmö	13	0.6	0.5	2023	2024	0.9	2,000	3	100
North	Gullbernahult 101 & 31	Karlskrona	48	3.8	3.2	2024	2026	5.6	1,750	2	60
East	Rödjan 7	Kävlinge	238	20.0	15.5	2024	2026	28.7	1,850	3	60
Central	Falun 9:22	Falun	135	11.0	8.7	2024	2026	16.1	1,850	3	60
North	Hässleholm 87:22	Hässleholm	62	5.3	4.6	2024	2026	7.6	1,650	3	100
Central	Sätra	Västerås	55	4.5	3.6	2024	2025	6.8	1,900	3	100
South	Fängelset 2	Kristianstad	107	7.5	6.0	2024	2025	11.4	1,890	3	100
South	Ekorren 1	Jönköping	76	6.4	4.4	2023	2024	8.3	1,905	2	100
East	Elefanten 30	Oskarshamn	39	2.5	2.0	2023	2024	3.1	1,569	2	100
South	Bogen 1	Gotland	211	14.5	11.6	2024	2025	20.3	1,750	3	100
South	Snickarglädjen 1	Växjö	120	10.8	7.8	2024	2025	14.6	1,872	3	100
East	Öster om mässan	Malmö	150	9.8	7.5	2024	2026	11.5	1,528	3	100
South	Källan 6 & 8 (etapp 2)	Borlänge	40	2.7	2.1	2024	2025	4.1	1,959	2	60
Total			1,509	114.2	89.5			162.3	1,813		

Status:

- 1) Projects where construction started or permit obtained
- 2) Detailed devt plan in force, and/or where construction permit planning in progress
- 3) Projects where permit not granted but municipal decision on land transfer taken or acquisition agreement signed

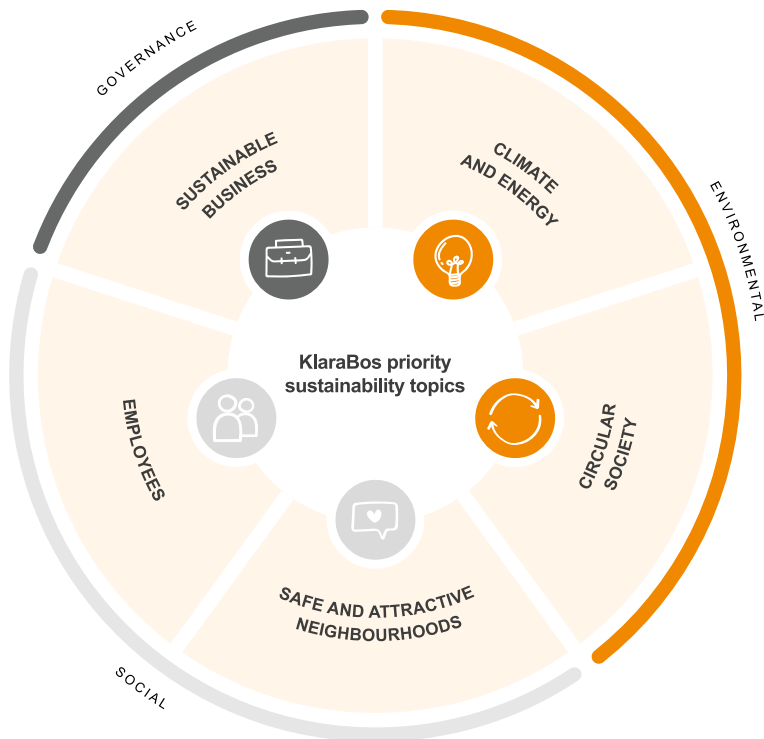
Sustainability

KlaraBo's sustainability agenda is based on the UN SDGs within the three dimensions of ESG (environmental, social and governance)

KlaraBo has surveyed the impact its operations have on the outside world, what our prioritised areas are and what the goals are in each area.

The process began with a stakeholder dialogue (tenants, employees, the Board, owners and the Swedish Union of Tenants) through online surveys, workshops and in-depth interviews, which resulted in KlaraBo identifying the sustainability areas (see image below) where the company has an actual as well as potential impact on the outside world.

In a subsequent materiality analysis, a sustainability consultant helped determine the areas based on their seriousness and probability in order to identify the most material issues for KlaraBo to address and establish targets for.



Additional descriptions of each area, including KlaraBo's goals, are available at klarabo.se/hallbarhet.

Current earnings capacity

Earnings capacity on a 12-month basis for KlaraBo's property management operations as of 31 December is presented in the table below. It is important to note that earnings capacity is not a forecast and should only be considered as a theoretical snapshot for the purposes of illustration. The current earnings capacity does not include an assessment of the future trends for rents, vacancy rate, property expenses, interest, value changes, purchases or sales of properties or other factors.

Earnings capacity is based on the contracted rental revenue of the property portfolio, assessed property expenses during a normal year based on historical outcomes as well as expenses for property administration and central administration assessed on an annual basis based on the current scale of administration. Data for properties acquired during the period have been adjusted to encompass the full year. Expenses for interest-bearing liabilities are based on the current interest-bearing liability and the Group's average interest rate level including the effects of derivatives. It is worth noting that earnings capacity does not reflect all of the costs for management and project operations.

Current earnings capacity is based on the properties owned on 31 December and their financing, whereupon current earnings capacity illustrates the annual earnings that property management operations have at that time. Furthermore, value growth in the property portfolio and value changes concerning derivatives as well as forthcoming property acquisitions and/or property sales are not taken account of in the current earnings capacity.

Revenue pertaining to new acquisitions is based on actual contracted rent, and the costs are assumed based on the information provided in conjunction with the transactions.

Current earnings capacity, 12 months

SEK m	Jan 1 2023	Like-for-like Jan 1 2023	Oct 1 2022	Jul 1 2022	Apr 1 2022	Jan 1 2021
Rental revenue	568.8	568.8	560.5	494.8	482.3	464.6
Property expenses	-242.9	-242.9	-228.2	-198.3	-196.6	-192.3
Net oper income	325.9	325.9	332.4	296.5	285.7	272.4
Surplus ratio, %	57.3	57.3	59.3	59.9	59.2	58.6
Central administrative costs	-40.0	-40.0	-40.0	-37.0	-37.0	-35.0
Financial income and expenses	-160.5	-160.5	-142.6	-95.9	-74.9	-72.3
Profit from property management	125.4	125.4	149.8	163.6	173.8	165.1
Profit from prop mgmt per share, SEK	0.95	0.95	1.14	1.24	1.32	1.25
Number of shares, million	131.8	131.8	131.8	131.8	131.8	131.8
Interest-coverage ratio	1.8	1.8	2.1	2.7	3.3	3.3

Rental revenue increased SEK 8.3 million during the quarter, of which approximately SEK 5.2 million pertains to annual indexation of premises and just over SEK 2 million is the result of ROT renovations of 86 apartments during the quarter. The remaining portion is due to annual general residential rent increases in one of our cities. However, the above rental revenue lags somewhat behind since rent negotiations on 1 January for 2023 only pertain to 300 of our just over 6,500 apartments. Rental revenue would have increased an additional SEK 18 million, approximately, assuming that rent for 2023 had been raised by 4 per cent for the remaining apartments. This would have resulted in an adjusted surplus ratio of 58.6 per cent.

Costs have increased just over 6 per cent since the previous quarter, primarily due to higher operating costs. With the exception of electricity, all operating costs are based on historic outcomes with upward indexation. Electricity costs are based on consumption for 2022 multiplied by the average price level per region for the period from October 2021 to October 2022.

Net operating income has decreased by nearly 2 per cent since the previous quarter as a result of the above, which led to a surplus ratio of 57.3 per cent.

Annual financial expenses increased by SEK 17.9 million as a result of a higher variable interest rate, which affects the portion of the loan portfolio that is not hedged. STIBOR increased from 1.73 per cent in September to 2.70 per cent in December. The average interest rate including derivatives on 31 December was 3.3 per cent.

The interest-coverage ratio, in accordance with earnings capacity, is a multiple of 1.8 (1.9 in adjusted interest-coverage ratio if rental revenue had increased SEK 18 million in line with the above).

Condensed consolidated statement of comprehensive income

SEK m	Notes	2022 3 months Oct-Dec	2021 3 months Oct-Dec	2022 12 months Jan-Dec	2021 12 months Jan-Dec
Revenue	1	139.4	115.1	501.6	344.2
Costs	2	-64.0	-52.2	-222.7	-154.3
Net operating income	3	75.5	62.9	278.9	189.9
Central administrative costs	4	-12.2	-19.5	-46.5	-44.9
Operating profit/loss		63.3	43.4	232.4	145.1
Financial income/costs	5	-37.9	-20.7	-119.0	-68.7
Profit from property management		25.4	22.7	113.4	76.4
Changes in value of properties	6	-147.7	303.7	-25.7	737.3
Changes in value of derivatives		9.5	4.4	95.9	10.9
Profit/loss before tax		-112.8	330.8	183.6	824.6
Tax expense	7	16.6	-79.1	-58.5	-184.1
Profit for the period		-96.2	251.7	125.1	640.5
Other comprehensive income		-	-	-	-
Comprehensive income for the period		-96.2	251.7	125.1	640.5
Comprehensive income for the period attributable to:					
Parent Company shareholders		-96.2	251.7	125.1	637.9
Non-controlling interests		0.0	0.0	0.0	2.6
Earnings per share before dilution, SEK		-0.73	2.19	0.95	7.75
Earnings per share after dilution, SEK		-0.73	2.17	0.95	7.67
Surplus ratio		54.1%	54.6%	55.6%	55.2%

Comprehensive income for the period is the same as profit for the period, since there is no other comprehensive income.

Earnings analysis, January–December 2022

The income statement items below pertain to the quarter from 1 October to 31 December 2022, and the period from 1 January to 31 December 2022. Comparison items pertain to the year-earlier period. All amounts are in SEK million.

Note 1 Revenue

Revenue for the quarter amounted to SEK 139.4 million (115.1), a year-on-year increase of 21.1 per cent. Revenue for portfolios on a like-for-like basis increased approximately 3.6 per cent, mainly due to the Group's ongoing measures to increase rent. Acquisitions and the completion of new construction contributed SEK 20.1 million in revenue.

Revenue for the period totalled SEK 501.6 million (344.2). The year-on-year increase was mainly attributable to the acquisition of Kuststaden in late June 2021 and in Östersund as of 30 September 2022 as well as acquisitions in Umeå in the beginning of 2022 and in Gävle and Skokloster in summer 2021, along with completed new construction and the Group's ongoing work to raise standards, which contributed to the increased rental revenue for the period.

Note 2 Costs

The Group's costs encompass operating and maintenance costs, property tax, property administration, insurance and other property management costs. Operating costs primarily encompass heating, electricity and water consumption, and waste management.

Costs for the quarter amounted to SEK -64.0 million (-52.2), corresponding to an increase of 22.6 per cent. Costs for portfolios on a like-for-like basis rose 1.5 per cent year-on-year. Electricity costs remained volatile during the quarter – December was the most expensive month so far for Sweden as a whole, which impacted the total cost base. However, this was offset to some extent by lower maintenance costs compared with the year-earlier quarter. Total electricity costs for the company represent approximately 12 per cent of the cost base for investment properties, compared with less than 10 per cent in the past. Due to the unusually high energy prices, Sweden's government has decided to introduce electricity support for households and companies in electricity price areas three and four. The support is based on energy consumption between October 2021 and September 2022, which represents approximately 77 per cent of KlaraBo's total consumption for the same period. KlaraBo has not recognised this compensation since information about how and when the payment will be made has not yet been received. However, the assessment is that the payment will be made either at the end of the first quarter of 2023 or at the beginning of the second quarter of 2023.

KlaraBo's current forecast electricity volume is approximately 12,500 MWh/year. To achieve long-term sustainability, the company has signed a framework agreement with Vattenfall for delivery of green electricity certified under the Environmental Product Declarations (EPD) system. The agreement, which is flexible in terms of volumes, applies until 2023. Currently, approximately 70 per cent of the total volumes are included in the agreement with Vattenfall. The remaining volumes will gradually be added as existing agreements with other suppliers expire.

Costs for the period amounted to SEK -222.7 million (-154.3). Costs, like revenue, were higher than in the year-earlier period, which is a natural effect of the properties added, which is a natural effect of the properties added through acquisitions as well as the completion of new construction.

Prices for our ROT renovations remained at reasonable levels but there are regional differences across the country. Prices are more attractive in the south compared with the north. This is being evaluated and analysed with the goal of achieving more similar prices for the entire country.

Note 3 Net operating income and surplus ratio

Net operating income for the quarter amounted to SEK 75.4 million (62.9), a year-on-year increase of 19.9 per cent. Net operating income for properties on a like-for-like basis increased approximately 5.3 per cent. The increase in net operating income for portfolios on a like-for-like basis was mainly attributable to the Group's ongoing standard improvements. The completion of new construction and completed acquisitions brought in net operating income of SEK 9.1 million. The surplus ratio for the quarter amounted to 54.1 per cent (54.6).

Net operating income for the quarter amounted to SEK 278.9 million (189.9) with a surplus ratio of 55.6 per cent (55.2).

Note 4 Central administrative costs

Central administrative costs include costs for senior management and central support functions.

Central administration costs for the quarter totalled SEK -12.2 million (-19.5), which is in line with the cost level for Q1 and Q2 2022 but just over SEK 1.5 million higher than for Q3 2022. The primary reason for increased costs during the fourth quarter was the hours spent on sustainability, the 2022 Annual Report and higher consultant costs. Costs for Q4 were significantly lower than the year-earlier quarter, which was charged with costs connected to the listing of KlaraBo.

Central administrative costs for the period amounted to SEK -46.5 million (-44.9).

Note 5 Financial income/expenses

Financial income/expenses for the quarter totalled SEK -37.9 million (-20.7). The year-on-year increase was attributable to loans taken over/new loans for new acquisitions and the completion of new construction, and to higher variable interest rates. In addition, increased interest expenses were incurred for interest-rate swaps entered into during the period.

Financial income/expenses for the period amounted to SEK -119.0 million (-68.7). This increase was attributable to the same factors as the increase during the quarter as well as the fact that loans, and thus financial expenses, increased towards the end of the second quarter of 2021 as a result of the acquisitions of Kuststaden and in Gävle and Skokloster, whose full-year impact was only felt this year.

Note 6 Changes in value

The Group's investment properties are appraised on a quarterly basis. Each appraisal object is appraised externally at least once a year by independent, authorised appraisers: Savills, Newsec and Svefa. Each property is individually inspected and appraised based on the material available regarding the property as well as the external appraisers' market information and historical assessments. Physical inspections of the properties are made on an ongoing basis. For other quarters, desktop appraisals are carried out by the same appraisers.

The property market ended the year on a weak note, with a total transaction volume for the last quarter that was significantly lower compared with the previous year. Appraisers have noted continued uncertainty in the residential segment, with buyers and sellers unable to come to terms in ongoing processes. Uncertainty and other factors such as increased financing costs and the current geopolitical situation mean that the trend for yield requirements continues to rise. This was also confirmed by the information from ongoing processes, where buyers and sellers have started to reach common ground, which indicates that sellers have gradually started to accept higher yield requirements. The few transactions that took place in the housing segment in Q4 indicate that very low-yield residential properties and newly constructed properties had larger adjustments to yield requirements than, for example, older residential properties. Another factor that affected valuation calculations during the last quarter of 2022 was the higher rent increases for homes due to high inflation. The company's valuation calculations indicated an average of 4 per cent in expected rent increases, a level that is expected to be met or even exceeded slightly. Overall, however, values declined for residential properties in the last quarter of 2022.

At the end of the quarter, the market value generated a negative change in value of SEK -147.7 million (303.7) for the quarter despite an increase of nearly 25 points in yield requirements. On its own, this increase entails a negative value change of approximately SEK 500 million, although the Group's value-raising measures and general rent increase entail a positive value change of approximately SEK 350 million. Additionally, the discount rate was lowered since the inflation assumption for 2022 (8.5 per cent) was adjusted for 2023 (4.0 per cent), resulting in another positive value increase for the quarter and a total change in value of SEK -147.7 million.

Changes in property values for the period totalled SEK -25.7 million (737.3) due to an average increase of 25 points from the lowest yield requirements as well as an increase of just over 10 per cent in operating and maintenance costs compared with year-end 2021, which is in line with inflation. This decrease in value was offset by increases in rent as a result of both ongoing renovations and general increases in rent that exceeded cost increases.

The Group's derivatives are also subject to quarterly market valuations. The change in value for the period amounted to SEK 95.9 million (10.9), and was primarily attributable to the Group's interest-rate derivatives. Since interest rates continued to increase sharply during the year, the interest-rate derivatives were appraised at a higher value than at the start of the period, which had a positive impact on the change in value.

Note 7 Tax expense

Tax for the quarter amounted to SEK 16.6 million (-79.1), of which SEK 27.4 million (-72.1) pertained to deferred tax revenue attributable to changes in the values of properties. The net effect of these changes

in value was negative for the quarter (refer to Note 6 above), which resulted in a reduction of deferred tax. The Group's current tax expense totalled SEK -8.8 million (-6.1). The remaining SEK -2.0 million (-0.9) comprised a deferred tax expense attributable to changes in the value of the Group's interest-rate derivatives.

Of the tax expense for the period of SEK -58.5 million (-184.1), SEK -8.0 million (-163.1) comprises deferred tax attributable to changes in the value of properties. The remainder was due to deferred tax attributable to derivatives and loss carryforwards as well as current tax.

Deferred tax had no direct impact on liquidity.

Parent Company

The Parent Company does not own any properties. The company maintains Group-wide functions for administration, management, financing and project development.

Sales in the Parent Company mainly pertain to invoicing of services to Group companies.

Condensed consolidated statement of financial position

SEK m	Notes	31/12/2022	31/12/2021
Intangible assets		0.4	1.4
Investment properties	8	9,170.7	7,850.0
Property, plant and equipment		9.8	5.3
Financial non-current assets	9	17.8	24.9
Derivatives		103.1	7.2
Receivables		51.9	22.4
Cash and cash equivalents		338.3	616.5
Total assets		9,692.0	8,527.7
Equity attributable to Parent Company shareholders	10	4,320.0	4,206.9
Deferred tax liability	11	309.2	281.0
Non-current interest-bearing liabilities	12	4,800.6	3,124.8
Current interest-bearing liabilities	12	97.5	759.1
Other liabilities		164.7	155.9
Total equity and liabilities		9,692.0	8,527.7

Consolidated statement of changes in equity

SEK m	31/12/2022	31/12/2021
Opening equity, attributable to Parent Company shareholders	4,206.9	1,071.4
Profit for the period	125.1	637.9
Unregistered share capital		
New share issue		2,497.5
Costs attributable to new share issues	-0.3	
Transactions with non-controlling interests		-11.9
Tax effect on share issue costs	0.0	8.0
Share repurchase	-11.7	
Warrants		3.9
Closing equity, attributable to Parent Company shareholders	4,320.0	4,206.9
Closing equity, attributable to non-controlling interests		
Total equity at the end of the period	4,320.0	4,206.9

Comments on consolidated financial position

The amounts and comparative figures of balance-sheet items refer to the position at the end of the period this year, and the end of the year-earlier period. All amounts are in SEK million.

Note 8 Investment properties

The Group's investment properties including project development properties are recognised at fair value in accordance with IFRS 13 Level 3. For project development properties, a predetermined portion of the unrealised change in value between fair value upon completion and total estimated production costs is recognised in pace with the degree of completion. This is done in accordance with an escalation model adopted by the Group.

The Group's investment properties were appraised at SEK 9,170.7 million (7,850.0) at the end of the period, of which project development properties, meaning including new construction in progress, accounted for SEK 164.7 million, site leaseholds valued in accordance with IFRS 16 accounted for SEK 7.3 million and the remainder, SEK 8,998.7 million, pertained to existing investment properties.

Carrying amount, investment properties, SEK m

	31/12/2022	31/12/2021
Opening carrying amount, investment properties	7,850.0	3,452.1
Acquisitions	1,072.5	3,351.5
Investments in investment properties	195.2	160.6
Investments in new construction properties	118.2	166.6
IFRS 16	-	7.3
Public subsidies	-39.4	-25.5
Changes in value	-25.7	737.4
Closing carrying amount, investment properties	9,170.7	7,850.0

Note 9 Financial non-current assets

Financial non-current assets amounted to SEK 17.8 million (24.9), SEK 17.3 million (16.0) of which consisted of participations in jointly controlled companies.

Note 10 Equity

Equity attributable to Parent Company shareholders totalled SEK 4,320.0 million (4,206.9). The increase is attributable to profit for the period. During the period, equity decreased SEK 11.7 million as a result of the company's share buyback.

Note 11 Deferred tax liability

The deferred tax liability of SEK 309.2 million (281.0) was primarily attributable to the re-valuation of investment properties, but also to derivatives.

Parent Company

The Parent Company's assets and liabilities mainly consist of shares in, claims on and liabilities to Group companies as well as cash and cash equivalents.

Financing

Note 12 Financing

Interest-bearing liabilities

Interest-bearing liabilities totalled SEK 4,898.1 million (3,883.8) and pertained mainly to financing of the Group's investment properties and new construction in progress. Of the total interest-bearing liabilities, SEK 54.5 million (60.0) was attributable to financing of incomplete new construction projects and is excluded from the table of fixed credit and fixed interest below. The liability pertaining to IFRS 16 entries for a site leasehold and two office properties contributed to a total IFRS 16 liability of SEK 12.5 million that is also excluded from the table of fixed credit and fixed interest.

During the quarter, the Group's interest-bearing liabilities decreased by SEK 11.5 million, attributable to planned repayments. Out of a total of SEK 1.3 billion in loan commitments from one of the company's banks, SEK 1.0 billion was terminated during the quarter due to prevailing uncertainty in the property market, primarily in the transaction market. The loan commitments had a time limit and were primarily intended to be used in transactions when the market was less volatile. The decision will lead to annual savings of SEK 3.5 million in commitment fees.

The repayments that will be made in the next 12 months amounted to SEK 47.4 million (41.3) at the end of the period. Accrued borrowing expenses of SEK 3.0 million (3.8) reduced interest-bearing liabilities in the balance sheet. The fair value of the liabilities does not differ significantly from the carrying amount.

The loan-to-value ratio for the Group on 31 December was 49.7 per cent (41.6).

Maturity and fixed interest

KlaraBo is to have a limited financial risk. On 31 December, KlaraBo's financing comprised borrowings in five Nordic banks.

The Group's loan portfolio consists overwhelmingly of credits with a floating interest rate, but also consists of fixed rate credits. To insure against fluctuations in the interest-rate market and reduce interest-rate risk, interest-rate derivatives are utilised to impact the fixed-interest period, mainly with interest-rate swaps. The total swap portfolio amounted to SEK 2,150 million (1,400) at the end of the period. The portfolio's fixed-interest period amounted to nearly 3.4 years (1.9) as of 31 December, an increase compared with the preceding quarter due to entering into three new interest-rate swaps for a total of SEK 750 million, where variable interest was swapped for fixed interest with a term of six to eight years. Including fixed interest-rate credits, the Group's hedging level is 67.1 per cent (49.7), up from 51.5 per cent in the preceding quarter. The average interest rate including derivatives is just over 3.3 per cent (1.9), compared with 3.0 per cent on 30 September 2022. This increase was primarily attributable to a higher STIBOR 3m, which affected the unhedged portion of the loan portfolio. The difference between the fixed and variable interest rates on the new interest-rate swaps also contributed to the increase.

The average loan-to-maturity period is 2.5 years (3.2).

The fair value of the interest-rate derivative portfolio amounted to SEK 103.1 million (7.2) at the end of the period.

Maturity	Fixed credit		Fixed interest		Interest-rate swaps	
	SEK m	Share, %	SEK m	Share, %	SEK m	Interest rate, %
2023	536	11	1,591	33		
2024	369	8	500	10	500	0.09
2025	2,970	61	1,293	27	200	0.18
2026	455	9				
> 5 years	503	10	1,450	30	1,450	2.56
Total*	4,834	100	4,834	100	2,150	1.76

*Excluding construction credit, IFRS 16 and accrued loan costs

Condensed consolidated cash-flow statement

SEK m	2022 3 months Oct-Dec	2022 12 months Jan-Dec	2021 12 months Jan-Dec
Continuing operations			
Operating profit	63.3	232.4	145.1
Adjustments for non-cash items	0.8	2.2	1.3
Interest received	1.4	1.4	-
Interest paid	-37.7	-105.4	-74.2
Tax paid	1.1	-25.3	-18.5
Cash flow from continuing operations before changes in working capital	28.8	105.4	53.7
Cash flow from changes in working capital			
Change in operating receivables/payables	45.2	-8.9	10.0
Cash flow from continuing operations	74.1	96.5	63.8
Investing activities			
Acquisition of investment properties	-4.0	-252.4	21.4
Buy-out of non-controlling interests	-	-	-406.2
Investments in investment properties	-80.8	-197.1	-154.9
New construction investments	-32.1	-117.4	-135.2
Investment aid received	0.0	20.2	25.5
Investments in intangible assets	-	0.0	-1.1
Acquisition of property, plant and equipment	-0.1	-1.3	-0.5
Sale of property, plant and equipment	0.2	0.2	-
Cash flow from investing activities	-116.8	-547.8	-651.0
Financing activities			
New share issue, net	-	-	1,137.8
Proceeds from share options	-	-	3.9
New financial liabilities	37.8	557.8	893.1
Borrowing costs	-3.8	-14.6	-2.2
Repayment of financial liabilities	-9.5	-358.4	-1,019.9
Changes in construction credits	-	-	8.5
Share repurchase	-6.7	-11.7	-
Cash flow from investing activities	17.9	173.1	1,021.2
Cash flow for the period	-24.9	-278.2	433.9
Cash and cash equivalents at beginning of year	363.2	616.5	182.7
Cash and cash equivalents at end of the period	338.3	338.3	616.5

Condensed Parent Company income statement and balance sheet

Parent Company income statement

Mkr	2022 3 mån okt-dec	2021 3 mån okt-dec	2022 12 mån jan-dec	2021 12 mån jan-dec
Nettoomsättning	4.4	4.2	13.5	10.0
Personalkostnader	-3.4	-3.3	-15.6	-13.2
Övriga externa kostnader	-6.6	-12.9	-21.4	-21.7
Rörelseresultat	-5.6	-12.0	-23.5	-24.9
Finansiella intäkter/kostnader	-144.1	-12.9	-120.4	43.4
Resultat efter finansiella poster	-149.6	-24.9	-143.9	18.4
Erhållna/lämnade koncernbidrag	60.7	25.0	60.7	25.0
Resultat före skatt	-89.0	0.1	-83.2	43.4
Skattekostnad	-8.8	0.0	-8.9	0.0
Periodens resultat	-97.8	0.1	-92.1	43.4

Parent Company balance sheet

Mkr	31/12/2022	31/12/2021
Materiella anläggningstillgångar	0.8	1.5
Andelar i koncernföretag och gemensamt styrda företag	2,362.2	2,191.7
Fordringar hos koncernföretag och gemensamt styrda företag	3,434.9	1,209.5
Uppskjutna skattefordringar	0.0	8.8
Övriga fordringar	8.1	6.3
Kassa och bank	272.5	607.2
Summa tillgångar	6,078.5	4,025.0
Bundet eget kapital	6.6	6.6
Fritt eget kapital	3,173.2	3,277.2
Skulder till koncernföretag	2,891.2	722.3
Övriga skulder	7.5	18.9
Summa eget kapital och skulder	6,078.5	4,025.0

Financial income/expenses includes impairment of shares in subsidiaries of SEK -142.8 million (-11.5) for the quarter, as shareholder contributions were made to cover losses in some subsidiaries. A capital gain of SEK 36.4 million (57.1) was also recognised for the intercompany sale of a subsidiary. The Parent Company's income statement and balance sheet were affected by the refinancing process carried out during the year. Several intercompany balances are now through the Parent Company, which means that both receivables and liabilities to Group companies have increased. All of the above transactions have been eliminated in the Group.

Segment reporting

Group Management currently identifies the two following business areas as its operating segments: Property Management and Project Development. In addition, all Group-wide items are reported as Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing the performance of the operating segments. At KlaraBo, this function has been identified as the Group's CEO.

Income statement, SEK m	Property management		Project development		Other		Group	
	2022 Jan-Dec	2021 Jan-Dec	2022 Jan-Dec	2021 Jan-Dec	2022 Jan-Dec	2021 Jan-Dec	2022 Jan-Dec	2021 Jan-Dec
Revenue	501.5	343.8	0.0	0.3	0.1	0.1	501.6	344.2
Costs	-222.4	-154.3	-0.3	0.0	0.0	0.0	-222.7	-154.3
Net operating income	279.1	189.5	-0.3	0.3	0.1	0.1	278.9	189.9
Central administrative costs	-10.0	-8.3	-0.2	0.0	-36.4	-36.5	-46.5	-44.8
Operating profit/loss	269.1	181.3	-0.5	0.3	-36.3	-36.4	232.3	145.1
Financial income and expenses	-104.8	-58.7	-3.1	0.0	-11.1	-9.9	-119.0	-68.7
Profit from property management	164.3	122.6	-3.6	0.3	-47.4	-46.4	113.3	76.5
Changes in value of properties	-26.8	704.5	1.0	32.9	0.0	-0.2	-25.7	737.2
Changes in value of derivatives	26.8	6.3	0.4	2.3	68.7	2.3	95.9	10.9
Profit/loss before tax	164.3	833.4	-2.2	35.5	21.4	-44.3	183.5	824.6
Tax expense	-44.0	-175.9	-0.4	-7.7	-14.2	-0.5	-58.5	-184.1
Profit/loss for the period	120.4	657.5	-2.5	27.8	7.2	-44.8	125.1	640.5

Balance sheet, SEK m	Property management		Project development		Other		Group	
	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Investment properties	9,006.0	7,608.6	164.7	241.3	0.0	0.0	9,170.7	7,850.0
Non-current interest-bearing liabilities	4,800.6	3,124.8	0.0	0.0	0.0	0.0	4,800.6	3,124.8
Current interest-bearing liabilities	43.1	699.2	54.5	60.0	0.0	0.0	97.5	759.2
Deferred tax liability attributable to property reappraisal	287.3	273.6	0.6	5.7	0.0	0.0	287.9	279.3

Newly constructed properties are part of the Project development segment until the quarter that they are completed. Therefore, the initial market valuation and associated deferred tax following completion of the properties are included in this segment. The newly constructed properties are thereafter included in the Property management segment.

Key performance indicators

KlaraBo presents certain non-IFRS performance measures in the interim report. KlaraBo believes that these measures provide valuable supplementary information to investors and the company's management since they enable an evaluation of the company's performance.

Non-IFRS measures are presented in the table below.

Property-related	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Rental revenue, SEK m	139.4	115.1	501.6	344.2
Profit from prop mgmt, SEK m	25.4	22.7	113.4	76.4
Profit for the period, SEK m	-96.2	251.7	125.1	640.5
Surplus ratio, %	54.1	54.6	55.6	55.2
Real occupancy rate, %	98.1	98.6	98.1	98.6
Investment properties, SEK m	9,170.7	7,850.0	9,170.7	7,850.0
Market value per sq. m.	18,044	18,244	18,044	18,244
Total lettable area, '000 sq. m.	498.7	416.6	498.7	416.6
No. of apartments under mgmt	6,533	5,412	6,533	5,412
No. of apartments in project devt	1,509	1,494	1,509	1,494
Financial				
Equity/assets ratio, %	44.6	49.3	44.6	49.3
Loan-to-value ratio, %	49.7	41.6	49.7	41.6
Interest-coverage ratio, multiple	2.0	2.1	2.0	2.1
Net realizable value, SEK m	4,525.6	4,471.9	4,525.6	4,471.9
Share-based				
Profit from property management per share, SEK	0.19	0.20	0.86	0.93
Equity per share, SEK	32.9	31.9	32.9	31.9
Net realizable value per share, SEK	34.5	33.9	34.5	33.9
Annual growth, profit from property management per share, %	-	-	-7.3	98.0
Annual growth, net realizable value per share, %	1.7	43.1	1.7	43.1
No. of shares at end of period before/after dilution, million	131.2	131.8	131.2	131.8
Weighted average No. of shares during period before dilution, million	131.4	114.8	131.7	82.3

	Definition	Objective
Market value per sq. m.	Investment properties excluding new construction, divided by the total lettable area of the property portfolio.	This KPI shows developments in the value of the Group's investment properties in relation to area over time.
Surplus ratio, %	Net operating income in relation to rental revenue.	Used to show the share of revenue that remains after property expenses. This KPI is a measure of efficiency that can be compared between property companies as well as over time.
Real occupancy rate, %	Number of apartments rented, including apartments set aside for renovation and apartments with signed leases, divided by total number of apartments.	Used to illustrate the actual occupancy rate in the Group adjusted for voluntary vacancy in the form of renovations and temporary relocation vacancies.
Equity/assets ratio, %	Total equity in relation to total assets at the end of the period.	This KPI is used to illustrate the Group's sensitivity to interest rates and its financial stability.
Loan-to-value ratio, %	Total interest-bearing liabilities less cash and cash equivalents at the end of the period in relation to investment properties	Used to illustrate financial risk, and how much of the operation is pledged under interest-bearing liabilities less available cash on hand. This KPI provides comparability with property companies.
Loan-to-value ratio, investment properties, %	Interest-bearing liabilities related to investment properties, in relation to investment properties excluding new construction in progress.	Used to illustrate financial risk, and how much of the management operations are pledged under interest-bearing liabilities.
Interest-coverage ratio, multiple	Operating profit/loss on a twelve-month basis, divided by net interest income/expense.	This KPI shows how many times the Group will be able to pay its interest with earnings from operating activities, and illustrates how sensitive the Group is to changes in interest rates.
Net realizable value, SEK m	Equity attributable to Parent Company shareholders, with add-back of deferred tax and derivatives attributable to wholly owned participations.	This KPI is an established measure of the Group's long-term net reassessment value, and facilitates analysis and comparison between property companies.
Profit from property management per share, SEK	Profit from property management attributable to Parent Company shareholders in relation to weighted average number of shares during the period.	Used to illustrate profit from property management per share in a uniform manner for listed companies.
Equity per share, SEK	Equity attributable to Parent Company shareholders in relation to the number of shares outstanding at end of the period.	This KPI shows how much of the Group's recognised equity each share represents.
Net realizable value per share, SEK	Net realizable value in relation to no. of shares outstanding at end of the period.	Used to illustrate the Group's long-term net reassessment value per share in a uniform manner for listed companies.
Annual growth, profit from property management per share, %	Percentage change in profit from property management per share during the period	Used to illustrate the development of profit from property management over time, expressed as a percentage.
Annual growth, net realizable value per share, %	Percentage change in net realizable value per share during the period.	Used to illustrate the development of net reassessment value over time, expressed as a percentage.
Net operating income	Net operating income from property management before elimination of intra-group leases less expenses from property management.	This KPI measures the property companies' operational surplus and shows the company's capacity to finance its operations with its own funds.

Reconciliation table, key performance indicators

	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Market value per sq. m.				
A Investment properties, SEK m	9,170.7	7,850.0	9,170.7	7,850.0
B New construction in progress, SEK m	164.7	241.3	164.7	241.3
C Site leaseholds	7.3	7.3	7.3	7.3
D Total lettable area, 000 sq. m.	498.7	416.6	498.7	416.6
(A-B-C)/D Market value per sq. m.	18,044	18,244	18,044	18,244
Surplus ratio, %				
A Net operating income, SEK m	75.5	62.9	278.9	189.9
B Revenue, SEK m	139.4	115.1	501.6	344.2
A/B Surplus ratio, %	54.1	54.6	55.6	55.2
Real occupancy rate, %				
A No. of apartments	6,533	5,412	6,533	5,412
B No. of apartments not rented	222	194	222	194
C Apts set aside for renovation or with signed leases	99	120	99	120
1-(B-C)/A Real occupancy rate, %	98.1	98.6	98.1	98.6
Equity/assets ratio, %				
A Total equity at the end of the period, SEK m	4,320.0	4,206.9	4,320.0	4,206.9
B Minority share equity, SEK m	0.0	0.0	0.0	0.0
C Total equity and liabilities at the end of the period, SEK m	9,692.0	8,527.6	9,692.0	8,527.6
(A+B)/C Equity/assets ratio, %	44.6	49.3	44.6	49.3
Loan-to-value ratio, %				
A Non-current interest-bearing liabilities, SEK m	4,800.6	3,124.9	4,800.6	3,124.9
B Current interest-bearing liabilities, SEK m	97.5	759.1	97.5	759.1
C Cash and cash equivalents at end of the period, SEK m	338.3	616.5	338.3	616.5
D Investment properties, SEK m	9,170.7	7,850.0	9,170.7	7,850.0
(A+B.C)/D Loan-to-value ratio, %	49.7	41.6	49.7	41.6
E Construction credit attr to new construction, SEK m	54.5	60.0	54.5	60.0
F Seller financing, SEK m	0.0	0.0	0.0	0.0
G New construction in progress, SEK m	164.7	241.3	164.7	241.3
(A+B-E-F)/(D-G) Loan-to-value ratio, investment properties, %	53.8	50.3	53.8	50.3
Interest-coverage ratio, multiple				
A Operating profit/loss, rolling 12 months, SEK m	232.4	145.1	232.4	145.1
B Interest income/expense, rolling 12 months, SEK m	-119.0	-68.7	-119.0	-68.7
A/-B Interest-coverage ratio, multiple	2.0	2.1	2.0	2.1
net realizable value, SEK m				
A Equity, SEK m	4,320.0	4,206.9	4,320.0	4,206.9
B Add-back of derivatives, SEK m	-103.1	-7.2	-103.1	-7.2
C Adjustment of derivatives attributable to minority share, SEK m	0.0	0.0	0.0	0.0
D Add-back of deferred tax liabilities, SEK m	309.2	281.0	309.2	281.0
E Adjustment, deferred tax liability attr to minority share, SEK m	0.0	0.0	0.0	0.0
F Add-back of deferred tax assets, SEK m	-0.4	-8.8	-0.4	-8.8
G Adjustment, add-back of deferred tax assets attr to minority share, SEK m	0.0	0.0	0.0	0.0
A+B+C+D+E+F+G net realizable value, SEK m	4,525.6	4,471.9	4,525.6	4,471.9

	2022 Oct-Dec	2021 Oct-Dec	2022 Jan-Dec	2021 Jan-Dec
Profit from property management per share, SEK				
A Profit from prop mgmt, SEK m	25.4	22.7	113.4	76.4
B Adjustment, profit from prop mgmt attr to minority share, SEK m	0.0	0.0	0.0	0.0
C Weighted avg no. of shares during period before/after dilution, million	131.4	114.8	131.7	82.3
(A-B)/C Profit from prop mgmt per share, SEK	0.19	0.20	0.86	0.93
Equity per share, SEK*				
A Equity, SEK m	4,320.0	4,206.9	4,320.0	4,206.9
B Number of shares at end of the period before/after dilution, million	131.2	131.8	131.2	131.8
A/B Equity per share, SEK	32.92	31.91	32.92	31.91
net realizable value per share, SEK				
A Net reassessment value (net realizable value), SEK m	4,525.6	4,471.9	4,525.6	4,471.9
B Number of shares at end of the period before/after dilution, million*	131.2	131.8	131.2	131.8
A/B net realizable value per share, SEK	34.48	33.92	34.48	33.92
Annual growth, profit from property management per share, %				
A Profit from prop mgmt during the period per share, SEK*	-	-	0.86	0.93
B Profit from prop mgmt during the preceding period per share, SEK*	-	-	0.93	0.47
A/B-1 Annual growth, profit from prop mgmt per share, %	-	-	-7.3%	98.0%
Annual growth, net realizable value per share, %				
A Net realizable value during the period per share, SEK*	34.5	33.9	34.5	33.9
B Net realizable value during the preceding period per share, SEK*	33.9	23.7	33.9	23.7
A/B-1 Annual growth, net realizable value per share, %	1.7%	43.1%	1.7%	43.1%

* Number of shares after buyback

Risks and opportunities for the Group and Parent Company

In order to prepare accounts according to generally accepted accounting principles and IFRS, company management must make assessments and assumptions that affect recognised assets and liabilities as well as revenues and costs in the financial statements, as well as affecting other information provided. The actual results may deviate from these assessments. Estimates and assumptions are based on historical experience and other factors that are deemed reasonable given the prevailing conditions. The Group's operations and the financial position and earnings can be affected, both directly and indirectly, by a number of risks, uncertainties and external factors.

The Group's operations are dependent on general financial and political trends, particularly in Sweden, which can impact demand for housing and premises. All identified risks are continuously monitored, and risk-reducing measures are implemented if required to limit their impact.

A summary of the most substantial risks and opportunities for the Group is presented below. For other information, refer to the Annual Report.

Financial risk

KlaraBo's most significant financial risks comprise interest-rate risk, financial risk and liquidity risk. Interest-rate risk is defined as non-controllable increase in interest expense. Interest-rate risk is expressed as a change of expenses for the interest-bearing liabilities if the interest rate changes by one percentage point. Financing risk pertains to the risk that expenses for raising new loans or other financing becomes higher and/or that refinancing loans outstanding becomes more difficult or occurs on disadvantageous terms. Liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity or difficulties in obtaining financing. KlaraBo requires access to liquidity to finance ongoing projects, manage operations and settle due payments of interest and repayment instalments. KlaraBo's growth targets are dependent on healthy access to cash and cash equivalents to enable several projects to be started and pursued in parallel.

All of the risks above are regulated in the financial policy adopted by the Board of Directors. KlaraBo addresses these risks operationally through measures such as interest rate and capital hedging of its debt portfolio, maintaining a favourable and proactive dialogue with the Group's partners and continuously monitoring the Group's liquidity situation. KlaraBo's work is governed in part by internal targets for each risk category and, in part, by the Group's overall financial targets and risk limits. This is intended to limit the financial risks and to achieve a favourable long-term trend in net financial items. Furthermore, under existing loan agreements, KlaraBo is required to monitor and report on a number of key figures on a quarterly basis. As of the end of the accounting period, all financial commitments had been met.

Opportunities and risks in the values of the properties

KlaraBo recognises investment properties at fair value, and the property portfolio is appraised at least once each year by independent external appraisers. Changes in the value of properties are included in profit or loss. Changes in the value of properties have historically had a significant impact on profit for the period and contribute to more volatile earnings. The value of the properties is determined by supply and demand, in which the price is mainly dependent on the property's expected operating surplus and the buyer's yield requirements. Higher demand leads to a lower yield requirement, and an upward price adjustment as a result, whereas weaker demand has the opposite effect. In the same way, a positive operating surplus trend leads to an upward price adjustment, while a negative trend has the opposite effect. The rental concept is comprised partly of the actual rental level and partly of the vacancy risk of the property portfolio. Property valuation should take into account an interval of uncertainty to reflect the inherent uncertainty of assumptions and estimates.

Sensitivity analysis – changes in value (SEK m)

		Effect on fair value, SEK m		Effect on fair value, SEK m
	Change		Change	
Yield requirement	- 0,25% basis points	580.1	+ 0,25% basis points	-510.0
Rental value*	- 2,50%	-43.9	+ 2,50%	363.6
Operating and maintenance costs	- 2,50%	142.2	+ 2,50%	-142.2
Long-term vacancy rate	- 0,25% basis points	29.5	+ 0,25% basis points	-29.6

*-2.5% refers only to premises while +2.5% refers to both premises and housing

Ongoing projects

Information on ongoing projects in the interim report is based on assessments concerning the size, direction and scope of ongoing projects as well as when the projects are expected to commence and be completed. Information is also based on assessments of future project costs and rental value.

Assessments and assumptions should not be viewed as a forecast. Assessments and assumptions involve uncertainties concerning the projects' completion, design and size, schedule as well as project expenses and future rental value. Information concerning ongoing projects in the interim report is regularly re-evaluated, and assessments and assumptions are adjusted in line with the completion or addition of ongoing projects and when conditions change. Financing has not been procured for projects where construction has not begun, which means that financing of ongoing projects is an uncertainty.

Financing

During the period, we observed significant uncertainty about bank financing in the financial markets since banks' financing costs increased, resulting in higher margins. However, this did not directly impact KlaraBo since we entered into new credit facilities with three of the Group's banks during the second quarter on better terms than for existing agreements. In addition, loans of approximately SEK 563 million in connection with the acquisition of Östersund were taken over on 30 September at a fixed average interest rate of about 1.43 per cent.

Bank financing is KlaraBo's primary source of financing, and the Group has no bonds. The lack of bond financing is a strength since this type of financing is impacted to a greater degree by rising market rates, is generally more expensive and carries a higher risk in connection with refinancing.

Sharply rising variable interest rates are impacting the portion of the loan portfolio that carries variable interest and that has not been converted to fixed interest using interest-rate derivatives. This, in turn, is impacting the interest-coverage ratio, which shows the Group's sensitivity to changes in interest rates and how many times the Group will be able to pay its interest with earnings from operating activities. KlaraBo is following the development closely and simulates sensitivity to enable action to be taken. For example, if necessary, planned but non-essential investments in properties could be reduced or liquidity-intensive new construction projects could be postponed.

On 31 December, the company had a stable financial position with SEK 338.3 million in cash and cash equivalents.

Operational risk

KlaraBo is in the midst of a phase of expansion and has identified a number of growth-oriented targets. Risks and opportunities connected to reaching the growth targets involve continued access to new projects, key personnel and the risk management of projects (concerning time, costs and quality). During the quarter, the flow of potential management acquisitions decreased significantly. Growing financing and energy costs are creating uncertainty regarding future values, which is currently affecting the market.

Conditions for new construction of homes have worsened quickly since the beginning of 2022. Significantly higher financing costs in combination with elevated construction costs have resulted in a rapid and drastic slowdown in housing construction. The impact on KlaraBo's projects in progress is limited, but there is a risk that it could have a negative impact on future projects in both the short and long term.

Other disclosures

Market outlook

KlaraBo's offering meets the market's demand for good housing at the right price. The Group's own concept, KlaraBo-hus, creates the conditions for cost control and financial efficiency across the entire chain, from development rights to management, during the lifespan of the property.

The Group's assessment is that demand remains strong in the areas where KlaraBo operates and that there is still a structural housing shortage in many cities in Sweden.

Organisation and employees

The Parent Company of the Group is KlaraBo Sverige AB. At the end of the period the Group consisted of 78 subsidiaries and six jointly controlled companies. The number of employees was 68 (59), consisting of 21 women (13) and 47 men (46).

Accounting policies

KlaraBo's consolidated financial statements have been prepared in accordance with the EU adopted International Financial Reporting Standards (IFRS) and interpretations therein (IFRS IC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. In addition, suitable provisions of the Swedish Annual Accounts Act have been applied. The accounting and valuation principles applied are unchanged compared with the Annual Report. The Parent Company has prepared its financial reports in conformity with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 requires that the Parent Company applies the same accounting principles as the Group, which is to say IFRS to the scope that RFR 2 permits.

For complete accounting policies, refer to KlaraBo's 2021 Annual Report. Accounting policies are unchanged compared with the 2021 Annual Report.

Transactions with related parties

The Group's related-party circle consists of all Board members, the CEO and members of senior management as well as their related parties and companies.

In addition to remuneration to senior executives, SEK 500,000 was paid during the year as a one-time fee to Valhalla Corporate Advisors AB in connection with the acquisition of properties in Skokloster and Gävle. Board member Joacim Sjöberg has a controlling interest in the company.

The share and shareholders

The Parent Company of the Group, KlaraBo Sverige AB, Corp. Reg. No. 559029–2727, has two share classes: Class A and Class B ordinary shares. Each Class A share entitles the holder to 10 votes and each Class B share entitles the holder to one vote. The number of shares amounts to 131,827,883, of which 16,300,000 are Class A shares and 115,527,883 are Class B shares. The quotient value for all shares is SEK 0.05 per share. The company continued to buy back shares during the quarter and had purchased 611,384 shares as of 31 December.

Largest shareholders, 31 December 2022

	Class A shares	Class B shares	Total	Capital	Voting rights
Investment AB Spiltan	1,800,000	11,006,647	12,806,647	9.7%	10.4%
Rutger Arnhult	0	10,066,667	10,066,667	7.6%	3.6%
Wealins S.A.	0	9,638,901	9,638,901	7.3%	3.5%
Pensionskassan SHB Försäkringsförening	0	9,360,610	9,360,610	7.1%	3.4%
Ralph Mühlrad gm bolag och familj	1,285,000	7,098,728	8,383,728	6.4%	7.2%
Länsförsäkringar Fonder	0	7,862,898	7,862,898	6.0%	2.8%
Anders Pettersson med familj	3,966,316	3,677,793	7,644,109	5.8%	15.6%
Samhällsbyggnadsbolaget i Norden AB	0	5,646,065	5,646,065	4.3%	2.0%
Lennart Sten privat och gm bolag	1,995,000	3,023,585	5,018,585	3.8%	8.2%
ODIN Fonder	0	4,257,143	4,257,143	3.2%	1.5%
Mats Johansson	2,699,400	0	2,699,400	2.0%	9.7%
Doxa AB	0	2,548,691	2,548,691	1.9%	0.9%
Andreas Morfiadakis	2,361,287	82,400	2,443,687	1.9%	8.5%
Handelsbanken Fonder	0	2,014,119	2,014,119	1.5%	0.7%
Richard Mühlrad gm bolag och familj	785,000	1,044,832	1,829,832	1.4%	3.2%
Övriga	1,407,997	38,198,804	39,606,801	30.0%	18.8%
	16,300,000	115,527,883	131,827,883	100%	100%

Warrants

KlaraBo has three current warrant programmes issued to the company's employees. The first programme encompassed 1,666,335 warrants in total, each of which carried the right to subscribe for one Class B share. The warrants can be exercised in the period from 1 March to 31 March 2024, at a subscription price of SEK 30 per share. At the end of the period, 1,367,585 warrants had been subscribed and the remainder had expired and can no longer be subscribed. The second programme encompasses 500,000 warrants in total, each of which carries the right to subscribe for one Class B share. The warrants can be exercised in the period from 1 June to 31 August 2024, at a subscription price of SEK 39 per share. At the end of the period, 500,000 warrants had been subscribed. The third programme encompasses 1,429,440 warrants in total, each of which carries the right to subscribe for one Class B share. The warrants can be exercised in the period from 1 August to 31 October 2024, at a subscription price of SEK 39 per share. At the end of the period, 1,429,440 warrants had been subscribed.

In total on 31 December, the incentive programmes encompassed a maximum of 3,297,025 warrants that can be utilised to subscribe for a maximum of 3,297,025 Class B shares, corresponding to a dilution effect of at most 2.44 per cent based on the number of shares in the company.

Signatures to the report

The Board of Directors and CEO give their assurance that this report gives a true and fair overview of the operations, financial position and earnings of the Parent Company and the Group, and describes the material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Malmö, 15 February 2023

Lennart Sten,
Chairman of the Board

Per Håkan Börjesson,
Board member

Lulu Gylleneiden,
Board member

Mats Johansson,
Board member

Sophia Mattsson Linnala,
Board member

Anders Pettersson,
Board member

Håkan Sandberg,
Board member

Joacim Sjöberg,
Board member

Andreas Morfiadakis,
CEO

This year-end report has not been reviewed by the company's auditor.



Financial calendar

2022 Annual Report	30 March 2023
Interim report Q1, January–March 2023	3 May 2023
Interim report Q2 January–June 2023	14 July 2023
Interim report, January–September 2023	26 October 2023
Year-end report 2023	15 February 2024



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