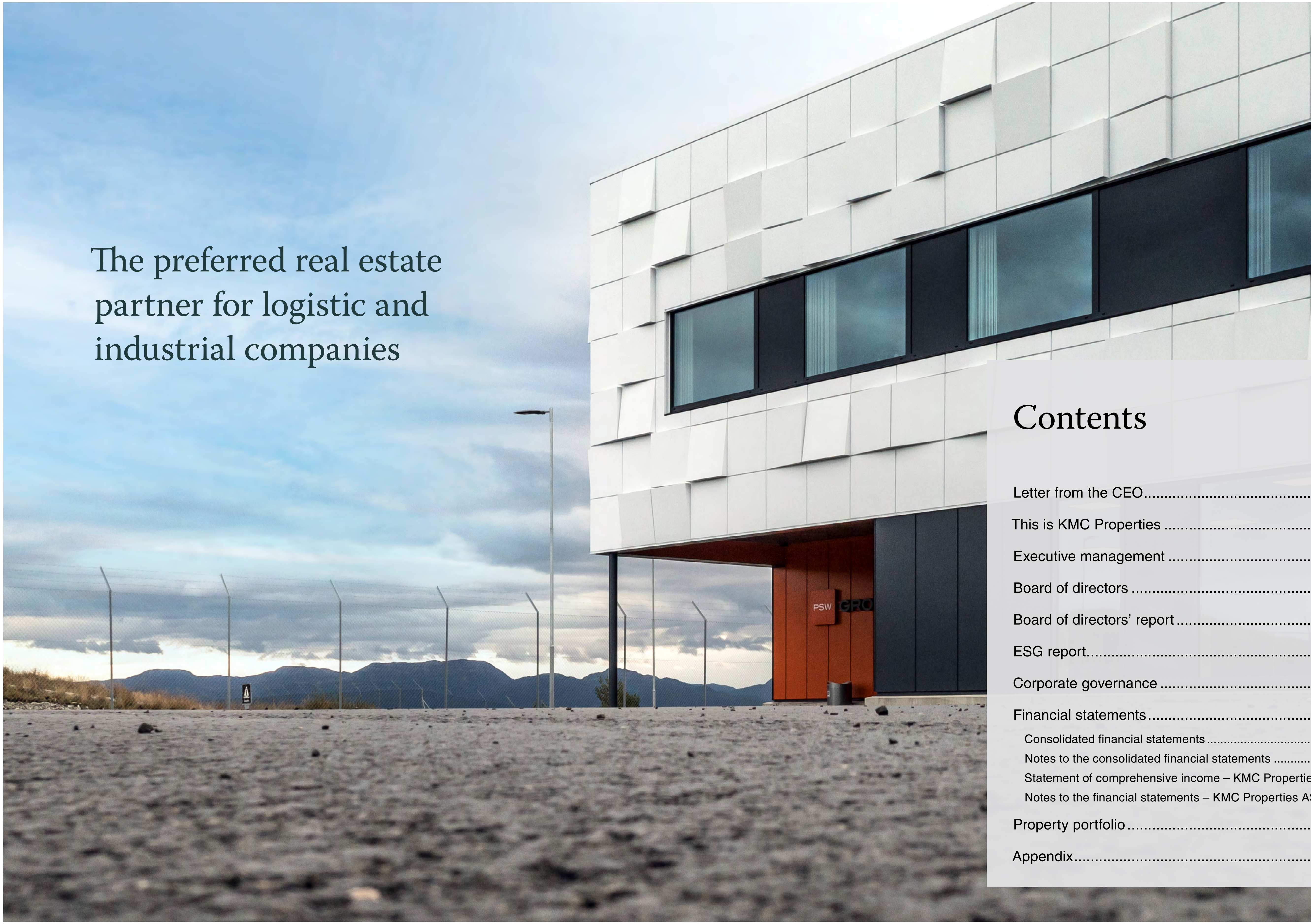
KMC PROPERTIES

Annual report 2023

KMC Properties ASA



The preferred real estate partner for logistic and industrial companies

Contents

Letter from the CEO

The year 2023 marked a transformation for KMC Properties. We strengthened our platform through substantial debt refinancing and growth in our property portfolio, supported by a wider range of committed banks and investors.

Despite challenges posed by escalating inflation and interest rates marking 2023 one of the toughest years within commercial real estate in a long time, we successfully reduced our overall interest margins and executed strategic accretive acquisitions that added significant value to our company.

Through changing macroeconomic conditions, our tenants demonstrated resilience in line with our expectations. We closed the year with a mere 1.8 per cent vacancy rate, while simultaneously achieving a 50 per cent increase in rental income compared to 2022. Notably, 7.5 per cent of this growth was related to CPI adjustments, with most of the increase related to the expansion of our property portfolio.

By year-end, our gross asset value was at NOK 6 153 million, representing a 15 per cent rise from the close of 2022. Transactions added NOK 672 million, developments and upgrades NOK 205 million, and currency effects NOK 129 million. Fair value adjustments of properties experienced a negative impact of NOK 117 million, representing a modest adjustment of 2.2 per cent, and showcasing the strength of our portfolio of logistic and light industrial properties.

The current portfolio has a net yield of 7.3 per cent, while the all-in interest rate following the significant refinancing and portfolio expansion in 2023 is at 6.3 per cent. This leaves us with a positive margin generating value for our shareholders – a favorable "yield gap".

Looking ahead to the first half of 2024, we anticipate further widening of this yield gap. Our commitment to acquire five additional value-accretive properties is already in motion, with financing secured through low-interest bank debt. Upon completion, we estimate a net yield of 7.4 per cent and the all-in interest rate at 6.2 per cent.

KMC Properties is also working on refinancing of current debt, including the bond loan, which is also likely to improve the yield gap.

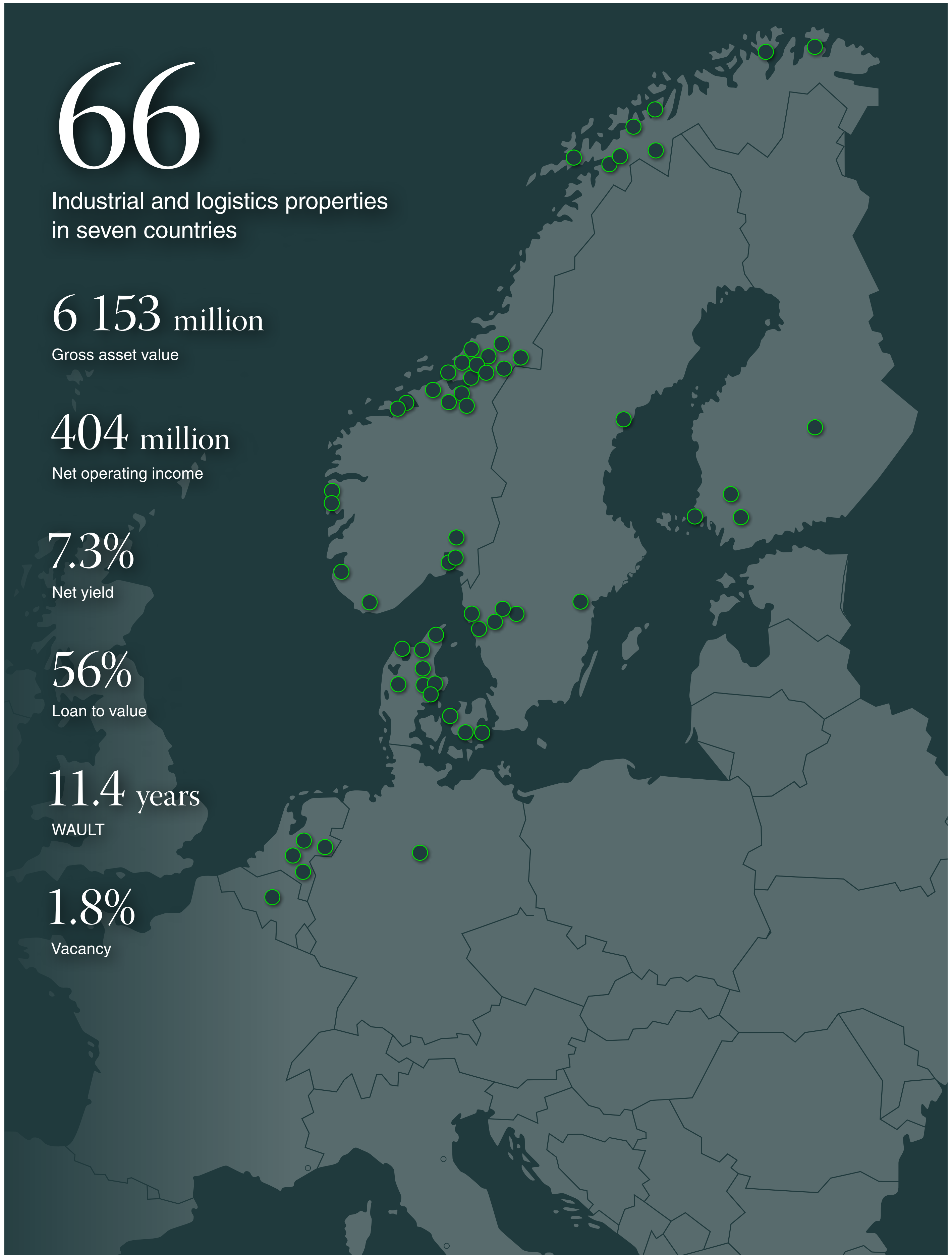
– Our commitment to acquire five additional value-accretive properties is already in motion.

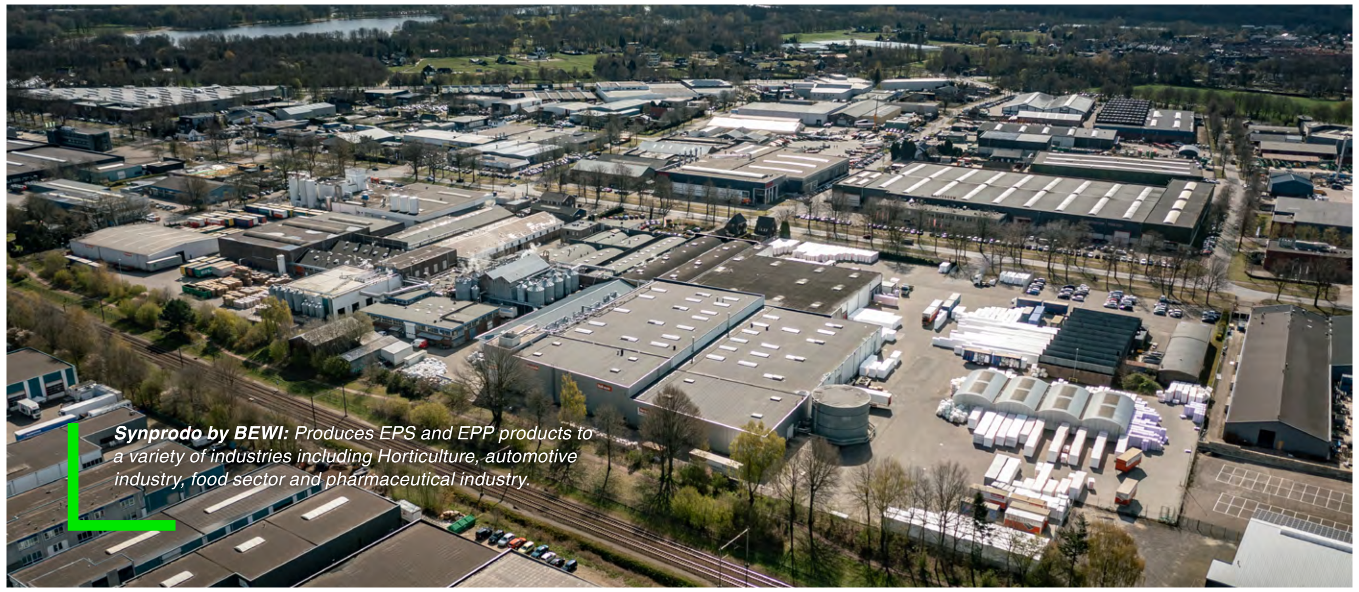
During the second half of 2023 we got a new strategic and institutional investor - the Swedish real estate fund Nordika, broadening and diversifying our shareholder base in line with company strategy. Nordika increased its position in February 2024.

At the end of 2023, six of our properties have installed solar panels on the ground, roofs, or facades. At our pilot in Fredrikstad, Norway, a total of 463 mWh was produced in 2023. We will continue to explore mutually beneficial renewable energy solutions with our tenants in line with our strategy.

Since our inception in 2020, KMC Properties has had a clear strategy and vision of becoming the preferred real estate partner for logistics and industrial companies, proven resilient in changing macroeconomic conditions. We continue to work in close collaboration with our strong tenants, while actively exploring new attractive opportunities with a value creation potential for our shareholders.

Liv Malvik
Chief executive officer, KMC Properties ASA




Synprodo by BEWI: *Produces EPS and EPP products to a variety of industries including Horticulture, automotive industry, food sector and pharmaceutical industry.*

This is KMC Properties

The preferred real estate partner for logistics and industrial companies across strategic locations

KMC Properties is a listed real estate company specialising in high-yield industrial and logistic properties within well-established industries that the company has extensive expertise in. Through increased size and diversification KMC Properties is continuously improving its financing terms and making the investments more accretive, resulting in higher returns to its shareholders. Currently, the company owns 66 properties across the Northern Europe for a total value of NOK 6.2 billion with a combined net yield of 7.3 per cent.

Rental agreements with tenants are structured as long-term triple net bare house contracts, meaning that maintenance, insurance, and property tax are covered by the tenant and that KMC Properties has limited exposure to property related expenses. In 2023, these contracts generated a net operating income of NOK 404 million.

KMC Properties tenants have solid track records in their industries and typically have a long-term perspective. This is reflected in the weighted average contractual length (WAULT) of 11.4 years, giving KMC Properties visible contractual cash flows into 2035, and for KMC Properties' 17 tenants a solid long-term real estate partner.

The company's properties are typically used in business-critical operations for the tenant and often located close to transport hubs or in industrial clusters. This gives both high flexibility for alternative use and high tenant stickiness, which is reflected in the low vacancy rate of 1.8 per cent.

KMC Properties is financed by a combination of common equity, bank loans, a revolving credit facility, and a senior secured bond facility. Bank loans represent 68 per cent of the overall interest-bearing debt and the loan to value is 56 per cent.

KMC Properties has a 2024 target of reaching a gross asset value of NOK 8 billion through value accretive growth within prudent long-term financial structures. Increased portfolio size and long-term financing create a solid platform for growth, benefiting KMC Properties' tenants while creating value for the company's shareholders.

Our business model

Investing in and developing high-yield industrial and logistics properties

KMC Properties' business model is intended to create accretive and durable values, with a clear focus on profitability and sustainability.

The company has an overall long-term objective to generate a high risk-adjusted sustainable return on invested capital based on its pillars of value creation:

- High cash-flow from company operations
- Long-term sustainable return
- A clear focus on environmental, social and governance (ESG) issues in all aspects of the company's operations
- Growth through investments in current portfolio and proactive property management
- Growth through strategical acquisitions
- Growth through building new facilities for new and existing clients

The company will invest in new properties with existing and new tenants, as well as investments in upgrading existing properties. Close collaboration with tenants is crucial for KMC Properties to become a preferred real estate partner for industrial and logistics companies.

New investments increase cash flow and contribute to diversifying the company's property portfolio, hence reducing the company's operational and financial risks. All investments are made with a focus on creating long-term value for investors and tenants.


JACKON Insulation by BEWI: *Producing high-quality insulation materials and construction products for over 35 years. Their expertise lies in creating materials from extruded polystyrene foam (XPS)*

Four strategy pillars:

Investment strategy:

Acquisitions

Continuous expansion of and execution on M&A pipeline based on a defined set of investment criteria.

KMC Properties invests in industrial and warehouse properties due to the segment's high returns, long lease agreements, and stable occupancy rates. Investments are based on a defined set of investment criteria that is aimed at being resilient through economic cycles. Solidity of the tenants, the long-term rental contracts, and the strategic importance of the location of the properties are key elements of the strategy.

Financing strategy:

Capital Optimisation

Continuously pursuing minimised cost of capital within prudent long-term financial structures.

KMC Properties currently finances its operations through common equity, a senior secured bond loan, bank loans, a revolving credit facility and retained cash from operations. The finance team is at all times pursuing minimised cost of capital with prudent long-term structures, and in accordance with covenants. The company pursues a diverse source of debt financing and will continue its focus on minimising the financing cost while still creating growth and basis for dividend.

Investments in portfolio properties:

CAPEX

Investments in existing properties and client relations to yield higher rent and contract extensions.

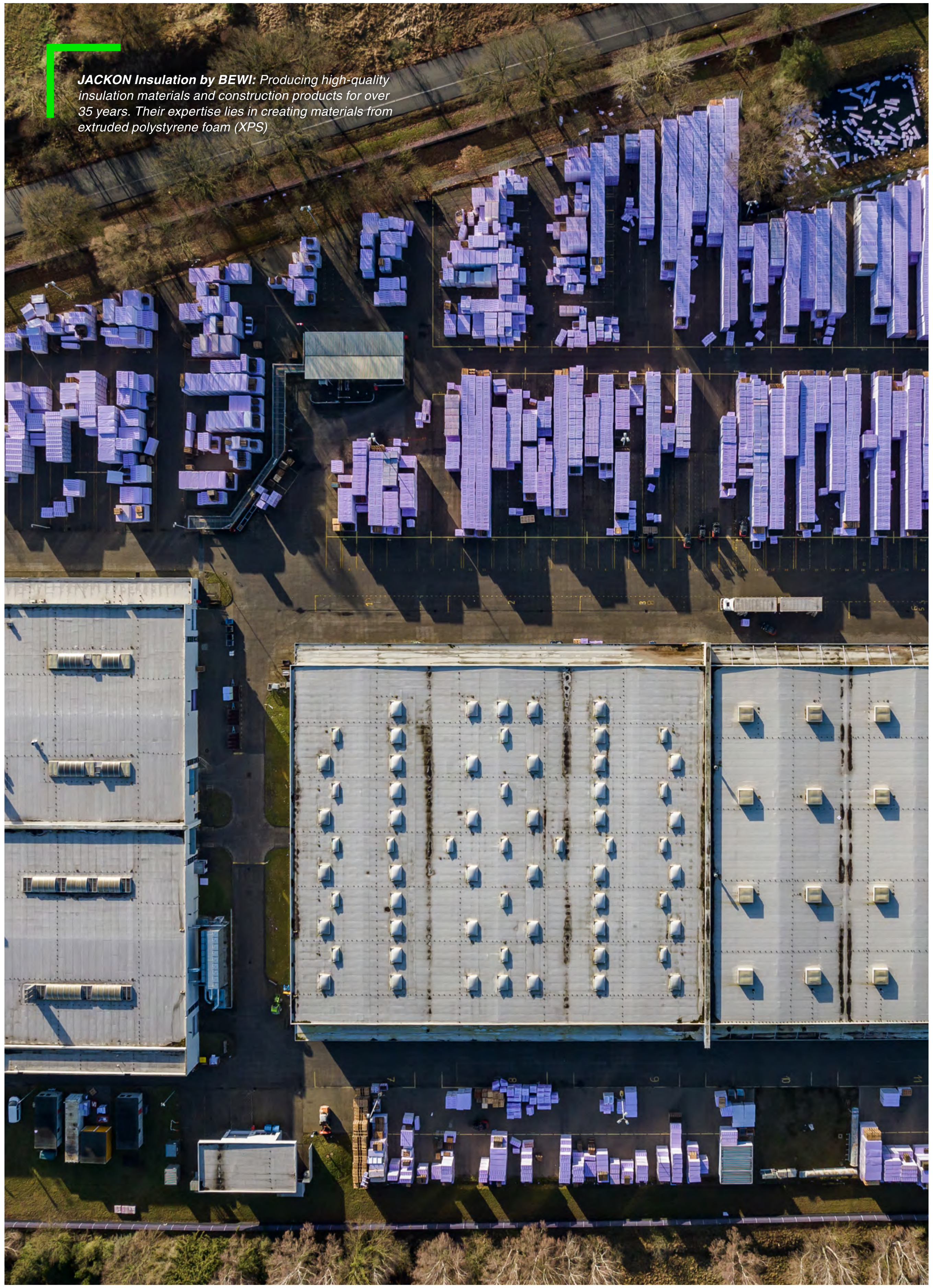
KMC Properties is continuously working with its tenants on contract renewals and extensions, as well as in discussions on potential development investments in its current portfolio. The company maintains a close relationship with its clients to identify and actively engage in business development activities. The company expects the high activity level to continue in the coming years. Development makes it possible to meet the changing needs of customers as well as to further develop and refine the property portfolio.

Newbuilding projects:

Greenfield

Development of new facilities with current or new tenants at mutually attractive terms

Through its continuous dialogue with both existing and potential new tenants, KMC Properties seeks to identify opportunities to expand its portfolio through investments in new facilities for new and existing clients. The company seeks to utilise available land plots in the existing portfolio for development of new facilities in collaboration with potential tenants, focusing on business-critical locations for the tenants. KMC Properties will also acquire and develop land plots based on long term contract commitments from new and existing tenants.



***JACKON Insulation by BEWI:** Producing high-quality insulation materials and construction products for over 35 years. Their expertise lies in creating materials from extruded polystyrene foam (XPS)*

Strategy and progress

A transformative year - positioning KMC Properties for continued growth

Strategy pillars	2023 Progress: Key events	Targets
Acquisitions Continuous expansion of and execution on M&A pipeline based on a defined set of investment criteria.	■ Completed agreement announced in 2022 with BEWI ASA to acquire 24 properties for NOK 1.9 billion at a gross yield of 7.3 per cent and WAULT of 16.7 years. 13 properties were acquired in 2022, six in 2023, and five are agreed to be acquired in 2024. – *Acquired one Danish and three Finnish properties for a total transaction value of NOK 310 million at a gross yield of 7.7 per cent and WAULT of 17 years.* – *Acquired two of seven properties in the last part of the agreement with BEWI ASA for NOK 209 million, with remaining five to be acquired in the first half 2024 for NOK 431 million. The properties have a gross yield of 8.75 per cent and a WAULT of 17 years.* ■ Acquired one logistics property in Narvik, Norway, for NOK 90 million, leased to Kuraas AS and Servicegrossistene. ■ Sold three properties for a total value of NOK 101 million.	■ Gross asset value (GAV) of NOK 8 billion by the end of 2024 ■ Expand of and execute on M&A pipeline based on a defined set of investment criteria: – *Solid tenants with long track records* – *Strategic location for industry, logistics and/or tenant* – *Long-term value accretive potential*
Capital optimisation Continuously pursuing minimised cost of capital within prudent long-term financial structures.	■ Refinanced NOK 1 850 million senior secured bond facility that matured in December 2023 and a fully drawn Revolving Credit Facility (RCF) of NOK 200 million, through a NOK 900 million senior secured bond, NOK 1 080 million bank debt and NOK 100 million shareholder loan, which was refinanced with a revolving credit facility in DNB. – *Increased share of bank debt from 40 per cent to 68 per cent through refinancing and financing of acquisitions.* – *Decreased overall interest margin from 3.59 per cent to 3.21 per cent through refinancing and financing of acquisitions.* ■ Entered swap-agreements securing 47 per cent of floating interest with a 1.54 percentage point reduction effect. ■ All-in interest rate at 31 December 2023 of 6.29 per cent compared to 5.74 per cent at 31 December 2022, up only 0.55 percentage points despite a 1.5 percentage points increase in floating interests during the year. ■ Raised NOK 275 million equity from the strategic investor Nordika, equivalent of 12.7 per cent of the shares in KMC Properties.	■ Pursuing minimised cost of capital within prudent long-term financial structures, and within debt covenants: – *Interest coverage ratio 1.5x* – *Net loan to value below 75%* – *Group liquidity equal to three months net interest cost* ■ Interest rate hedge ratio between 40 and 60 per cent, and a weighted average length to maturity on the hedges from 2–8 years.
CAPEX Investments in existing properties and client relations to yield higher rent and contract extensions.	■ Invested a total of NOK 78 million in improvements and upgrades, identified in collaboration with tenants. ■ Conducted planning phase of improving energy labelling of all properties, including hiring a sustainability manager. ■ Started construction of 3 300 square meters extension at property in Thorsø in Denmark, with a yield-on-cost of 8.5 per cent, expected to be completed in the first half of 2024.	■ Solidifying tenant relations by identifying mutually beneficial improvements, upgrades, and extensions, based on KMC Properties investment criteria
Greenfield Development of new facilities with current or new tenants at mutually attractive terms	■ Invested a total of NOK 127 million in development of new properties. ■ Added two new properties through the completion of a packaging hub and adjacent storage building with a yield-on-cost of 7.5 per cent and a WAULT of 15 and 10 years.	■ Build new facilities on attractive terms, relative to overall property portfolio

For a detailed review of the 2023 key events, se *important events* in the board of directors' report, page 24.

Completion of Greenfield project for BEWI ASA

Through its continuous dialogue with both existing and potential new tenants, KMC Properties seeks to identify opportunities to expand its portfolio through investments in new facilities for new and existing clients.

In 2023, KMC Properties completed the development of a packaging hub at Hitra in Norway for its largest tennant BEWI ASA. In connection with the packaging hub, the company also developed an adjacent storage building. The WAULT of the lease contracts are 15 and 10 years.

The buildings are strategically located close to an industrial cluster for aquaculture and are of strategic importance for KMC Properties' client.

Our properties

Long lease agreements with solid tenants across strategic locations

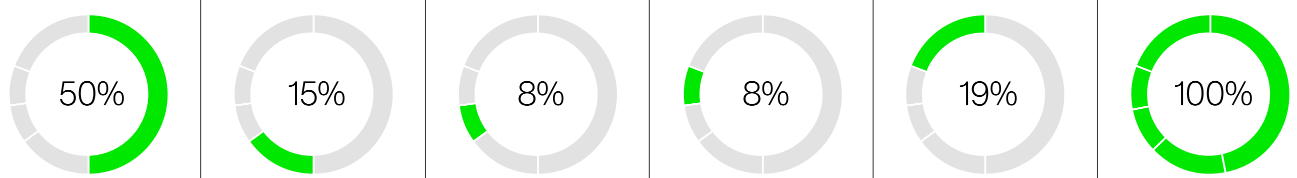
KMC Properties' property portfolio consisted of 66 industrial- and logistics properties in Northern Europe. Through 2023 the company acquired seven properties, sold three properties and completed two greenfield projects.

Five additional properties were in 2023 agreed to be acquired through the first half of 2024, bringing the total number of properties on a pro forma basis to 71.

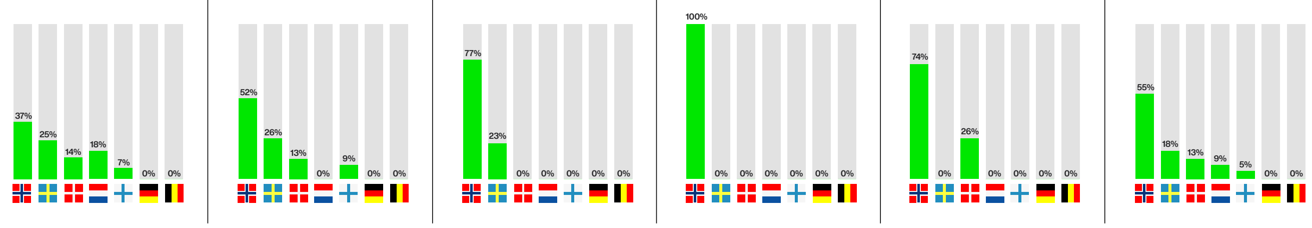
BEWI ASA, Insula AS, Grøntvedt Group, and Scana ASA represent the company's four largest tenants accounting for 81 per cent of net operating income (NOI) in 2023.

- The listed packaging and insulation company BEWI ASA accounts for 50 per cent of NOI in 2023. In 2023 KMC Properties completed a large property transaction agreement with BEWI ASA which was announced in 2022, adding a total of 6 new properties to the portfolio in 2023 and five additional property transactions to be completed in 2024. BEWI ASA is exposed to a variety of end markets. BEWI had ales of EUR 1.1 billion for 2023, with 3 216 employees and 63 production facilities at the end of the year.
- The Nordic seafood group Insula AS accounts for 15 per cent of NOI in 2023. Insula is vertically integrated from fish stations through processing to strong consumer brands. The company has approximately 1 100 employees in Norway, Sweden, Denmark, Finland, and Iceland and is owned by Kverva Industrier. The company leases 10 properties from KMC Properties.
- The pelagic fish producer Grøntvedt Group accounts for 8 per cent of NOI in 2023. The company is a leading platform within industrial processing of pelagic fish, and the world's largest producer of marinated herring. The company is headquartered outside of Trondheim. The location is strategic given the rich resources of pelagic fish in the North Sea. The company leases 2 properties from KMC Properties.
- The listed industrial owner company Scana ASA accounts for 8 per cent of NOI in 2023, through its subsidiary PSW Technology. Scana is an industrial owner company in the ocean industries creating value through active ownership in market-leading portfolio companies.

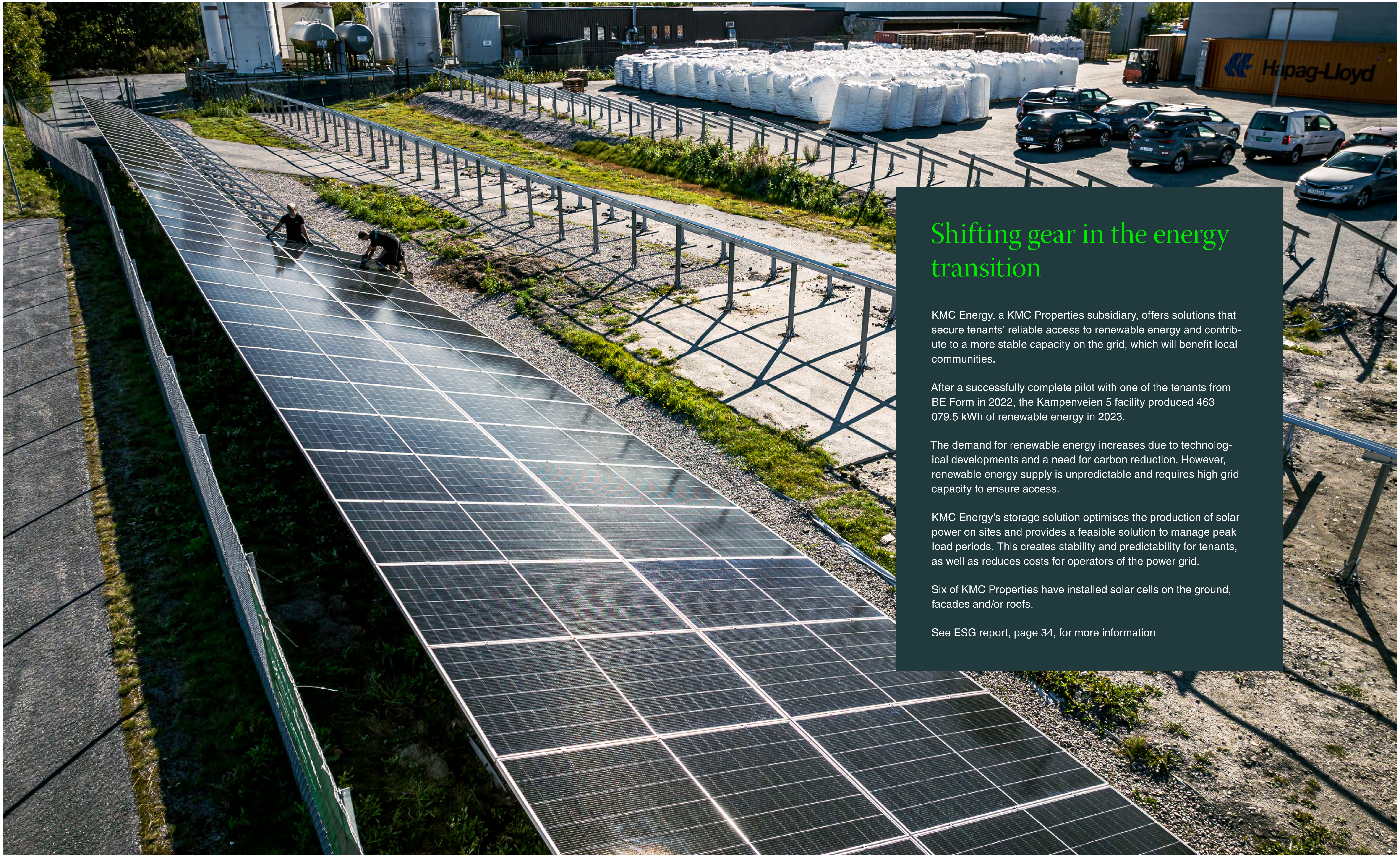
BEWI	Insula	Grøntvedt	Scana	Other	Total
Share of operating income	Share of operating income	Share of operating income	Share of operating income	Share of operating income	Share of operating income



Operating income by country	Operating income by country	Operating income by country	Operating income by country	Operating income by country	Operating income by country



BEWI Insulation Scandinavia, Previously Jackon: *Industrial company that delivers building systems and insulation solutions of EPS and XPS to the construction and engineering industry.*



Shifting gear in the energy transition

KMC Energy, a KMC Properties subsidiary, offers solutions that secure tenants' reliable access to renewable energy and contribute to a more stable capacity on the grid, which will benefit local communities.

After a successfully complete pilot with one of the tenants from BE Form in 2022, the Kampenveien 5 facility produced 463 079.5 kWh of renewable energy in 2023.

The demand for renewable energy increases due to technological developments and a need for carbon reduction. However, renewable energy supply is unpredictable and requires high grid capacity to ensure access.

KMC Energy's storage solution optimises the production of solar power on sites and provides a feasible solution to manage peak load periods. This creates stability and predictability for tenants, as well as reduces costs for operators of the power grid.

Six of KMC Properties have installed solar cells on the ground, facades and/or roofs.

See ESG report, page 34, for more information

Executive management

Liv Malvik
Chief executive officer (CEO)

Liv Malvik has more than 10 years' experience as CEO for various real estate companies, including Heimdal Eiendomsmegling AS and Grilstad Marina AS. In addition, she was CEO for Inter Revisjon Norge AS for three years, and has close to 20 years' experience from banking, including management positions in Sparebank1 SMN and Fokus Bank AS. Malvik has a MSc in Business Administration from the Norwegian School of Economics (NHH).

At 31 December 2023, Malvik held 179 285 shares and 392 598 options in KMC Properties.

Kristoffer Holmen
Chief financial officer (CFO)

Kristoffer Holmen previously held the position as CFO of Storm Capital Management, and from 2018 to 2020 as CEO/CFO of Storm Real Estate ASA. Holmen is previously a state certified public accountant and prior to joining Storm Capital Management, he worked for PwC. He holds a BSc in Business and Administration and MSc in Auditing and Accounting from the Norwegian School of Economics (NHH). In addition, he has three years of law school at the University of Oslo.

At 31 December 2023, Holmen held 125 000 shares and 392 598 options in KMC Properties.

Audun Aasen
Chief operating officer (COO)

Audun Aasen has more than 15 years' experience from the construction and real estate sector, including as a property manager and real estate developer. He also has construction work experience.

Aasen has a university degree as real estate appraiser and technical construction controller, in addition to a carpentry master's degree.

At 31 December 2023, Aasen held 577 000 shares and 392 598 options in KMC Properties.

Ove Rød Henriksen
Chief accounting officer (CAO)

Ove Rød Henriksen previously held the position as CFO of Siva - Selskapet for industrivekst SF (The Industrial Development Corporation of Norway). Henriksen is a state authorised public accountant and prior to joining Siva, he worked as a Manager for Deloitte. He holds a MSc in Finance from Norwegian University of Science and Technology and a MSc in Accounting and Auditing from the Norwegian School of Economics (NHH).

At 31 December 2023, Henriksen held 9 630 shares and 392 598 options in KMC Properties.

Christian Linge
Interim head of M&A

Christian Linge has experience from the investment company Fredensborg where he spent three years at the company's investment team focusing on real estate. Prior to the position at Fredensborg Linge worked in the Investment Banking team at Pareto Securities.

Linge has a MSc in Finance and Accounting from Imperial Collage Business School and holds a Bachelor of Business Administration (BBA) from Norwegian Business School BI.

At 31 December 2023, Linge held 196 299 options in KMC Properties.

Board of directors

Bjørnar André Ulstein
Chair

Ulstein is the CEO of BEWI Invest, and brings experience from his tenure at DNB from 2008 to 2021. He served as a credit analyst and senior relationship manager within the corporate banking division, engaging with diverse sectors such as technology, real estate, manufacturing, and seafood-related activities. Ulstein joined BEWI Invest in 2021 as an investment director. He holds positions on the boards of various portfolio companies, including SinkabergHansen and BEFORM. Ulstein is a Norwegian citizen and has a Master of Science in Economics and Business Administration from NHH Norwegian School of Economics.

Ulstein is considered independent of the company's executive management and material business contacts, but not of the company's major shareholders.

Morten Eivindssøn Astrup
Director

Astrup is the owner of Surfside Holding AS, a major shareholder in Storm Real Estate, and Storm Norge AS (currently asset manager of Storm Real Estate) and has 30 years of asset management experience. He is a specialist in alternative investments, private equity and real estate. He has held board positions in several international companies and been an advisor to both private and institutional investors in Europe.

Mr Astrup holds a master's degree in business and economics from BI Norwegian Business School/ City University London. He is a Norwegian citizen and resides in Switzerland.

Astrup is considered an independent director of the board.

Mia Arnhult
Director

Arnhult is a current board member and the former CEO of M2 Asset Management AB. She held both positions in the period from 2017 until 2022 when she stepped down as CEO. From 2009 to 2022 she also held the position as CEO of M2 Gruppen. Arnhult is currently the chair of Devyser Diagnostics AB and Lidingöloppet, and a board member of M2 Gruppen AB. Previously, Arnhult has held several other long-term board positions in, among others, M2 Capital Management AB, Odd Molly International AB, Bactiguard Holding AB, Footway Group AB og Candix AB. In addition, Arnhult worked as an auditor at Grant Thornton Sweden from 1999 to 2004 and Alnebring Revision from 1995 to 1999. Arnhult studied economics at Lund University in Sweden.

Arnhult is considered an independent director of the board.

Jonas Grandér
Director

Jonas Grandér is the CEO and co-founder of Nordika, a position he has held since its incorporation in 2011, and serves at the board of directors of Logistea AB. Grandér has previously served as Executive Director and Partner of Lehman Brothers Real Estate Fund in London, United Kingdom from 2005 to 2007 and as Head of the Nordic region of Doughty Hanson & Co from 1999 to 2005. In addition, he previously worked at GE Capital Real Estate. Grandér holds a Master of Science from the Stockholm School of Economics.

Grandér is considered an independent director of the board.

Haakon Sæter
Director

Haakon Sæter has more than 30 years of experience from investments and capital markets. He is the owner of the two investment companies Six-Seven AS and Silvercoin Industries AS and has been an actively engaged through investments in several listed – and non-listed companies, as well as real estate development projects. Sæter is currently a board member of Pronofa ASA, in addition to several other private companies, and serves at the nomination committee for the listed companies Gentian Diagnostics ASA and Next Biometrics Group ASA.

Sæter is educated at the Oslo Business School.

Sæter is considered independent of the company's executive management and material business contacts.

Hege A. Veiseth
Director

Hege A. Veiseth is currently CFO of the Norwegian investment company Frøy Kapital AS, the third largest shareholder of KMC Properties ASA. Veiseth has extensive experience from finance and accounting, including the position as CFO for the listed media group Polaris Media ASA and the listed oil service company Electromagnetic Geoservices (EMGS) ASA. Veiseth currently serves at the board of directors of the herring company Grøntvedt Group AS, where she is also chair of the audit committee.

Veiseth holds a master's degree in economics and business administration from the Norwegian School of Economics (NHH) and is a certified accountant from BI Norwegian Business School.

Veiseth is considered independent of the company's executive management and material business contacts.

Marianne Bekken
Director

Marianne Bekken is a co-owner of Bekken Invest, indirectly a major shareholder through Bewi Invest AS, and takes part in strategic decisions in the family company. Marianne Bekken has actively worked in the organisation since 2013, as former CEO of KMC Properties and BEWI Insulation Norway. Bekken holds a Bachelor Degree in Bussiness and Marketing at BI University.

Bekken is considered independent of the company's executive management and material business contacts, but not of the company's major shareholders.

John Thoresen
Director

John Thoresen is currently partner and co-owner of BEWI Invest, the largest shareholder of KMC Properties. Thoresen has almost 20 years of experience from working as an auditor and was the CFO of Reitangruppen from 2002 to 2003. Thoresen established an investment firm in 2003, together with his brother, and has since then been actively involved in strategic- and financial development of the companies invested in. Thoresen has held several directorships, including the board of SalMar. Thoresen holds a Master in accounting from the Norwegian School of Economics (NHH).

Thoresen is considered independent of the company's executive management and material business contacts, but not of the company's major shareholders.

PSW Power & Automation (part of Scana ASA): *Provider of energy solutions for both on and off shore installations. Established at Ågotnes port. Area wich Bergen's new freight terminal is to be established.*

Board of directors' report 2023

In 2023, KMC Properties successfully executed key elements of its financial and growth strategy in a year defined by rising inflation and interest rates. The company reinforced its position and created a strong platform for continued growth in the industrial and logistics property segment in Northern Europe.

KMC Properties acquired seven properties, sold three properties, and completed Greenfield projects adding two properties to the portfolio. The gross asset value increased 15 per cent through 2023 to a total of NOK 6.2 billion at year end. The portfolio is valued by third parties quarterly and in 2023 this resulted in a negative fair value adjustment of 2.2 per cent, a significantly lower impairment than most peers have done this year, showcasing the robustness of the assets and tenants.

Acquisitions of new properties were the main driver behind a 50 per cent increase in rental income in 2023, up from NOK 273 million in 2022 to NOK 409 million. All KMC Properties lease contracts are CPI-adjusted annually. The 2023 adjustment represented a positive 7.5 per cent increase on overall rent. At the same time the vacancy rate remained low at 1.8 per cent and the weighted average lease term high at 11.4 years.

In 2023, KMC Properties successfully refinanced NOK 2.1 billion in interest-bearing debt at improved terms and raised NOK 275 million in new equity to support its acquisitions. The debt restructuring reduced the company's overall interest margin from 3.59 per cent at the end of 2022 to 3.21 per cent at the end of 2023 and increased the share of bank debt from 40 per cent to 68 per cent in the same period.

The company is committed to reaching its strategic gross asset value target of NOK 8 billion by the end of 2024. This includes investments in the existing portfolio, contract extensions, development projects and acquisitions. In the second half of 2023, KMC Properties agreed to acquire five additional properties, bringing the total gross asset value on a pro forma basis to NOK 6.6 billion during the first half of 2024.

KMC Properties has built and retained a lean organisation that is working towards its vision of becoming the preferred real estate partner for industrial and logistics companies.

Overview of the business

The board of directors' report for KMC Properties ("KMC Properties" or "the group") comprises KMC Properties ASA and all subsidiaries. The parent company, KMC Properties ASA, is a Norwegian public limited liability company.

Strategy and objectives

KMC Properties' objective is to be the preferred partner for logistic and industrial companies with a strategic focus on Northern Europe. The company invests primarily in logistics and industrial properties due to high returns, long lease agreements and stable occupancy rates in the commercial property segment. Within this strategy framework the company has set a target of reaching NOK 8 billion in gross asset value by the end of 2024.

The growth strategy consists of four key elements:

- **Acquisitions:** Continuous building of and execution on M&A pipeline based on a defined set of investment criteria.
- **Capital optimisation:** Continuously pursuing minimised cost of capital within prudent long-term financial structures.
- **Greenfield:** Development of new facilities with current or new tenants.
- **CAPEX:** Investments in existing properties and client relations, yielding higher rent and contract extensions.

The investments increase the group's cash flow and contribute to diversifying the group's property portfolio, reducing the group's operational and financial risks. All investments are made with a focus on creating long-term value for both investors and tenants, while minimising negative impacts on all three pillars of ESG: Environmental, Social and Governance.

Operations

KMC Properties owned a total of 66 properties in Northern Europe at the end of 2023, up from 61 properties at the end of 2022. The company's geographical footprint has during 2023 expanded from the Nordics and Netherlands, to include Germany, Belgium, and Poland. All properties are managed from the company's offices in Trondheim and Oslo, Norway.

Operations include investments in properties, including greenfield and development projects, upgrades and expansion of existing properties and acquisitions of new properties, as well as management of the properties owned by the group.

Most of the group's lease contracts are triple net bare house contracts, whereby maintenance, insurance and property tax are covered by the tenant. 99 per cent of the contracts are 100 per cent CPI adjusted.

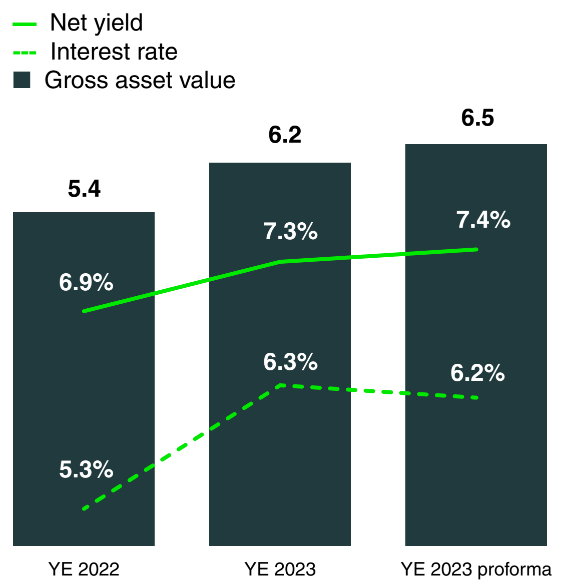
Property portfolio

All 66 properties owned at the end of 2023 are logistics and industrial properties. 34 in Norway, 11 in Denmark, 11 in Sweden, 4 in the Netherlands, 4 in Finland, 1 in Belgium and 1 in Germany . The total lettable area of the portfolio is 600 000 gross square meters rentable area.

See section "Our properties" on page 14 for more information.

Important events in 2023

In 2023, KMC Properties successfully executed large value adding transactions in its Acquisition- and Capital optimisation strategy. The company completed a large part of the transformative NOK 1.9 billion property transaction with BEWI ASA and successfully refinanced its senior secured bond and a fully drawn revolving credit facility. The transactions improved the group's debt structure and widened the company's access to capital, creating a strong platform for continued growth.



Acquisitions

In 2023, agreements to acquire twelve properties were announced, and a total of seven properties were acquired during the year and three properties were divested. Acquisition of the remaining five agreed properties is expected to be closed in the first half of 2024 and represents the last part of the large NOK 1.9 billion transaction with BEWI ASA announced in 2022, the "BEWI-transaction".

Acquisition of one logistic property in Narvik

On 2 January 2023, KMC Properties completed its acquisition of a logistic property, including a dry-, cold- and freeze storage facility outside Narvik in Norway, for a total transaction value of NOK 90 million. The annualised lease for the contracts amounted to NOK 5.7 million for 2023, and to NOK 8.0 million excluding CPI-adjustment for 2024. The contracts are subject to 100 per cent CPI adjustment from 1 January 2024.

The property is strategically located in a logistic hub south of Narvik city center, close to the E6 motorway, the railway and port terminal. The property has lease agreements with the Norwegian meat producer Kuraas AS with an initial lease of 15 years and with Servicegrossistene with an initial lease of 10 years. Both contracts have options to be extended.

Acquisition of four properties in the BEWI-transaction

On 31 March 2023, KMC Properties announced the acquisition of one Danish and three Finnish properties from BEWI ASA valued at approximately NOK 310 million. The properties have a rental income of DKK 3.5 million and EUR 1.6 million, giving a gross yield of approximately 7.7 per cent, and a WAULT of 17 years. The transaction also included a set of contractual changes on existing properties rented by BEWI valued at approximately NOK 40 million.

Acquisition of two properties in the BEWI-transaction

On 29 September 2023, KMC Properties announced the agreement to acquire seven properties from BEWI ASA for a total transaction value of NOK 625 million. The properties have an annualised rental income of NOK 54 million, 50 per cent CPI adjustment from 1 January 2024 and 100 per cent thereafter. The WAULT was 17 years, and the properties are located in Belgium, Germany and Poland.

Two of the seven properties were acquired during the fourth quarter of 2023 for a total of NOK 209 million. The acquisition of the remaining five properties is expected to be completed in stages during the first and second quarters of 2024.

Divestment of three properties

KMC Properties sold one property in Täby, Sweden during the fourth quarter of 2023 for NOK 64.7 million in line with the book value of the property. The valuation yield was 6.14 per cent and the WAULT of the lease contract was 4.1 years.

In addition, KMC Properties sold one vacant property in Levanger for NOK 29.3 million in the first quarter of 2023 and one smaller short-wault property in Fredrikstad for NOK 7.4 million in the fourth quarter 2023.

The divestments had a positive effect on KMC Properties' overall Net yield and WAULT.

Greenfield

In the third quarter, KMC Properties completed the development of a packaging hub at Hitra in Norway. The annualised lease for 2023 is NOK 10.5 million, and the lease contract has a WAULT of 15 years. The yield-on-cost was 7.5 per cent.

In the fourth quarter, KMC Properties finished construction of a storage building in connection with the built packaging hub at Hitra. The annualised lease for 2024 is NOK 3.0 million representing a yield-on-cost of 7.5 per cent and the lease contract has a WAULT of 10 years.

Investments in existing properties ("CAPEX")

KMC Properties maintains its close relations to tenants by actively engaging in property development activities. Key efforts have been focused on mapping the energy classification of the entire portfolio and analysing feasible measures to improve the buildings' performance and classification character in accordance with the EU requirements.

In the fourth quarter, KMC Properties started the building of an extension of 3 300 square meters for its tenant on the property Skelvej 1, Thorsø in Denmark. The annualised lease is estimated to DKK 2.3 million with a yield on cost of 8.5 per cent. The project is expected to be completed in the first half of 2024.

Capital optimisation

In July 2023, KMC Properties completed the refinancing of its NOK 1 850 million senior secured bond loan and its NOK 200 million fully drawn revolving credit facility. The refinancing resulted in an overall interest margin of 3.32 per cent plus floating interest on the company's total interest-bearing debt of approximately NOK 3 484 million, down from 3.49 per cent plus floating interest previously. On 31 December 2023, bank debt represented 68 per cent of overall debt compared to 40 per cent on 31 December 2022. During 2023, KMC Properties also entered into interest rate swaps securing 47 per cent of floating interest at attractive terms.

In connection with the completion of the announced BEWI-transaction, acquisitions of five properties are expected to be completed in the first half of 2024. To finance these transactions the company will draw additional NOK 290 million bank debt from Nordea Denmark, which will lower the overall interest margin for KMC Properties to 3.12 per cent.

The bank loan will be secured against parts of the Danish portfolio which are currently pledged in KMC Properties' senior secured 23/26 bond. The Danish properties will be sold from the bond portfolio and replaced by the properties acquired in this transaction. Following the completion of the transactions, KMC Properties will have gross interest-bearing debt of approximately NOK 3.8 billion, consisting of NOK 2.9 billion of bank debt and NOK 900 million in senior secured, callable bonds.

The announced acquisition is further financed by new equity which has been subscribed by Nordika in two separate private placements, NOK 275 million in November 2023 and NOK 130 million in February 2024. Nordika is a large Nordic real estate investor representing institutional capital with approximately SEK 6 billion of assets under management and indirect ownership in two listed companies representing another SEK 12 billion in total value. Nordika has a long-term approach based on supporting companies' growth trajectories.

Capital optimisation efforts in 2023 has secured access to a wider range of capital sources capable of funding KMC Properties growth strategy.

KMC Properties has a goal to have an interest rate hedge ratio between 40 to 60 per cent, and a weighted average length to maturity on the hedges between 2 to 8 years.

Financial review

The following financial review is based on the consolidated financial statements of KMC Properties ASA and its subsidiaries. The statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Profit and loss

KMC Properties had a total rental income of NOK 409 million for 2023, up 50 per cent from NOK 273 million for 2023. The majority of the growth is related to acquisitions of new properties, while 7.5 per cent is related to CPI adjustments.

Most of the group's lease agreements are triple net bare house agreements, which keeps direct property costs relatively low. The net operating income amounted to NOK 404 million for the full year of 2023, up from NOK 270 million for 2022.

Administration expenses amounted to NOK 56 million for 2023, compared to NOK 52 million for 2022. The cost increase relates to strengthening of the organisation with more employees and general increase in administration costs as a result of an increased portfolio.

Net realised financials amounted to negative NOK 200 million for 2023 compared to negative NOK 122 million last year. The cost increase relates to higher interest-bearing debt and higher interest rates.

KMC Properties recorded net income from property management of NOK 149 million for 2023, up from NOK 96 million for 2022.

Net unrealised financials amounted to negative NOK 18 million for 2023 compared to NOK 35 million last year. The amount consists primarily of foreign exchange gains and losses, including such gains and losses on intercompany balances, and amortisation of debt issue costs.

Change in the value of financial instruments was negative NOK 65 million for 2023 compared to NOK 110 million for the previous year, reflecting value changes in interest swaps and currency swaps.

Change in value of investment property was negative NOK 117 million for 2023 compared to a NOK 41 million increase for the previous year, reflecting a 2.2 per cent value adjustment in 2023.

Tax expense for 2023 was NOK 26 million, of which NOK 20 million is tax payable and the remaining NOK 6 million is change in deferred tax. For 2022, the tax expense was NOK 38 million.

The loss from discontinued operations was NOK 0.1 million for 2023 compared to a loss of NOK 81 million in 2022.

Net profit was negative NOK 78 million for 2023 and NOK 163 million for 2022, while total comprehensive income came in at NOK 1 million for 2023 and NOK 217 million for 2022.

Cash flow

Operating activities generated a cash inflow of NOK 357 million for 2023 and NOK 279 million for 2022.

Investment activities, including investments in upgrade projects and new facilities, as well as acquisitions of new properties, generated a cash outflow of NOK 766 million for 2023 and NOK 1 357 million for 2022.

Financing activities led to a cash inflow of NOK 510 million for 2023 due to an increase in interest bearing debt and equity issues. For 2022, financing activities led to a cash inflow of NOK 1 053 million.

Financial position

KMC Properties' non-current assets amounted to a total of NOK 6 337 million on 31 December 2023, up from NOK 5 580 million on 31 December 2022.

Oppdal Spekemat AS: Produces cured meats, mainly based on local ingredients.

KMC Properties' investment properties were valued at NOK 6 153 million at year-end 2023, up from NOK 5 366 million at the end of 2022. Transactions added NOK 571 million, developments and upgrades NOK 205 million, and currency effects NOK 129 million. Fair value adjustments of properties experienced a negative impact of NOK 117 million, representing a 2.2 per cent adjustment. The portfolio is valued by independent external valuers quarterly.

On 31 December 2023, other assets consisted primarily of right-of-use assets of NOK 23 million, interest rate and currency rate swap agreements of NOK 149 million, other non-current assets of NOK 12 million, trade receivables at NOK 5 million, other current assets of NOK 24 million, as well as NOK 275 million in cash and cash equivalents.

Total non-current liabilities amounted to NOK 3 342 million at the end of the year, up from NOK 1 420 million at the end of 2022. In 2022, KMC Properties' NOK 1 850 million bond loan was classified as a current liability as it was approaching maturity, explaining the large year over year change in the account.

At the end of 2023 non-current liabilities consisted of interest-bearing liabilities of NOK 3 164 million, deferred tax liabilities of NOK 136 million, land lease liabilities of NOK 24 million and other non-current liabilities of NOK 18 million. Total current liabilities amounted to NOK 501 million, down from NOK 1 984 million, and consisted of interest-bearing liabilities of NOK 363 million, trade payables of NOK 22 million, current tax liabilities of NOK 12 million and other current liabilities of NOK 103 million.

Total equity was NOK 2 799 million on 31 December 2023, representing an equity ratio of 42 per cent, compared to NOK 2 377 million at the end of 2022 representing an equity ratio of 41 per cent.

Parent company accounts

The parent company had a loss before taxes of NOK 2 million for 2023, and a change in deferred tax assets of NOK 1 million, recording a net loss of NOK 1 million. As a comparison, the parent company had a profit before taxes of NOK 108 million for 2022, and a change in deferred tax assets of negative NOK 36 million, thus recording a net profit of NOK 72 million for 2022.

Going concern

The annual financial statements for 2023 have been prepared on the assumption that KMC Properties ASA is a going concern pursuant to section 3-3a of the Norwegian Accounting Act.

With reference to the section under financial risk, the board is of the opinion that the successful recent debt refinancing and successful financing of transactions in 2023 has improved KMC Properties financial risk profile.

With reference to the group's results and financial position, as well as forecasts for the years ahead, the conditions required for continuation as a going concern are hereby confirmed to exist. In the opinion of the board of directors, the group's financial position is good.

Risks and mitigating factors

KMC Properties is subject to several risks, including market, operational and financial risks. Throughout 2023 KMC Properties had several third parties, including equity investors, banks and fixed income investors thoroughly assessing the company's property portfolio, tenants' business model and strategy. The successful completion of a large refinancing and equity raise in a year defined by rising inflation and interest rates, is a testament to the company's risk management. However, the company will continue to monitor risk and improve its risk management.

Market risk

The group is exposed to the economic cycle and macroeconomic fluctuations affecting commercial real estate, as well as industry specific market risks for industrial and logistics properties. The level of inflation, interest rates and the rate of economic growth, could materially affect the value of the group's assets. In practice, an economic downturn may decrease the market value the group's properties. Reductions in property value would have a negative impact on the group's future earnings and financial position.

To mitigate the market risk, KMC Properties operates with a strict investment criteria screening for industrial and logistics properties at strategic locations that either has a high likelihood of industry and tenant agnostic alternative use, high likelihood of alternative use within the specific industry in which the tenant operates, or high likelihood of alternative use within the tenants' operations.

In total, including five agreed purchases to be executed in the first half of 2024, KMC Properties has exposure to a total of 71 properties, of which 56 properties are located in industrial clusters. 50 properties are flexible units, while 13 are industry critical and 8 tenant critical. All properties are valued by third parties on a quarterly basis and through the refinancing and portfolio expansion in 2023 the properties were thoroughly analysed by banks and investors.

Operational risk

The group owned 66 properties at year end 2023. The weighted average unexpired lease term (WAULT) of the contracts for the properties was 11.4 years. In the event the group is unable to let its properties upon expiry of lease agreements or if lease agreements are terminated, the group will have a rental shortfall, and may be obliged to cover the common costs for the vacant areas until the property is re- let currently covered by the tenants through the structure of triple net bare house contracts.

Further, the failure by tenants of the group to meet their obligations could also result in loss of rental income for the group and could lead to a decrease in the value of the group's properties which in turn would negatively affect the group's financial condition.

KMC Properties has successfully increased the WAULT of the overall property portfolio in 2023, through expansion, contract renewals and sale of one low-WAULT property, in line with its strategy. In addition, the expansion of the portfolio has gained a wider exposure to end markets and regions of which the tenants are exposed to reducing the concentration risk. However, the company has large exposures to its two largest tenants Insula and BEWI, representing 13 per cent and 50 per cent of the overall portfolio valued at 31 December 2023.

***BEWI on Hitra:** Modern and efficient factory for the production of fish boxes.*

Financial risks

Failure to comply with covenants in financing arrangements may have a material adverse effect on the company. If the company breaches covenants under the loan agreement for the senior secured callable bonds of NOK 900 million issued by the company, this loan may be subject to an immediate re- payment obligation. The senior secured bond loan has a maturity date on 6 July 2026.

In 2023, KMC Properties successfully refinanced its senior secured NOK 1 850 million bond and a fully drawn NOK 250 million revolving credit facility, effectively improving the debt structure of the group. At the start of the year bank debt represented 40 per cent of the company's overall interest-bearing represented by five independent bank relationships in Norway and Sweden. On 31 December, the share of bank debt was 68 per cent represented by six independent bank relationships including a new bank in Denmark. The refinancing reduced KMC Properties overall interest margin.

Any breach of existing or future debt covenants and undertakings with a subsequent claim for repayment in full or in a part of the outstanding debt will have a material adverse effect on the group's financial position, operations, and prospects.

Risks related to the valuation of the property portfolio

The group's investment properties are measured at their fair value by independent external valuers.

The valuations are based on the individual property's assumed future cash flows, and property values are arrived at by discounting cash flows with an individual risk-adjusted required rate of return. The valuations are based on the information it has received from the group, including lease contracts, estimated development costs, and expected lettable area, estimated future market rents, yields, inflation and other relevant parameters. Valuers have not undertaken any technical inspection of the properties nor made any assessment of legal concerns related to the properties.

Because of the uncertainty surrounding the input, in particular with respect to expected market rents, discount rates and inflation, estimates of sellable or lettable areas and estimated development costs for projects still in development, there can be no assurance that the fair values assigned to the group's properties accurately reflect the proceeds that the group will be able to generate from any sale of such properties in the future.

Revised valuation techniques, erroneous valuations in connection with acquisition of property portfolios and other unforeseeable events could result in the group being unable to achieve its projected yields and could have significant adverse effects on the group's business, financial condition, results of operations and cash flows.

Foreign exchange

The group is exposed to foreign currency exchange rate fluctuations. The group operates internationally, and a significant part of its business is conducted in countries with other currencies than NOK, which is the group's functional currency, with rental income from the group's properties being received in DKK, SEK and EUR, in addition to NOK. Consequently, fluctuations in DKK, SEK, and EUR against NOK could adversely affect the financial results of the group.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding to meet obligations when due and to close out market positions. The group's strategy for managing liquidity risk is to have sufficient liquidity at all times to meet its financial liabilities at maturity, both under normal and exceptional circumstances, without risking unacceptable losses or at the expense of the group's reputation.

For a full overview of the potential risks and uncertainties relating to the group's business and the industry in which it operates, please refer to the notes to the financial statements.

Environmental, Social and Governance

KMC Properties sets high ethical standards, and communication with the outside world is to be open, clear, and honest. The group is responsible for ensuring safe and good workplaces in the local communities where it is present. KMC Properties seeks to create value for society, customers, employees, and shareholders.

KMC Properties does not pollute the external environment to any material extent and does not have operations that require special discharge permits or cleaning measures. Waste is sorted according to the requirements applicable at the various locations.

KMC Properties is subject to corporate responsibility reporting requirements under section 3-3c of the Norwegian Accounting Act. A separate ESG report is included in this annual report, which has been prepared with reference to the Global Reporting Initiative (GRI) Standards (2021). The report covers material environmental, social, and economic impacts and the management approach of KMC Properties for the calendar year 2023. The report aligns with the company's financial reporting period.

KMC Properties is conscious of its role in society related to combating corruption and operates with a high level of transparency. The board is not aware of any cases of corruption related to the group's operation and will continue to focus closely on this in the future.

Employees and organisation

The employees are KMC Properties' greatest asset, and the competence of the employees represents a competitive advantage for KMC Properties.

KMC Properties had 14 full-time employees at the end of 2023, an increase of two employees since the end of 2022. All employees are based in Trondheim and Oslo, Norway.

There were no serious work-related accidents in 2023 or 2022. Sick leave in KMC Properties was 1.1 per cent in 2023, compared to 1.1 per cent in 2022.

Equal opportunities

KMC Properties is committed to ensuring that people with different backgrounds, irrespective of ethnicity, gender, religion, sexual orientation, or age, should all have the same opportunities for work and career development at the company.

KMC Properties takes its social responsibility seriously. In addition to ensuring that the work is carried out safely this involves respecting the freedom of association and not accepting any form of forced labour, child labour or work-related discrimination.

The corporate management team has four male and one female member, who is the chief executive officer (CEO). The board of directors has five male and three female members.

KMC Properties has an insurance covering the responsibilities of the board of directors, the CEO and other senior management.

Corporate governance

Good corporate governance provides the foundation for long-term value creation, to the benefit of shareholders, employees, and other stakeholders. The board of directors of KMC Properties has established a set of governance principles to ensure a clear division of roles between the board of directors, the executive management, and the shareholders. The principles are based on the Norwegian Code of Practice for Corporate Governance.

KMC Properties is subject to annual corporate governance reporting requirements under section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, cf. section 4.4 of the Oslo Rule Book II, rules for issuers listed at the Oslo Børs.

The Accounting Act may be found (in Norwegian) at www.lovdata.no. The Norwegian Code of Practice for Corporate Governance, which was last revised on 14 October 2021, may be found at www.nues.no.

The annual statement on corporate governance for 2023 has been approved by the board and can be found in a separate section of this annual report.

Sustainability

KMC Properties reporting pursuant to the Transparency Act is referenced on page 47 of the integrated ESG report.

Share and Shareholders

KMC Properties ASA is listed on the Oslo Børs, the Oslo Stock Exchange, under the ticker KMCP. As of 31 December 2023, the company had a total of 394 129 580 outstanding shares, each with a nominal value of NOK 0.20. KMC Properties has one share class, and all shares have equal rights. The shares are registered in the Norwegian Central Securities Depository (VPS). The company's registrar is DNB Markets. The shares carry the securities number ISIN NO 001 0360175.

20 largest shareholders on 31 December 2023

Name	Shares	% of shares
BEWI Invest AS	139 019 470	35.3
Haas AS	76 875 801	19.5
Nordika	50 054 500	12.7
M2 Asset Management AB	41 627 422	10.6
Frøy Kapital AS	13 020 833	3.3
Surfside Holding AS	10 000 000	2.5
Credit Suisse (Luxembourg) S.A.	6 500 000	1.6
Constructio AS	5 607 141	1.4
Formo AS	3 740 000	0.9
Skandinaviska Enskilda Banken AB	3 618 890	0.9
Lin AS	2 926 942	0.7
Skandinaviska Enskilda Banken AB	2 774 643	0.7
Banan II AS	2 768 704	0.7
Skandinaviska Enskilda Banken AB	2 760 000	0.7
Skandinaviska Enskilda Banken AB	2 258 858	0.6
Kastor Invest AS	2 242 856	0.6
NRP Anaxo Nordic M2	1 956 642	0.5
Magnum AS	1 622 068	0.4
Overaae Holding AS	1 428 571	0.4
Skandinaviska Enskilda Banken AB	1 177 948	0.3
Top 20 shareholders	371 981 289	94.4
Other 1633 shareholders	22 148 291	5.6
Total	394 129 580	100.0

Share issues

On 19 April 2023, KMC Properties registered 20 235 931 new shares in connection with the settlement of the acquisition of four properties from BEWI ASA. The new shares were a part of the settlement of the property transaction and were issued at a share price of NOK 7.33 per share corresponding to NOK 148 million. The new shares were issued pursuant to an authorisation granted by the company's general meeting on 28 February 2023. Following the transaction BEWI ASA held 8.4 per cent of the shares in KMC Properties.

On 3 November 2023, KMC Properties registered 50 000 000 new shares in connection with the settlement of two of seven properties in the last part of the large property transaction with BEWI ASA announced in 2022. The new shares were issued raising new equity from Nordika through its fully owned subsidiary Flugfiskaren AB to finance the property transaction with BEWI ASA. The share capital increase was resolved pursuant to an authorisation granted by the company's general meeting on 11 May 2023. Following the transaction Nordika holds 12.7 per cent of the shares in KMC Properties.

General meetings

On 28 February 2023, KMC Properties held an extraordinary general meeting. All resolutions proposed by the board were approved, including the recommendations made by the nomination committee.

Board members Anna Aanensen and Stig Wærnes resigned from their positions, and Haakon Sæther and Hege A. Veiseth were elected as new members.

On 11 May 2023, KMC Properties held its annual general meeting. All resolutions proposed by the board were approved, including the recommendations made by the nomination committee.

On 1 December 2023, KMC Properties held an extraordinary general meeting. All resolutions proposed by the board were approved, including the recommendations made by the nomination committee.

Bjørnar Andre Ulstein was elected as Chair and Jonas Grander was elected as board member.

KMC Properties' annual general meeting for 2024 is planned to be held on 15 May 2024.

Subsequent events

Nordika exercising of call option

On 16 January 2024, Nordika Blue AB ("Nordika") notified KMC Properties of the exercise of its call option for the total of 22,608,696 new shares, that will be issued to Flugfiskaren AB a wholly-owned subsidiary of Nordika. The subscription price is NOK 5.75 per share, representing a total amount of NOK 130 million. Following the transaction Nordika holds 17.4 per cent of the shares in KMC Properties.

Extraordinary general meeting

On 2 February 2024, KMC Properties held an extraordinary general meeting proposed by KMC Properties fourth largest shareholder M² Asset Management AB. A proposal to elect Mia Arnhult as a new member of the board of directors was brought forward and approved.

Outlook

In 2023, KMC Properties increased its property portfolio net five properties and grew the value of its investment portfolio (GAV) from NOK 5.4 billion to NOK 6.2 billion. The group remains committed to its investment strategy, focusing on properties in Northern Europe with solid tenants in selected industries, in addition to greenfield and yielding capex projects in collaboration with current and future tenants.

The macroeconomic environment is characterised by high uncertainty. In particular, the significant increase in interest rates the last year impacts the real estate industry. However, KMC Properties' portfolio of high yielding logistic and light industry properties with solid tenants and long lease contracts, combined with its 100 per cent CPI adjustments on almost all lease agreement, provide the company with a comfortable headroom towards its covenants. Further, the company's improved financial structure and debt terms in 2023, with a wider access to banks and investors, creates a solid foundation for further growth. Already in the first half of 2024, the company intends to execute on agreed transactions of five properties.

KMC Properties' key priorities in 2024 is to integrate its recently acquired properties, further developing and executing on its pipeline of M&A opportunities, while securing progress in ongoing development projects. The development will be in line with the company's strategy, acquisition criteria and vision to be the preferred real estate partner for industrial and logistics companies.

The board considers KMC Properties to be well positioned to tackle the challenging macro environment and reach the company's target of reaching a NOK 8 billion real estate portfolio by the end of 2024.

When the company has sufficient liquidity, the board of directors intends to propose to the general meeting to pay dividends in line with the company's dividend policy of 30 to 50 per cent of cash earnings.

The board wishes to express its gratitude to KMC Properties' employees, including the executive management, for their dedicated efforts, contributing to KMC Properties' strong growth and successful development.

Responsibility statement by the board of directors and CEO

We confirm, to the best of our knowledge, that

- The group financial statements for the period from 1 January to 31 December 2023 have been prepared in accordance with IFRS, as adopted by the EU
- The financial statements of KMC Properties ASA for the period from 1 January to 31 December 2023 have been prepared in accordance with IFRS, as adopted by the EU, and accounting standards and practices generally accepted in Norway
- The financial statements give a true and fair view of the group and the company's consolidated assets, liabilities, financial position, and results of operations
- The report of the board of directors provides a true and fair view of the development and performance of the business and the position of the group and the company, together with a description of the key risks and uncertainty factors that the group and the company is facing

Trondheim, Norway, 21 March 2024

The board of directors and CEO, KMC Properties ASA

Bjørn André Ulstein
Chair

Morten Eivindssøn Astrup
Director

Mia Arnhult
Director

Jonas Grandér
Director

Haakon Sæter
Director

Hege A. Veiseth
Director

Marianne Bekken
Director

John Thoresen
Director

Liv Malvik
CEO

Environmental, social and governance report

KMC Properties is experiencing a growing emphasis on Environmental, Social and Governance (ESG) concerns from financial institutions, regulatory stakeholders, and society at large. The employees and management of KMC Properties are dedicated to professionally engaging with ESG, considering it an ongoing and evolving process.

In 2023, there have been several regulatory developments that will guide KMC Properties' continued work with ESG. The Corporate Sustainability Reporting Directive (CSRD)[1] was adopted by the European Union (EU) and is likely to be implemented in Norwegian law. KMC Properties will have to comply with this in 2026, reporting for full year 2025. The company will start preparing for CSRD in 2024.

Energy efficiency in focus

The EU updated the EU Directive on the Energy Performance of Buildings (EPBD) in 2023, which aims to contribute to reducing emissions and enhancing energy efficiency in buildings in accordance with the overall environmental goals of the Union. The formal adoption process of the revised directive will start early 2024. In preparation for the EU Taxonomy[2], KMC Properties has mapped the energy labelling of its properties in 2023. This will inform the company's strategy regarding how to meet the expectations set out in the updated directive. In July 2023, the climate accounting requirement for new buildings, including commercial buildings, came into force through the Norwegian technical building regulations (TEK17). This will impact how KMC Properties plans greenfield projects going forward.

More extreme weather

The frequency and severity of extreme weather events is increasing, posing risks to KMC Properties' assets and operations. KMC Properties acknowledges the importance of understanding and managing climate-related risks concerning the current and future property portfolio. In 2023, KMC Properties therefore started conducting physical climate risk assessments of current portfolios. This will also be integrated in the due diligence procedures in future acquisitions going forward.

Employee satisfaction survey

KMC Properties conducted an employee satisfaction survey in 2023, which was followed by a collaborative session with the management team to analyse the results and discuss strategies for further improvement. Notably, the company achieved a satisfactory 69 per cent positive response rate on overall job satisfaction. KMC Properties remains committed to employee well-being, using survey findings to guide upcoming initiatives.

KMC Properties' progress

A set of targets for ESG initiatives and management action points was communicated in the 2022 report. Below is a status of the work completed so far.

1) The Corporate Sustainability Reporting Directive (CSRD) and the associated European Sustainability Reporting Standards (ESRS) have been adopted by the European Commission to expand the existing, non-financial reporting requirements for companies. The CSRD aims to enhance corporate transparency and sustainability reporting by introducing more comprehensive and standardised disclosure obligations.

2) EU Taxonomy, a classification system for sustainable economic activities developed by the EU set to be implemented in Norwegian law.

Synprodo by BEWI: Produces EPS and EPP products to a variety of industries including Horticulture, automotive industry, food sector and pharmaceutical industry.

Target set in 2022	Status 2023
Employ an ESG Manager	Completed (50% FTE)
Prepare for reporting alignment with the EU taxonomy	Commenced
Further develop acquisition procedures to include environmental issues	Completed
Collect energy performance certificate (EPC) for the entire portfolio	Completed
Develop procedures to ensure diversity in the recruitment process	Completed
Conduct employee surveys	Completed
Continue supplier assessments and monitoring	Completed
Perform a physical climate risk assessment and create a plan to mitigate the risks	Commenced
Conduct a Double Materiality Assessment	Postponed to 2024
Conduct a gap analysis in preparation for the Corporate Sustainability Reporting Directive	Postponed to 2024
Develop a carbon emission reduction strategy	Postponed until baseline is established

2023 in numbers

- 17 tenants
- 66 properties in 7 countries
- 0.89 CO_2-e/m^2
- Capital expenditure NOK 205.3 million
- 75 per cent waste sorted on our construction sites
- 643 080 kWh renewable energy produced on our properties
- 3 serious injuries
- Gender balance:
  - Board of directors: Three women, five men
  - Executive management: One woman, four men
- Zero incidents of corruption

About this report

This is the third ESG report published by KMC Properties. It is prepared with reference to the Global Reporting Initiative (GRI) Standards (2021) and covers the 2023 calendar year.

The GRI Standards are the world's most widely used sustainability reporting standards. The report covers material environmental and social impacts and the management approach of KMC Properties. Previous reports can be found on the KMC Properties website.

The report has been approved by KMC Properties' Board of Directors. Feedback on this report is appreciated and can be directed to haavard.vatnan@kmcp.no.

Scope and boundaries

Information and data in the report concerns all of KMC Properties' properties and activities unless otherwise stated. The report sets out to disclose data about ongoing operations on properties, completed greenfield projects and KMC Properties' own operations for 2023. The intention of the report is to disclose the management approach in regard to the company's own operations as well as key parts of its value chain e.g. tenants.

Scope 3 GHG accounting

The Building Technical Regulations (TEK17) § 17-1 requiring greenhouse gas accounting for new residential and commercial constructions came into effect on 1 July 2022, with a one-year transition period. KMC Properties currently has no CAPEX projects within the scope of this reporting[3]. The Scope 3 GHG accounting includes the company's Scope 1 and 2, as well as Scope 3 categories for Business Travel and Downstream Leased Assets.

Employees

KMC Properties had 14 full-time employees at the end of 2023. The company had a turnover rate of zero per cent in 2023 and welcomed one new member to the team. All employees are based in Trondheim and Oslo, Norway.

Tenants and properties

In 2023, KMC Properties had 17 tenants. The number of properties has grown from 61 in 2022 to 66, including greenfield projects.

Data collection and consolidation

Stakeholders demand precise ESG data, making accurate collection crucial for KMC Properties. The company efficiently manages Environmental, Social, and Governance (ESG) data using reporting software, incorporating input from tenants to ensure high-quality consolidation for informed decision-making.

In 2023, 10 out of 17 tenants provided data for this ESG report, and data from 55 out of 66 properties was collected, resulting in an 82 per cent completion rate. All of these provided environmental data related to spills, while 20 properties provided data on health & safety issuesrate. All of these provided environmental data related to spills, while 20 properties provided data on health & safety issues.

ESG in KMC Properties

KMC Properties is a real estate company creating value from investing in industrial and logistical properties. The company's vision is to be a leading real estate partner known for quality, innovation and supporting its tenants.

Managing sustainable risks and opportunities is fundamental to achieving this vision, creating value for society, and generating returns for investors. KMC Properties mainly enters triple net bare-house lease agreements whereby maintenance, insurance and property tax are covered by the tenant. In greenfield projects, the company holds the entire legal responsibility as a landlord to ensure that the project develops according to KMC Properties' standards and goals, as well as all applicable laws and regulations.

Purpose

KMC Properties is a real estate company creating value from investing in industrial and logistical properties.

Vision

KMC Properties will be a leading business partner to European industries, known for quality, innovation and properties that support their tenants in achieving their goals.

Responsibility

The board of directors holds the overall responsibility for ensuring KMC Properties' responsible implementation of ESG issues and has approved this report. The ESG Manager and key functions, manage ESG issues on a day-to-day basis and report directly to the CEO. The board is continuously informed of ESG issues and decisions. The reporting lines from properties to top management are made by selected employees who obtain the necessary information and thereafter send it on to management.

Risk management

Transitioning into a low-carbon and just society poses risks and opportunities to all businesses. Understanding how to manage these will be essential for KMC Properties to succeed. In 2023, KMC Properties conducted a physical climate risk assessment to complement its existing risk management system. Operational risks such as health and safety will be incorporated in 2023.

The company has established processes to mitigate risks in mergers and acquisition processes, including technical, juridical, environmental, and financial due diligence procedures.

3) In 2023, KMC Properties executed a CAPEX project surpassing the threshold of NOK 40 million, known as Hitra I. The application for the building permit associated with this project was submitted to the municipality prior to 1 July 2023. Consequently, the project falls within the transition period, exempting it from the obligation to conduct greenhouse gas accounting.

***PSW Technology (part of Scana ASA):** Providing complete lifecycle services towards specialised well equipment and offshore wind installations. Subsea and yard facilities located at Mongstad Base.*

Governing documents

KMC Properties updated and developed its governing documents concerning ESG in 2022. All were approved by the board, signed by the company's CEO and are readily available on the company website (https://www.kmcp.no/) alongside other governing documents.

- Code of conduct
- Environmental policy
- Human Rights Policy
- Supplier code of conduct
- Whistleblowing mechanism

Materiality assessment and strategic priorities

The materiality assessment was carried out by an independent specialist using the GRI-3 Materiality Standard. Stakeholders, including banks, investors, employees, and tenants were interviewed. In these interviews, potential and actual impacts caused by KMC Properties' activities to the environment, society and economy were assessed according to their significance. Additionally, the financial materiality of the topics was discussed and incorporated into the list of material topics.

KMC Properties plans to undertake a Double Materiality Assessment (DMA) aligned with the guidelines of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS) in 2024.

	No financial impact	Financial impact
High external impact	■ **Biodiversity:** – *Waste and pollution from tenants* ■ **Material and resources:** – *Use of materials in construction, scarce or non-recyclable*	■ **Climate change:** – *Emissions from construction and rehabilitation* – *Emissions from tenants' use of property* ■ **Health and safety** – *Injuries among contractors, suppliers, and tenants* ■ **Labor and human rights** – *Working conditions and structure*
Medium external impact	■ Negative impact on communities: – *Reduction in well-being of immediate surroundings of properties*	■ **Waste and pollution:** – *In connection with construction or rehabilitation* ■ **Circular economy:** – *Contributions through material selection* ■ **Labor and human rights:** – *Violation of indigenous rights* ■ **Illegal or unethical practices in own operation or supply chain**
Low external impact	■ Biodiversity: – *Sourcing of raw materials for construction* ■ Positive impact on communities: – *Employment and business opportunities*	■ Discrimination: – *Hiring practices and pay level* ■ Tax contributions: – *Ownership structure and tax practices*

Climate change and environment:

- Climate-related risks and opportunities
- Greenhouse gas emissions
- Energy efficiency in buildings
- Circular economy
- Pollution and spills from properties
- Biodiversity on properties

Social issues:

- Health and safety on properties, construction sites and in transportation services
- Diversity and equality in own operations
- Rights of indigenous people

Governance issues:

- Anti-corruption
- Ethical supply chain management

KMC Properties' ESG strategy sets a clear purpose and vision for KMC Properties and defines four pillars (referenced in the accompanying table) to uphold its ESG work towards 2030.

The strategy was developed in October 2022 and involved the entire management team. It was approved by the board on 17.11.22.

Strategic pillar and ambitions for 2030	2026 targets	Status 2023
Long-term thinking KMC Properties' decisions today determines its ability to adapt to a low-carbon and just economy.		
Being considered an ethical and sustainable market player.	Zero reported corruption incidents	0 reported corruption incidents
	100% of portfolio properties assessed for physical climate risk	100%
	Map climate-related risks and opportunities for the main sectors that KMC Properties serve and update acquisition strategy	Commenced
KMC Properties actively working to reduce emissions across its value chain.	Develop absolute and/or intensity-based GHG-reduction targets for KMC Properties	Not started
Internal competency KMC Properties is a lean organisation, and every employee counts towards its success.		
Being an employer where employees experience a clear purpose in their work and be given equal opportunities to grow.	85% satisfaction rate on survey	Project conducted with external partner with conclusion shared in the social chapter.
	Minimum 40/60 (%) gender balance	Board of directors: 37.5%/62.5% (women/men) Management team:20%/80% (women/men) Employees: 35.7%/64.3% (women/men)
	Zero incidents of discrimination	Zero reported incidents of discrimination
Partnerships with tenants Ensuring good cooperation with tenants creates value and reduce risks for both parties.		
Being considered an attentive landlord supporting its tenants.	100% completion rate of planned visit inspections per year	20/20 planned visit inspections carried out
Strengthening tenant relationship by encouraging sustainable practices and offer green solutions.	100% of tenants communicate their climate accounting (minimum scope 1 and 2)	17.6% of tenants report that they have climate accounting
	25% of portfolio produce renewable energy	9% of properties have had renewable energy technology installed
	Zero spills from tenants' operation	There were 12 minor spills reported from tenants
Providing safe and healthy and fair working conditions on for workers on its properties.	Zero HSE incident reported from KMC Properties tenants	Zero fatalities Zero high-consequence work-related injuries (excluding fatalities 28 recordable work-related injuries
Future-fit properties A building, with all its components, has significant environmental and social impacts throughout its lifetime.		
Building robust, flexible, and low carbon buildings	Reduce waste generation on construction sites	Data not available
	Minimum sorting rate of 70% on construction sites	75.41% and 73.67% rates for the two greenfield projects completed in 2023
Ensuring the health and safety, as well as good working conditions, on greenfield and brownfield projects	Zero serious accidents on construction sites	No serious accidents
Engaging with contractors and suppliers that actively work to reduce their negative impacts on construction sites and in supply chain.	All suppliers have due diligence procedures in place in accordance with EU regulatory requirements	4 Suppliers

JACKON Insulation by BEWI: *Producing high-quality insulation materials and construction products for over 35 years. Their expertise lies in creating materials from extruded polystyrene foam (XPS)*

Environment

KMC Properties' impact on the environment occurs through its tenants' operations, capital expenditure projects in current portfolio and greenfield projects for new constructions. The company's environmental risks and opportunities have an impact on its assets, reputation and strategic decision making.

KMC Properties' strategy communicates its commitment to operating in an environmentally sustainable manner and to ensure that its properties are future-fit for the planet and society.

Close cooperation with tenants and contractors is necessary for KMC Properties to succeed in reaching its environmental targets and ambitions. KMC Properties seeks to be a partner for green solutions.

Key environment-related material topics:

- Climate-related risks
- Greenhouse gas emissions
- Energy efficiency in buildings
- Circular economy
- Pollution and spills from properties

Assessing climate-related risks

KMC Properties must ensure the resilience of its business in the light of more extreme weather plus changing regulatory and market-related expectations. KMC Properties carried out a climate risk review according to the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) in 2022. Building on this, KMC Properties conducted a physical climate risk assessment in 2023 aligned with the EU Taxonomy assessment criteria.

The assessment concluded that properties located in Norway are most susceptible to storm, river flood and storm surge. The properties outside of Norway are most vulnerable to wildfire, pluvial & ground water flood and water stress. In 2024, vulnerability analysis and specific mitigation action plans will be developed and presented to the board. KMC Properties will use this insight in property valuation, value preservation and investment decisions going forward.

Results of climate risk assessment – whole portfolio:

Physical climate risks	Unlikely	Moderately likely	Likely	Very likely	Highly likely
Wildfire	8	4	2	9	10
Hurricane				4	
Storm				8	15
River flood		2	12	6	
Storm surge				16	2
Sea level rise		1	12		
Avalanche	1	5			
Landslide	3	6			
Quick clay landslide			1	2	
Flooding			14	10	2
Settling hazard		4	2	2	1
Water stress					6

Type	Risk	Opportunities
Physical	■ Extreme weather, flood, and drought ■ Ocean acidification and rising sea levels	■ Energy efficiency measures ■ Renewable energy production offering ■ Attract capital through green bonds
Regulatory	■ Energy efficiency requirements ■ Increased CO_2 taxes	
Market	■ Reduced access to capital ■ Reduced access to properties ■ Change in tenants' preferences	
Technological	■ Lack of circular building competency in supply chain	
Reputational	■ Recruitment and retention of employees ■ Attracting solid tenants	

Reducing emissions

The real estate sector accounts for up to 30 per cent of GHG emissions globally, and mitigating emissions is essential to reduce the impact that the sector has on climate change. The main drivers of emissions in the real estate sector are energy use in buildings, building construction and operation.

Stricter energy efficiency and carbon reduction requirements for buildings, impacting acquisition profitability and maintenance costs, are a part of KMC Properties' due diligence processes, and shall be formally integrated in the company's procedures in 2024. Despite the potential challenges, the company's triple net bare-house lease agreements transfer responsibility for compliance costs, including Energy Performance Certificate (EPC) improvements, to the tenant. Notably, these changes do not directly increase maintenance costs for KMC Properties.

KMC Properties is experiencing an increased interest regarding emission data, and it is expected that the emissions profile of the company will impact its access to capital in the future.

Reducing emissions is central to KMC Properties' long-term thinking and efforts to build partnerships with its tenants. The company actively works to reduce emissions across its value chain, as stated in its environmental strategy.

The vast majority of KMC Properties emissions lies in Scope 3, particularly downstream leased assets, and business travel. As a landlord and real estate developer, KMC Properties focuses its efforts in reducing emissions through cooperation with tenants and stricter requirements for contractors on greenfield projects.

In 2023, KMC Properties set intensity KPIs for emissions per m², adopting a pragmatic approach in the real estate sector. Intensity targets prove more effective than absolute emission targets, offering a nuanced assessment that considers variations in building size, function, and occupancy levels. This ensures a more accurate reflection of sustainability efforts relative to the scale and purpose of individual properties.

GHG accounting

KMC Properties' climate accounting has been prepared according to the GHG Protocol using operational control approach. For Scope 2 and 3 emissions, calculations are based on actual reported data.

In 2023, KMC Properties received energy consumption data from 82 per cent of its portfolio. The surge in total emissions stems from both a greater number of properties in 2023 compared to 2022 and an elevated energy consumption within these properties.

In December 2023, two new properties were acquired, one in Belgium and one in Germany. Due to the low proportion of the financial year when the buildings were under KMC Properties' control, they were excluded from the accounting in this report

GHG emissions (metric tonnes CO_2)

	2023	2022	2021
Scope 1	**0.00**	0.00	0.00
Scope 2 (Location-based)[4]	**0.18**	0.04	0.07
Scope 2 (Market-based)	**9.04**	3.77	3.56
Scope 3[5]			
Business travel	**20.37**	10.72	10.29
Downstream leased assets	**493 097.40**	47 009.96	46 362.00
Total emissions	**493 126.99**	47 020.72	46 372.36
Intensity metric (t CO_2e/ m²)	**0.89**	0.12	N/A

For this year's report, an intensity metric has been introduced, representing the tonnes of carbon dioxide equivalents coming from downstream leased assets per metre squared of leased properties. The metric has decreased from 2022 to 2023 due to significantly higher surface area owned and leased by KMC Properties, with relatively low increase in emissions from downstream leased assets.

In the future, KMC Properties will further expand its climate accounting boundaries to include new buildings in like with the Norwegian technical building regulations (TEK17).

Enhancing energy efficiency

Energy consumption (MWh)

	2023	2022	2021
Norway	**377 451**	71 862	80 290
Sweden	**33 904**	16 512	23 560
Denmark	**2 178 318**	56 676	57 336
The Netherlands	**82 029**	97 681	98 521
Finland	**14 927**	4 660	N/A
Total	**2 686 630**	242 731	259 707

A building's net energy demand has a large impact on the emissions of the building throughout its lifetime, as well as the associated costs of heating and cooling.

In 2023, the total reported energy consumption for KMC Properties' portfolio was 2 686 630 MWh, compared with 242 731 MWh consumed in 2022. The significant increase is due to increased energy consumption across all countries apart from The Netherlands, and an especially high consumption of natural gas in Denmark.

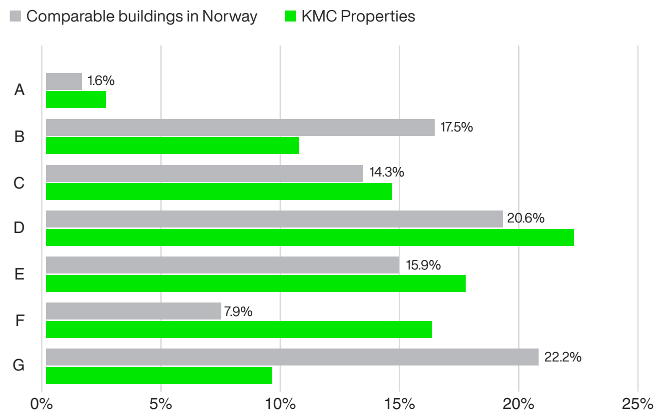
The upcoming EU Energy Performance of Buildings Directive (EPBD), expected to be adopted in spring 2024, prohibits leasing commercial buildings below an energy rating of F from 2027 and E from 2030. To comply, KMC Properties is prioritising enhancing the energy efficiency of properties below a D rating, regardless of their rental income proportion.

In 2023, KMC Properties conducted a systematic mapping of current energy consumption in its portfolio by acquiring updated energy reports with Energy Performance Certificates (EPCs). The results have uncovered the current energy condition of buildings and areas for potential improvement. The current EPC distribution across the Norwegian portfolio has also been compared to similar buildings with available certificates subject to Enova database.

4) Scope 2 – Electricity calculations are made using AIB emission factors.
5) Scope 3 – Includes two categories: Business travel and downstream leased assets. The calculations are made using DEFRA and AIB emission factors.

KMC Properties leveraged Enova's October 2023 support program, providing 50 per cent funding for property energy assessments. Focusing on properties below a D rating, the company successfully applied for and secured approval for 17 properties. Enova covers 50 per cent of assessment costs, aligning with lease terms and complying with energy standards. Tenants contribute the remaining 50 per cent, facilitating necessary improvements following the Energy Performance of Buildings Directive.

EPC rating distribution



KMC Energy

KMC Energy, a KMC Properties subsidiary, offers solutions that secure tenants' reliable access to renewable energy and contributes to a more stable capacity on the grid, which will benefit local communities.

After a successfully complete pilot with one of the tenants from BE Form in 2022, the Kampenveien 5 facility produced 463 079.5 kWh of renewable energy in 2023. The solar panels were sold to the tenant on 1 November 2023.

Energy storage

The demand for renewable energy increases due to technological developments and need for carbon reduction. However, renewable energy is unpredictable and requires a high grid capacity to ensure access.

KMC Energy's storage solution optimises the production of solar power on sites and provides a feasible solution to manage peak load periods. This creates stability and predictability for tenants, as well as reduces costs for operators of the power grid.

Six of KMC Properties have installed solar cells on the ground, facades and/or roofs.

Resource management

The construction industry's resource-intensive nature poses a significant challenge due to environmental concerns. Implementing effective resource management practices offers a solution to mitigate both environmental impact and costs. Despite the challenge of limited access to recycled materials and difficulties in recycling, KMC Properties' aspiration is to build robust and flexible buildings with a low carbon design.

The Environmental policy of KMC Properties states that the environmental footprint of the materials should be considered, as well as provides guidance to reduce waste and material consumption while increasing opportunities for recycling.

KMC Properties has an overall target to reduce waste generation by 2026 and for the sorting rate to be higher than 70 per cent in greenfield projects. For the two completed greenfield project in 2023, there was a reported sorting rate of 75.41 per cent and 73.67 per cent. KMC Properties has also conducted a supplier evaluation on a potential contractor for a new construction project and communicated expected reporting datapoints for 2024 to new greenfield contractors.

Preserving biodiversity

The construction and operation of industrial properties have the potential to adversely affect local ecosystems and biodiversity. Risks associated with the company's business include pollution from both the properties and construction activities, as well as habitat disturbance and conversion. Notably, some of the KMC Properties' properties are situated along the Norwegian coastline, either within or in close proximity to vulnerable ecosystems.

Preserving biodiversity is included in KMC Properties' ESG strategy, governing documents, and supplier screening criteria. The environmental policy states that the choice of location for greenfield projects will be informed by the potential impact on biodiversity on the site, and environmental due diligence processes are conducted according to laws and regulations. There were no recorded instances of non-compliance with environmental laws and regulations in 2023.

The procedure KMC Properties follows is to visit the properties at least every 24 months. In addition to reporting data in the company's ESG data platform, tenants are also required to submit a self-report every autumn, detailing any property-related matters from the past year.

There were 11 reported spills from KMC Properties tenants in 2023. Nine of them were refrigerant leakages resulting in a total of 757 litres of spill.

The other two were hydraulic oil spill from transport vehicle and a BOP-fluid spill.

With the company's largest tenant, KMC Properties has established a regular meeting series with their ESG director to address any overarching ESG issues.

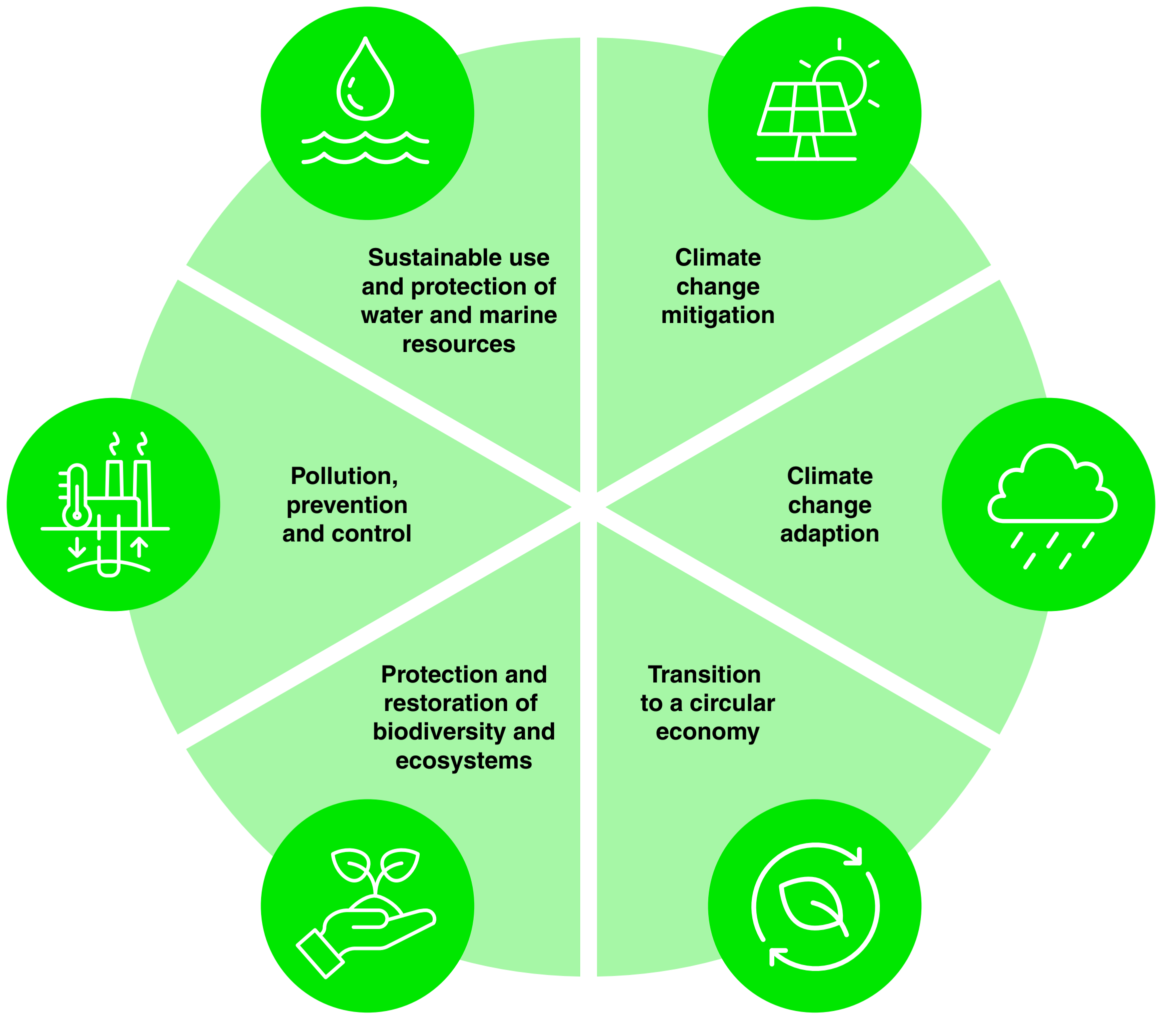
EU Taxonomy

The EU Taxonomy is a classification system for sustainable economic activities developed by the EU set to be implemented in Norwegian law. It is a tool for companies to align their activities with the environmental goals of the Union, as well as to ensure that human rights and ethical business conduct are upheld.

In 2023, KMC Properties identified its eligible activities. The assessment of alignment of these activities will be conducted once the company has completed a mapping of the energy labels and the physical climate risk assessments. Until then, the eligible activities identified are:

4.1 Electricity generation using solar photovoltaic technology
7.1 Construction of new buildings
7.2 Renovation of existing buildings
7.6 Installation, maintenance, and repair of renewable energy technologies

The taxonomy is structured around six environmental objectives:




BeForm: A manufactorer of injection molded, thermo- and thermoset plastics. Furthermore plastic recycling.

Social

KMC Properties directly influences the working conditions and well-being of its employees and has an indirect impact on human rights and labour conditions within its supply chain. Additionally, the company exerts influence on its tenants and the communities in which its properties are situated.

The company's Human Rights policy states that KMC Properties is committed to respecting human rights as defined in the International Bill of Rights, the ILO Fundamental Conventions on Labour Standards and the UN Guiding Principles on Business and Human Rights.

As a real estate developer and owner, most of KMC Properties' salient issues are in the first tier of its supply chain (construction and transportation services). Though, more work needs to be done to further assess salient issues in the sourcing of materials.

KMC Properties monitors its salient issues and updates its Transparency Statement annually, according to the transparency act. More information on our work with human rights can be found at https://www.kmcp.no/en/sustainability/the+transparency+act

KMC Properties aims to be a responsible employer, property owner and real estate developer. KMC Properties' most important priority is to take care of its own employees' welfare and safeguard decent working conditions for its tenants and suppliers.

Relevant material topics

- Health and safety on construction sites and with tenants
- Working conditions in supply chain
- Diversity
- Indigenous peoples' rights

Employee welfare

Creating a diverse, safe, and interesting working environment for its employees to thrive is central to attracting and retaining the right competency in KMC Properties.

KMC Properties' code of conduct states that the company shall strive to create a good and healthy work environment based on equality and diversity where the integrity of employees is safeguarded. No discrimination may take place on the grounds of age, sex, religion, sexual orientation, ethnic background, or other protected characteristic. All forms of harassment are prohibited, as well as abusive discrimination. KMC Properties had zero reported incidents of discrimination in 2023.

Employee satisfaction

KMC Properties is a lean organisation, and each employee counts towards its success. It is the company's aspiration that all its employees experience a clear purpose in their work and are given equal opportunities to gain experience. In 2023, KMC Properties conducted an employee satisfaction survey.

In February 2024, the results were presented to the management team and discussed to decide on the next steps. Notably, when asked about overall job satisfaction, considering all factors, KMC Properties observed a commendable 69 per cent positive response rate, which, given its small team, is a satisfactory result. KMC Properties intends to continue delivering on its commitment to employees and use the findings from the survey in guiding the upcoming employee well-being initiatives.

Diversity

At the end of 2023, KMC Properties had 14 full-time employees. We value equality and strive to build a diverse organisation in terms of gender, age, and background. KMC Properties has set a target of 40/60 gender balance for each of the employee categories and the board of directors.

To achieve diversity goals, KMC Properties has integrated diversity metrics into its hiring processes. Collaborating with its recruiting partner, the company improves procedures for a diverse candidate pool and fair assessments. KMC Properties actively addresses biases in traditional recruitment, heightening awareness across its five-step process—job analysis, attraction, assessment, decision-making and follow-up—to emphasise diversity at every stage.

Gender balance (women/men)

	2023	2022	2021
Board of directors	**3 / 5**	3 / 4	3 / 4
Management team	**1 / 4**	1 / 4	1 / 4
Employees (excl. management team)	**4 / 5**	4 / 3	6 / 4

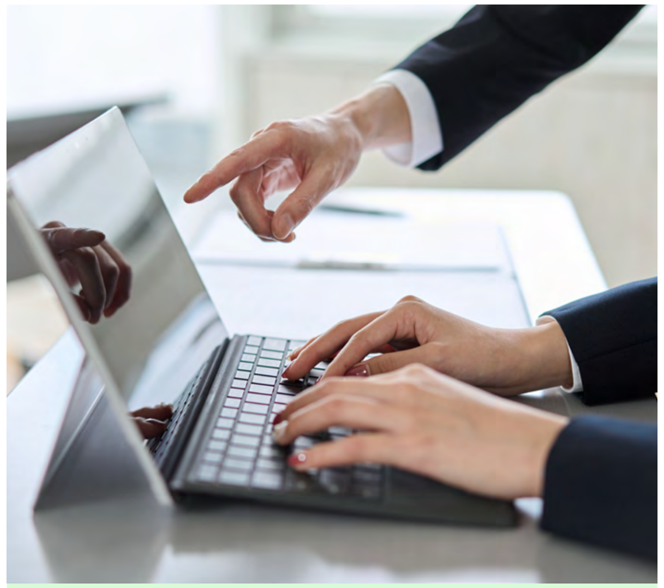
Age distribution

	2023	2022	2021
50 <	**2**	1	3
30-49	**12**	11	12
29 >	**0**	0	0

Safe working conditions on properties

KMC Properties owns properties for development and properties with established industry actors. Occupational accidents and diseases can lead to devastating impacts on workers, enterprises, and entire communities. The global affirmation of the importance of safety and health at work was expressed in June 2022 when the International Labour Conference (ILC) decided include a safe and healthy working environment in the ILO's framework of fundamental principles and rights at work (FPRW).

For KMC Properties, the strategic importance of these conventions is translated through its aspiration for all people working on its properties to enjoy safe, healthy and fair working conditions. This includes both construction workers and tenants.



Internship at KMC Properties

In autumn 2023, KMC Properties hosted two student interns in its Mergers & Acquisitions (M&A) department where they conducted market analyses. The learning objectives included gaining insights into the real estate market within KMC Properties' operational regions. Tasks involved identifying properties, exploring financing methods, understanding the tenant landscape, and comprehending relevant industries' distinctive characteristics.

Construction workers

KMC Properties aims for safety and favourable working conditions in all greenfield and brownfield projects. Construction site workers face risks such as falling objects, electricity hazards, explosions, crush injuries, conflicts between people and machines and construction collapse. Additionally, there are long-term health risks from noise, dust, chemical hazards, and ergonomics. The construction industry is prone to social dumping, where intentionally hiring foreign workers under sub-standard conditions can lead to poor working standards.

Health and safety are important for KMC Properties to manage, and contractors are carefully screened on their management and transparency of these issues. As of 2023, they are also required to sign KMC Properties' supplier code of conduct, outlining the company's expectations for working conditions on its construction sites which also reflects the human rights policy.

KMC Properties bears the overall responsibility for health, safety, and the working environment (HSE) in construction and rehabilitation projects. The COO, reporting directly to the CEO, manages these matters daily, ensuring compliance with relevant laws and regulations including Norwegian minimum wage rates and injury insurance. Regular inspections are conducted by KMC Properties to uphold favourable working conditions.

KMC Properties has an ambition of zero serious accidents on its construction sites. In 2023, there were two active greenfield construction sites, and two minor injuries were reported. One of them included an employee of an excavation contractor who suffered a minor crushing injury to their foot. On another project, there was one minor injury reported. No other health or safety incidents beyond these have been recorded. Neither of these injuries resulted in any sick leave.

Tenants

KMC Properties' aspiration is for all people working for KMC Properties' tenants to enjoy safe, healthy, and fair working conditions. The company manages a portfolio of light industrial facilities, which is associated with risks such as: flammable material, hazardous waste, slippery floors, high altitudes, and loose objects.

The tenants are ultimately responsible for their employees' working conditions. KMC Properties seeks to be an attentive landlord that assist its tenants to minimise risks related to health and safety. KMC Properties expects its tenants to apply the same standards of working conditions as set out in the company's code of conduct, as well as comply with any applicable law. In preparation for this report, KMC Properties has requested information on work-related injuries from its tenants for each property. Three high-consequence work-related injuries were recorded in 2023 at KMC Properties. Two were caused by knife use, while the last one occurred during a roof upgrade when one worker experienced a fall accident after neglecting the use of necessary safety equipment. Based on the information, neither of the workers were absent from work for more than a few days. There were also 44 minor work-related injuries recorded, which were a result of tenants' operations including smaller cuts injuries, burns and bruises.

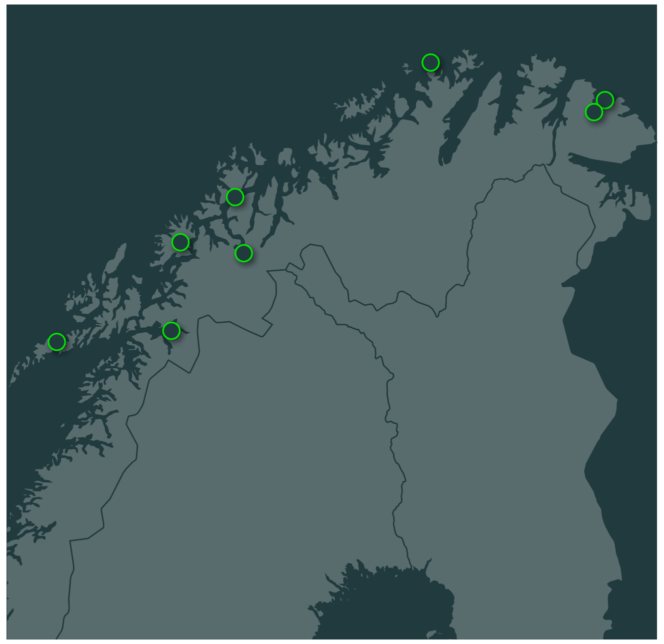
20 out of 66 properties were accounted for in this year's report.

Indigenous groups

KMC Properties owns properties in Northern Norway, including in areas where indigenous Sámi rights must be given attention and due diligence. With prosperities in areas known to have prominent Sámi populations and associated traditional practices, KMC Properties has actively consulted with its current tenants to map any previous or ongoing potential conflicts and has not identified any at the time of writing. KMC Properties will continue such consultations.

All new properties will continue to follow a detailed regulatory review process that explicitly includes consultation with relevant local indigenous governing bodies. KMC Properties places additional focus on remaining aware of traditional land uses at their potential developments, particularly when considering building on or near reindeer grazing lands or cultural sites. For the two new greenfield projects designated for commercial purposes by the municipality, no potential conflicts related to indigenous rights were found.

KMC Properties remains committed to fully respecting indigenous rights and continuing close dialogue with these stakeholders.



KMC Properties' properties in Northern Norway.

__BEWI on Hitra:__ Modern and efficient factory for the production of fish boxes.

Governance

KMC Properties recognises that its business conduct has an impact on the economy through transactions and negotiations, as well as its management of the supply chain. KMC Properties aims to be a transparent market player, and as listed on the Oslo Stock Exchange, it is obliged to disclose detailed information on corporate governance (see Corporate Governance chapter in the annual report).

KMC Properties Code of Conduct expresses clear expectations regarding ethical behaviour, including anti-corruption, protection of the environment, safeguarding health and safety and human rights.

The Code applies to the board of directors, management team, employees, subsidiaries and hired consultants. It provides instructions for how to manage any identified breach.

Relevant material topics

- Health and safety on construction sites and with tenants
- Working conditions in supply chain
- Diversity
- Indigenous peoples' rights

Anti-corruption

Anti-corruption has been identified as a material topic, particularly linked to property regulation, acquisitions and its supply chain.

KMC Properties' code of conduct states the company's zero-tolerance policy towards corruption, extortion, money laundering or bribery. The company mandates that its operations adhere to principles of openness and honesty, ensuring that such practices neither hinder competition nor favour any individual party. This commitment extends to internal dealings as well as external interactions with partners, tenants, and other stakeholders.

There were no reported incidents of corruption in KMC Properties' operations in 2023.

Supply chain management

Ensuring a responsible supply chain management that includes material ESG issues is the first step towards building future-fit properties.

Since 2023, the newly developed supplier code of conduct has applied to all suppliers. It details KMC Properties expectations to human rights, workers' rights, the environment, corruption, and sanctions. Since its implementation, the four current suppliers have signed. All new suppliers will be required to do the same.

Corresponding to this, a supplier questionnaire with detailed screening criteria related to governance of ESG issues was distributed to suppliers after a successful pilot in 2022. This is a crucial tool for KMC Properties to select contractors moving forward, both for new greenfield and brownfield projects. The operations and accounting departments at KMC Properties are responsible for following up on the evaluation of our suppliers.

Whistleblowing mechanism

KMC Properties strives to maintain transparency as well as high business ethics. A whistleblowing mechanism was put in place in January 2023 and is available online, providing an opportunity to communicate on suspected wrongdoings affecting people, the organisation, society or the environment. Instruction on how to make a report is provided, and the mechanism ensures anonymity and is available for both external and internal stakeholders. In 2023, zero whistleblowing incidents have been reported.

Corporate Governance

KMC Properties aims to maintain a high standard of corporate governance. Good corporate governance strengthens the confidence in the company and contributes to long-term value creation by regulating the division of roles and responsibilities between shareholders, the board of directors and executive management.

Corporate governance at KMC Properties shall be based on the following main principles:

- All shareholders shall be treated equally
- KMC Properties shall maintain open, relevant, and reliable communication with its stakeholders, including its shareholders, governmental bodies, and the public about the company's activities
- KMC Properties' board of directors shall be autonomous and independent of the company's management
- The majority of the members of the board shall be independent of major shareholders
- KMC Properties shall have a clear division of roles and responsibilities between shareholders, the board and management

At 31 December there were no deviations from the Corporate Governance Code recorded for 2023:

The Corporate Governance Code	Deviations from the Code
1. Implementation and reporting on corporate governance	None
2. Business activity	None
3. Equity and dividends	None
4. Equal treatment of shareholders and transactions with close associates	None
5. Shares and negotiability	None
6. General meetings	None
7. Nomination committee	None
8. Board of directors: Composition and independence	None
9. The work of the board of directors	None
10. Risk management and internal control	None
11. Board renumeration	None
12. Renumeration of Executive Management	None
13. Take-over situations	None
14. Auditor	None

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Compliance and regulations

The board of directors (the board) of KMC Properties (the company) has the overall responsibility for ensuring that the company has a high standard of corporate governance. The board has adopted a corporate governance policy document addressing the framework of guidelines and principles regulating the interaction between the shareholders, the board, and the Chief Executive Officer (the CEO). The policy is based on the Norwegian Code of Practice (the Code) for Corporate Governance issued by the Norwegian Corporate Governance Board. The objective of the Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the board and executive management more comprehensively than is required by legislation. The board and executive management perform an annual assessment of its principles for corporate governance.

KMC Properties ASA is a Norwegian public limited company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act and listed on the Oslo Børs (Oslo Stock Exchange). The company is subject to section 3-3b of the Norwegian Accounting Act, which requires the company to disclose certain corporate governance related information annually. In addition, the Issuers Rules of Oslo Børs, covered by the Oslo Rulebook II chapter 4.5 requires listed companies to publish an annual statement of its principles and practices with respect to corporate governance, covering every section of the latest version of the Code. The Continuing Obligations also sets out an overview of information required to be included in the statement. The Norwegian Accounting Act is available at www.lovdata.no (in Norwegian), while the Issuers Rules is available at www.oslobors.no.

KMC Properties seeks to comply with the current code of practice, issued on 14 October 2021. The Code is available at www.nues.no/english.

Application of the Code is based on the 'comply or explain' principle, which means that the company must provide an explanation if it has chosen an alternative approach to specific recommendations.

KMC Properties provides an annual statement of its adherence to corporate governance in its annual report, and this information is also available at www.kmcp.no. This statement describes how KMC Properties conducted itself with respect to the Code in 2023.

Deviations from the Code: None

2. BUSINESS ACTIVITY

KMC Properties is a real estate company focused on owning industrial and logistics properties. The company's business purpose is set out in its Articles of Association as:

"The company's business shall comprise of trading, investment in real estate property and security instruments and other business operations in this relation, including participation in other companies with corresponding business through equity, loan or issuance of guarantees."

The company's main goals, strategies and risk profiles are presented in the annual report. It is the board's opinion that these objectives, strategies, and risk profiles are within the scope of the business purpose clause. The objectives for the business are set with the intention of creating value for shareholders.

The board has defined clear and long-term objectives for the company, to ensure value creation for the shareholders in a sustainable manner.

Long-term objectives, strategies and the risk profile are evaluated once a year in connection with the work on strategy, or as necessary in connection with major events or structural changes.

Deviations from the Code: None

3. EQUITY AND DIVIDENDS

Capital structure

The board is committed to maintaining a satisfactory capital structure for the company according to the company's goals, strategy, and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The board continuously assesses the company's capital requirements related to the strategy and risk profile.

On 31 December 2023, the company's equity totaled NOK 2 799 million, corresponding to an equity ratio of 42 per cent. The board considers KMC Properties' capital structure to be appropriate to the company's objectives, strategy, and risk profile.

Dividends

The company's dividend policy is based on the principle of fair distribution of profit among all its shareholders pro rata their respective holdings of shares, considering a rational correlation of the amount paid in dividends and the funds needed to carry out the strategic plans of the company's development. Dividend rights arise on the date approved by the general meeting. There are no restrictions involved for non-resident holders.

The company is focusing on pursuing growth through both organic and in- organic initiatives and anticipates paying dividends according to a dividend pay-out ratio in the 30-50 per cent range of the company's cash earnings, defined as net result from property management less payable tax, in the coming years.

KMC Properties did not distribute dividends for the financial year of 2023. In the company's report for the fourth quarter of 2023, the board stated its intention to propose to the general meeting to pay dividends in line with the company's dividend policy when the company has sufficient liquidity.

Board authorisations

Authorisations to the board to increase the share capital or to buy own shares will normally not be given for periods longer than until the next annual general meeting (AGM) of the company.

The extraordinary general meeting held on 1 December 2023 and the annual general meeting held on 11 May 2023, granted the board authorisations as follows:

1. Authorisation to increase the share capital by up to NOK 15 765 183.20, representing up to 20 per cent of the company's outstanding share capital as of the date granted, in connection with capital raisings for the financing of the company's business and in connection with acquisitions and mergers.
2. Authorisation to increase the share capital by up to NOK 1 000 000 in connection with issuance of shares in connection with share incentive arrangements for key employees and other employees.
3. Authorisation to acquire shares in the company and take security in treasury shares on behalf of the company with an aggregate nominal value of up to NOK 4 800 000.

The authorisations are valid until the annual general meeting in 2024, however no longer than until 30 June 2024.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

In the event of capital increases based on authorisations issued by the general meeting, where the existing shareholders' rights will be waived, the reason for this will be provided in a public announcement in connection with the capital increase.

Any transactions, agreements or arrangements between the company and its shareholders, members of the board, members of the executive management team or close associates of any such parties will be conducted in compliance with the procedures set out in the Norwegian Public Limited Liability Companies Act. The board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question is considered immaterial. Board members and members of the executive management team shall immediately notify the board if they have any material direct or indirect interest in any transaction entered by the company.

Trading in own shares

Any transactions the company carries out in its own shares will be carried out either through the stock exchange or at prevailing stock exchange prices. If there is limited liquidity in the company's shares, KMC Properties will consider other ways to ensure equal treatment of its shareholders.

As per 31 December 2023, KMC Properties did not own any own shares. The company's financial statements provide further information about transactions with related parties.

Deviations from the Code: None

5. SHARES AND NEGOTIABILITY

KMC Properties has only one class of shares, and all shares have equal rights, including the right to dividend and voting rights. Each share has a face value of NOK 0.20 and carries one vote.

The company emphasises equal treatment of its shareholders, and the shares are freely transferable.

Deviations from the Code: None

6. GENERAL MEETINGS

The general meeting is the highest authority of KMC Properties. All shareholders of the company are entitled to attend and vote at general meetings of the company and to table draft resolutions for items to be included on the agenda for a general meeting.

Pursuant to article 7 of the company's articles of associations, the general meeting shall resolve:

1. The appointment of the chairman of the board
2. The approval of the annual accounts and annual report, including the distribution of dividends
3. The appointment of the members and the chairman of the nomination committee
4. Other matters that the general meeting is required by law to resolve.

The general meeting shall also resolve the board of director's declaration for remuneration of the executive management team in accordance with the Norwegian Public Limited Liabilities Act paragraph 6-16a.

The notice for the general meeting shall be sent to the shareholders no later than 21 days prior to the date of the general meeting. The general meeting may, with a majority vote as for amendments to the articles of association, and with effect for the next annual general meeting, decide that the notice for extraordinary general meetings shall be sent to the shareholders no later than two weeks prior to the extraordinary general meeting is held. The annual general meeting (AGM) is held each year no later than six months after expiry of the preceding financial year.

The AGM for 2024 is planned to be held on 15 May 2024. The board shall be present at general meetings.

Deviations from the Code: None

7. NOMINATION COMMITTEE

Article 7 of the company's articles of association stipulates that the nomination committee shall consist of three members. The members shall be elected for a period of two years unless the general meeting decides a shorter period.

The nomination committee shall prepare proposals to the general meeting in relation to the following:

1. The appointment of the members of the board and the chairman of the board
2. The appointment of the members of the nomination committee and the chairman of the nomination committee
3. The remuneration of the board and the nomination committee.
4. Any changes in the mandate of the nomination committee or in the articles of association

The Norwegian Public Limited Liabilities Act paragraphs 6-7 and 6-8 shall apply correspondingly for the members of the nomination committee.

As per 31 December 2023, KMC Properties' nomination committee included:

- Finn Haugan, chairperson
- Andreas Akselsen
- Gabriel Cronstedt

Deviations from the Code: None

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

According to article 5 of KMC Properties' articles of associations, the board of the company shall consist of minimum three members. The chairperson of the board alone, or two members of the board jointly, shall have authority to sign on behalf of the company. The board may designate procurators.

KMC Properties' board has eight members. Bjørnar André Ulstein was elected as chair of the board of directors and Jonas Grandér was elected a member of the board on the company's EGM on 1 December 2023. Mia Arnhult was elected as a member of the board the company's EGM on 2 February 2024.

The board of directors will consist of the following member until the general meeting in 2024; Bjørnar Andre Ulstein, Morten Eivindssøn Astrup, Mia Arnhult, Marianne Bekken, John Thoresen, Hege A. Veiseth, Haakon Sæter and Jonas Grandér.

KMC Properties held an extraordinary general meeting on 28 February 2023, whereas Stig Wærnes and Anna Musiej Aanensen resigned from the board, and Hege Aasen Veiseth and Haakon Sæter were elected as new board members.

Three of the members of the board are women. The Public Limited Companies Act states that there should be at least three of each gender when the board has between six and eight members.

When appointing members to the board, it is emphasised that the board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the company's operation. It is also considered important that the board can function well as a body of colleagues.

Board members shall be elected for periods not exceeding two years at a time, with the possibility of re-election. Board members shall be encouraged to own shares in the company.

An overview of the board members' competence and background is available in a separate section of this report and from the company's website https://www.kmcp.no/en/our+people.

Independence of the board

All the board members of KMC Properties are considered independent of senior executives, and seven of eight are considered independent of the company's material business contacts. The majority of the members are independent of the company's main shareholders.

Deviations from the Code: None.

9. THE WORK OF THE BOARD OF DIRECTORS

The overall management of the company is vested in the board and the company's management. In accordance with Norwegian law, the board shall ensure that the company has proper management with clear internal distribution of responsibilities and duties. A clear division of work has been established between the board and the executive management team. The CEO is responsible for the executive management of the company.

Instructions to the board and the CEO were last revised and approved by the board on 27 April 2022 and 22 February 2023.

The board has the overall responsibility for the management of the group and the supervision of its day-to-day management and business activities. The board shall prepare an annual plan for its work with special emphasis on goals, strategy, and implementation. The board's primary responsibility shall be (i) participating in the development and approval of the company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. The chairperson of the board is responsible for ensuring that the board's work is performed in an effective and correct manner.

The members of the board receive information about the company's operational and financial development on a quarterly basis. The company's strategies shall regularly, and at least once a year, be subject to review and evaluation by the board.

The regulations governing the board's working practices include guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality and inform the board of any possible conflict of interest.

Further, the regulations include guidelines for how the board and executive management shall deal with approval of agreements, which are considered material, between the company and its shareholders and other close associates, including that the board shall arrange for an independent third-party valuation. This will, however, not apply for transactions that are subject to the approval of the general meeting pursuant to the Norwegian Companies Act. Agreements with related parties will be included in the notes to the financial statements in the annual reports.

The board meets as often as necessary to perform its duties and shall prepare an annual evaluation of its work.

Sub-committees of the board

Audit committee

Pursuant to the Norwegian Public Limited Liability Companies Act and the listing rules of the Oslo Stock Exchange, the company shall have an audit committee. The audit committee is appointed by the board.

The committee's main tasks are to prepare the board's follow-up of the financial reporting process, monitor the group's internal control and risk management systems, and maintain an ongoing dialogue with the auditor.

KMC Properties' audit committee comprised the following members:

- Hege Aasen Veiseth
- John Thoresen

The board approved instructions to the audit committee at the board meeting on 4 February 2021.

Remuneration committee

The board has appointed a remuneration committee. The committee evaluates and proposes the compensation of KMC Properties' CEO and other members of the executive management team and provide general compensation related advice to the board.

KMC Properties' remuneration committee comprised the following members:

- Bjørnar Andre Ullstein, chairperson
- Marianne Bekken
- Haakon Sæter

The board adopted instructions to the remuneration committee on 29 April 2021.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The board shall ensure that KMC Properties has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the com-

PSW Power & Automation (part of Scana ASA): *Provider of energy solutions for both on and off shore installations. Established at Ågotnes port. Area wich Bergen's new freight terminal is to be established.*

pany's activities. The internal control and the systems shall also encompass the company's corporate values and ethical guidelines.

The objective of the risk management and internal control is to manage exposure to risks to ensure successful conduct of the company's business and to support the quality of its financial reporting.

The board shall carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The board shall provide an account in the annual report of the main features of the company's internal control and risk management systems as they relate to the company's financial reporting.

Internal control of financial reporting is conducted through day-to-day follow-up by management, and supervision by the company's audit committee.

Deviations from the Code: None

11. BOARD REMUNERATION

The general meeting shall determine the board's remuneration annually. Remuneration of board members shall be reasonable and based on the board's responsibilities, work, time invested and the complexity of the enterprise. The remuneration of the board members shall not be performance-related nor include share option elements.

The board shall be informed if individual board members perform tasks for the company other than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership.

The board's remuneration was approved at the company's annual general meeting on 11 May 2023, following a proposal from the nomination committee.

Deviations from the Code: None

12. REMUNERATION OF EXECUTIVE MANAGEMENT

Pursuant to Section 6-16a of the Norwegian Public Limited Companies Act (NPLCA), the board prepares guidelines for determination of salaries and other benefits payable to senior executives.

The guidelines will, in line with the said statutory provision, as well as Section 5-6 (3) of the same Act be approved by the general meeting. If the guidelines are materially altered, the new guidelines will be laid before, and approved by the general meeting. The guidelines will be approved by the general meeting at least every four years.

In addition to the guidelines, the board prepares a remuneration report pursuant to Section 6-16b of NPLCA. Such report will be considered by the company's general meeting and shall be subject to an advisory vote by the general meeting in accordance with NPLCA Section 5-6 (4). The guidelines and report are published in a separate report and made available from the company's website, www.kmcp.no.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, to attract and retain key personnel with the necessary competence.

The statement refers to the fact that the board shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. The CEO will normally propose the remuneration to senior executives in consultation with members of the remuneration committee.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

Investor relations

Communication with shareholders, investors and analysts is a high priority for KMC Properties. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing a sound foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in English.

All notices sent to the stock exchange are made available on the company's website and at www.newsweb.no.

Financial information

The company normally holds investor presentations in association with the publication of its quarterly results. These presentations are open to all and provide an overview of the group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and the company's own prospects. The presentations are also available on the company's website.

Restricted trading periods

Persons discharging managerial responsibilities (PDMR) are not allowed to acquire or sell shares in the company or related financial instruments during the period from 30 days prior to the publication of the company's report for the first half year and for the fourth quarter, including preliminary full year results, following the regulations of the Market Abuse Regulations (MAR).

KMC Properties publishes a financial calendar on Oslo Børs's website, setting out the expected dates of publication for its reports. The dates are also available at the company's website.

Deviations from the Code: None

14. TAKE-OVER SITUATIONS

In a take-over process, should it occur, the board and the executive management team each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The board has a particular responsibility in ensuring that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over process, the board shall ensure that:

a) the board will not seek to hinder or obstruct any takeover bid for the company's operations or shares unless there are particular reasons for doing so;

b) the board shall not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders or the company;

c) the board shall not institute measures with the intention of protecting the personal interests of its members at the expense of the interests of the shareholders; and the board shall be aware of the particular duty it has for ensuring that the values and interests of the shareholders are protected.

In the event of a take-over bid, the board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Code. This could include obtaining a valuation and fairness opinion from an independent expert. On this basis, the board shall draw up a statement containing a well-grounded evaluation of the bid and make a recommendation as to whether the shareholders should accept the bid. The evaluation shall specify how, for example, a take-over would affect long-term value creation of KMC Properties.

Deviations from the Code: None

15. AUDITOR

The auditor is appointed by the annual general meeting and is independent of KMC Properties. Each year the board shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year, the auditor shall draw up a plan for the execution of their auditing activities, and the plan shall be made known to the board and the audit committee. The board should specifically consider if the auditor to a satisfactory degree also carries out a control function and the auditor shall meet with the audit committee annually to review and evaluate the company's internal control activities.

The auditor shall be present at board meetings where the annual accounts are on the agenda. Whenever necessary, the board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines, etc.

The auditor may only be used as a financial advisor to the company provided that such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the company. Only the company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the annual general meeting the board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other specific assignments.

Deviations from the Code: None

***BEWI on Hitra:** Modern and efficient factory for the production of fish boxes.*

Financial statements 2023

Consolidated statement of comprehensive income

Amounts in NOK million	*Note*	**2023**	2022
Rental income	*2, 7*	**409.4**	272.7
Property expenses	*8*	**(5.0)**	(2.5)
Net operating income		**404.4**	270.2
Administration expenses	*8*	**(55.5)**	(52.1)
Net realised financials	*9*	**(199.7)**	(122.4)
Net income from property management		**149.1**	95.7
Net unrealised financials	*9*	**(18.2)**	34.7
Changes in value of financial instruments	*11*	**(65.1)**	110.6
Changes in value of investment properties	*6, 10*	**(117.4)**	41.3
Profit before tax		**(51.6)**	282.2
Current tax	*14*	**(20.1)**	(8.9)
Deferred tax	*14*	**(6.2)**	(29.3)
Profit from continued operations		**(77.9)**	244.0
Profit from discontinued operations	*4*	**(0.1)**	(80.8)
Profit		**(78.0)**	163.2
Other Comprehensive Income - Items that may be reclassified to profit or loss			
Translation differences for foreign operations		**76.7**	53.6
Comprehensive income		**(1.4)**	216.8
Profit attributable to:			
Equity holders of the company		**(78.0)**	163.2
Non-controlling interest		**-**	-
Earnings per share	*20*		
Continuing operations		**(0.22)**	0.56
Basic=Diluted (NOK)			

Consolidated statement of financial position

Amounts in NOK million	*Note*	**31.12.2023**	31.12.2022
ASSETS			
Non-current assets			
Investment properties	*6, 10*	**6 153.0**	5 365.6
Site leaseholds, right-of-use assets	*16*	**23.0**	18.9
Financial derivatives	*5, 11*	**149.2**	180.0
Other non-current assets		**12.1**	16.0
Total non-current assets		**6 337.3**	5 580.4
Current assets			
Trade receivables	*11*	**4.7**	7.0
Other current assets	*11*	**24.0**	6.8
Cash and cash equivalents	*12*	**275.0**	186.5
Total current assets		**303.8**	200.3
Total assets		**6 641.1**	5 780.7
EQUITY AND LIABILITIES			
Equity			
Share capital	*13*	**78.8**	64.8
Share premium		**1 918.8**	1 511.8
Translation reserve		**96.5**	19.8
Retained earnings		**704.4**	780.6
Total equity		**2 798.5**	2 376.9
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	*14*	**135.9**	163.4
Non-current interest-bearing liabilities	*15*	**3 164.0**	1 217.4
Lease liabilities	*16*	**23.6**	19.1
Other non-current liabilities	*17*	**18.4**	19.8
Total non-current liabilities		**3 341.8**	1 419.7
Current liabilities			
Current interest-bearing liabilities	*15*	**363.3**	1 904.9
Trade payables	*17*	**22.3**	37.4
Current tax liabilities	*14, 17*	**12.0**	0.2
Other current liabilities	*17*	**103.1**	41.4
Liabilities held for sale	*4*	**0.2**	0.2
Total current liabilities		**500.8**	1 984.1
Total liabilities		**3 842.6**	3 403.8
TOTAL EQUITY AND LIABILITIES		**6 641.1**	5 780.7

Trondheim, Norway, 21 March 2024
The board of directors and CEO, KMC Properties ASA

Bjørn André Ulstein *Chair*	Morten Eivindssøn Astrup *Director*	Mia Arnhult *Director*	Jonas Grandér *Director*
Haakon Sæter *Director*	Hege A. Veiseth *Director*	Marianne Bekken *Director*	John Thoresen *Director*

Liv Malvik
CEO

Consolidated statement of cash flows

Amounts in NOK million	*Note*	**2023**	2022
Profit before tax		**(51.6)**	282.2
Changes in value of investment properties		**117.4**	(41.3)
Financial items		**283.1**	(22.9)
Change in working capital			
- change in current assets		**(16.8)**	40.6
- change in current liabilities		**44.7**	24.0
Other items not included in the cash flow		**(2.6)**	3.8
Taxes paid		**(17.3)**	(7.1)
Net cash flow from operating activities		**357.0**	279.3
Purchase of investment property	*10*	**(672.4)**	(1 307.7)
Upgrades of investment properties	*10*	**(205.3)**	(139.3)
Proceeds from property transactions	*10*	**101.4**	99.1
Interest received		**6.7**	3.1
Change in other non-current assets		**3.9**	(11.7)
Net cash flow from investment activities		**(765.7)**	(1 356.5)
Proceeds from issue of shares	*13*	**423.3**	324.1
Proceeds interest-bearing liabilities	*15*	**2 513.2**	866.0
Repayment interest-bearing liabilities	*15*	**(2 165.1)**	(18.7)
Interest paid		**(206.4)**	(125.5)
Transaction fees paid and other financial costs		**(55.5)**	(2.7)
Change in other non-current liabilities		**0.0**	9.6
Net cash flow from financing activities		**509.5**	1 052.9
Effects of exchange rate changes on cash and cash equivalents		**(12.3)**	3.2
Net change in cash and cash equivalents		**88.5**	(21.0)
Cash and cash equivalents at beginning of period		**186.5**	207.5
Cash and cash equivalents at end of period		**275.0**	186.5

Consolidated statement of changes in equity

	Subscribed share capital	Share premium	Translation reserves	Retained earnings	**Total equity**
Total equity at 31 December 2021	56.4	1 196.0	(33.8)	617.4	**1 836.0**
Issue of shares	8.4	321.6	-		**330.0**
Transaction cost issue of shares	-	(5.9)	-	-	**(5.9)**
Profit /(loss) for the period	-	-	-	163.2	**163.2**
Other comprehensive income (translation reserves)	-	-	53.6	-	**53.6**
Total equity at 31 December 2022	64.8	1 511.8	19.8	780.6	**2 376.9**
Issue of shares	14.0	409.3	-	-	**423.3**
Transaction cost issue of shares	-	(2.3)	-	-	**(2.3)**
Profit	-	-	-	(78.0)	**(78.0)**
Shared-based payment	-	-	-	1.8	**1.8**
Other comprehensive income (translation reserves)	-	-	76.7	-	**76.7**
Total equity at 31 December 2023	78.8	1 918.8	96.5	704.4	**2 798.5**

Notes to the consolidated financial statements

Note 01 Company information

KMC Properties ASA ("the company") is listed on Oslo Stock Exchange with the ticker KMCP. The company and its subsidiaries ("the group") business idea is to acquire and manage commercial industry and logistics properties. The group has a diversified portfolio of properties in the Nordics, Belgium, Germany, and the Netherlands. The properties are strategically located and have long lease agreements with solid tenants.

The holding company, KMC Properties ASA, is a public limited liability company with headquarter in Trondheim, Norway.

The consolidated financial statements were approved by the company's Board on 21 March 2024.

Note 02 Basis of preparation and accounting principles

2.1 Basis of Preparation
The financial statements are prepared in accordance with IFRS® standards as adopted by the EU, as well as additional Norwegian reporting requirements pursuant to the Norwegian Accounting Act. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company.

Acquired properties are included in the financial statements from the date of acquisition. Management makes estimates and assumptions concerning the future. The accounting estimates will by definition seldom be fully in accordance with the final outcome. Estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate primarily to the valuation of investment property. Refer to note 6 related to critical accounting estimates and judgements.

The consolidated financial statements are presented in Norwegian kroner (NOK). The majority of the note disclosures are presented in NOK millions, unless otherwise indicated. The consolidated financial statements for 2023 with comparatives for 2022 have been prepared on a going concern basis.

2.2 Accounting principles
The consolidated financial statements are based on historical cost, except for the following:

- Financial instruments at fair value through profit or loss
- Investment properties which are measured at fair value

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

2.3 Basis of consolidation and business combinations
Subsidiaries are all entities over which the group has control. Control exists when the group is exposed to, or has rights to, variable returns as a result of involvement with the company, and the group is able to impact returns through its power over the company.

All acquired companies are included in the consolidated financial statements from the date on which the group obtains control over the company. In the same way, the company is deconsolidated when control over the company ceases.

For accounting purposes, acquisitions of subsidiaries that do not constitute a business as defined in IFRS 3, such as acquisitions where substantially all of the fair value of the gross assets acquired is concentrated in a single property or group of similar properties, are treated as asset acquisitions. The cost of acquisition is then attributed to the individual identifiable assets and liabilities based on their relative fair values on the acquisition date. Expenses associated with the transaction are capitalised under the investment property.

In such cases, deferred tax liabilities or assets are not recognised, except for deferred taxes related to losses carried forward, in accordance with the exceptions in IAS 12.

2.4 Functional currency and presentation currency
The group's presentation currency is NOK. Each entity in the group determines its own functional currency, and items included in the income statement of each entity are measured using that functional currency. The functional currency is the currency within the primary economic environment in which the entity operates. Transactions in foreign currencies are initially recorded in the functional currency at the rate on the transaction date. Monetary items denominated in foreign currencies are translated using the functional currency spot rates of exchange on the reporting date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the rate on the reporting date. All currency translation differences are recognised in the income statement and statement of comprehensive income.

The assets and liabilities of foreign entities are translated into the presentation currency at the rate on the reporting date, and related income statement items are translated at average exchange rates per quarter. Currency translation differences arising on the translation are recognised as other comprehensive income. In the consolidated financial statements, currency translation differences linked to net investments in foreign operations are included in other comprehensive income until disposal of the net investment, at which point they are recognised in the income statement.

2.5 Segment information
There are no material differences in risks and returns in the economic environments in which the group operates. The group's highest decision-making authority, which is responsible for allocating resources and assessing the profitability of the operating segments, has been identified as the board of directors and the CEO. KMC Properties has one segment, industrial- and logistic properties. Consequently, the group is only present in one business segment. The group is present in following geographic markets per 31 December 2023:

Amounts in NOK million	Norway		Sweden		Denmark		Netherland		Finland		Germany		Belgium		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rental income	**226.1**	171.2	**73.3**	38.5	**55.0**	30.8	**35.4**	27.3	**19.1**	4.7	**0.5**	-	**0.1**	-	**409.4**	272.7
Investment property	**3 480.7**	3 360.0	**842.1**	848.0	**787.6**	646.0	**474.4**	453.0	**317.0**	59.0	**149.5**	-	**101.7**	-	**6 153.0**	5 366.0

KMC Properties ASA has rental income from 2 customers that exceeds 10 per cent of total rental income in 2023:

Amounts in NOK million	BEWI		Insula		Grøntvedt		Scana		Other		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Rental income	**202.4**	125.0	**61.2**	51.5	**34.2**	30.3	**33.8**	31.3	**77.8**	34.7	**409.4**	272.7
Share of rental income	**49%**	46%	**15%**	19%	**8%**	11%	**8%**	11%	**19%**	13%	**100%**	100%

Note 03 Summary of significant accounting policies

3.1 Investment property
Investment property comprises completed property held to generate rental income or for capital appreciation or both. Investment property is recognised initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is carried at fair value. Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the withdrawal or disposal of investment property are recognised in the income statement in the year of disposal. Gains or losses on the disposal of investment property are determined as the difference between net selling price and the carrying amount of the asset at the time of sale.

3.2 Leasing
Leases in which KMC Properties is the lessee mainly comprise site leaseholds. The group recognises a lease liability for site leaseholds based on the premise that the leases are perpetual, and a corresponding right-of-use asset is recognised as an investment property. KMC Properties has chosen to recognise right-of-use assets separately in the balance sheet.

3.3 Financial assets
3.3.1 Classification, recognition and measurement
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income (OCI), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The group measures financial assets at amortised cost if both of the following conditions are met:

1) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

Since the group's financial assets (trade (rent) and other receivables, cash, and short-term deposits) meet these conditions, they are subsequently measured at amortised cost. The group has entered a cross currency interest rate swap, this derivative is carried at fair value through profit or loss.

All the group's currency, interest-rate swaps and forward exchange contracts are used as economic hedges. Hedge accounting is not applied. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently recognised continuously at their fair value. Changes in the fair value of derivatives are recognised in the income statement under changes in value of financial instruments. The realised payable part of the interest-rate swap agreements is presented under net realised financials.

3.3.2 Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when:

1) The rights to receive cash flows from the asset have expired, or

2) The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

3.3.3 Impairment of trade (rent) receivables
For trade (rent) receivables the group applies a simplified lifetime approach in calculating expected credit losses (ECLs). The group historically has very low to null credit losses. Management evaluates on a regular basis the tenant's credit risk and guarantees in place related to trade receivables when determining the need for a loss allowance. For 2023 and 2022 no provision for an ECL allowance has been recognised, and there have been no losses on accounts receivable during 2023 and 2022.

3.4 Financial liabilities
3.4.1 Classification, recognition and measurement
Financial liabilities are classified at initial recognition, and subsequently measured at amortised cost, with some exemptions.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance expenses in the statement of profit or loss.

3.4.2 Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.5 Trade (rent) receivables
Rent receivables are recognised at their original invoiced value except where the time value of money is material, in which case rent receivables are recognised at fair value and subsequently measured at amortised cost. Refer to accounting policies on financial assets in note 3.4.

3.6 Cash and cash equivalents
Cash and cash equivalents include cash in hand and deposits held with banks.

3.7 Share capital and treasury shares
Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Own equity instruments which are bought back (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue, or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in other equity/ other contributed equity. Voting rights related to treasury shares are cancelled and no provision is made for payment of dividends on treasury shares.

3.8 Related-party transactions
A person or a company (or other legal entities) is considered as a related party if he, she or it, directly or indirectly, has the possibility to exercise control or influence over another party in connection with financial and operational decisions. Parties are also considered related if they are under control or significant influence. Loans to certain subsidiaries are considered as part of the group's net investment. Exchange rate changes related to monetary items (receivables and liabilities) which are a part of the company's net investment in foreign entities are treated as currency translation differences, and thus entered against equity.

3.9 Taxes payable and deferred tax
The tax expense for the period comprises taxes payable and change in deferred tax. However, deferred tax is not recorded if it arises on initial recognition of an asset or liability in a transaction, other than a business combination, that affects neither accounting nor taxable profit or loss on the transaction date.

Deferred tax assets are recognised only to the extent that it is probable that there will be future taxable income against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related tax asset is realised, or the deferred tax liability is settled. The provision for deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities.

Pursuant to the exception in IAS 12, deferred tax is not recognised when buying a company which is not a business. A provision for deferred tax is made after subsequent increases in the value beyond initial cost, while a fall in value below initial cost will only reverse previous provisions for deferred tax. Furthermore, an increase in temporary differences related to tax depreciation will give grounds for a recognition of deferred tax.

Tax effects on other comprehensive income are separated and presented via other comprehensive income. These include exchange differences on net investments in foreign entities.

3.10 Revenue recognition
The group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income. Lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the lease term.

3.11 Interest income
Interest income is recognised in income as it is earned using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loans is recognised using the effective interest rate.

3.12 Classification of assets and liabilities
The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is expected to be realised or intended to sold or consumed in the normal operating cycle, held primarily for the purpose of trading, expected to be realised within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

3.13 Financial instruments
Derivatives are financial instruments at fair value through profit and loss unless the derivative is designated as a hedge accounting instrument. See also note 3.3.1.

3.14 Discontinued operation
In the beginning of 2022, the group decided to exit the Russian market and initiated an active process to locate a buyer for its Russian subsidiary owning the company's office building in Moscow. The investment in Russia is consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5. The Russian subsidiary was sold in the fourth quarter of 2022.

Note 04 Discontinued operations

In the first half of 2022 the company decided to exit the Russian market and initiated a sale of its Russian subsidiary owning the company's office building in Moscow. The investment in Russia was consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5.

In the fourth quarter KMC Properties sold and receive payment for the Russian entity. A complete sanction control and ownership research has been carried out of the buyer. The settlement has been made outside Russia. The remaining liabilities held for sale applies to a subsidiary in Cyprus under liquidation which is considered immaterial.

Amounts in NOK millions	**2023**	2022
Rental income	**-**	22.1
Property expenses	**-**	(11.6)
Net operating income	**-**	10.6
Administration expenses	**(0.1)**	(3.0)
Net realised financials	**-**	0.2
Net income from property management	**(0.1)**	7.8
Net unrealised financials	**-**	0.0
Changes in value of financial instruments	**-**	-
Changes in value of investment properties	**-**	(89.2)
Profit before tax	**(0.1)**	(81.4)
Current tax	**-**	0.6
Deferred tax	**-**	-
Loss from discontinued operations	**(0.1)**	(80.8)

Note 05 Financial risk management

The group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk,and
- Climate risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

FINANCIAL INSTRUMENTS BY CATEGORY:

Financial assets

Amounts in NOK million	Amortised cost 31.12.2023	Fair value through profit or loss 31.12.2023	**Total**	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	**Total**
Cash and cash equivalents	275.0	-	**275.0**	186.5	-	**186.5**
Currency and interest swaps	-	149.2	**149.2**	-	180.0	**180.0**
Trade receivables (non-interest bearing)	4.7	-	**4.7**	7.2	-	**7.2**
Total financial assets	279.8	149.2	**429.0**	193.7	180.0	**373.7**

Financial liabilities

Amounts in NOK million	Amortised cost 31.12.2023	Fair value through profit or loss 31.12.2023	**Total**	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	**Total**
Non-current interest-bearing liabilities	3 164.0	-	**3 164.0**	1 217.4	-	**1 217.4**
Land plot lease agreements (financial liability)	23.6	-	**23.6**	19.1	-	**19.1**
Other non-current liabilities	18.4		**18.4**	19.8	-	**19.8**
Current interest-bearing liabilities	363.3		**363.3**	1 904.9		**1 904.9**
Trade payables (non-interest bearing)	22.3	-	**22.3**	37.6	-	**37.6**
Total financial liabilities	3 591.5	-	**3 591.6**	3 198.9	-	**3 198.9**
Net financial assets and liabilities	(3 311.7)	149.2	**(3 162.6)**	(3 005.2)	180.0	**(2 825.2)**

Financial instruments at amortised cost
Financial instruments at amortised cost includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

Financial instruments measured at fair value
The table below shows an analysis of fair values of financial instruments in the Statement of Financial Position, grouped by level in the fair value hierarchy:

Level 1 - Quoted prices in active markets that the entity can access at the measurement date.

Level 2 - Use of a model with inputs other than level 1 that are directly or indirectly observable market data.

Level 3 - Use of a model with inputs that are not based on observable market data.

All financial derivatives are currency and interest swap agreements booked at fair value according to level 2.

Financial assets measured at fair value

Amounts in NOK million	Fair value level	**2023**	2022
Financial derivatives	Level 2	**149.2**	180.0

There were no transfers between levels during the period.

Derivatives
The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest-rate swaps, is determined by the net present value of future cash flows, calculated using quoted interest-rate curves and exchange rates at the balance-sheet date. The technical calculations are generally performed by the group's banks. The group has tested these valuations for reasonableness.

The group uses derivatives to manage its interest rate risk. Derivatives are initially recognised at fair value on the date on which the contract was signed, and subsequently at fair value. Gains or losses on remeasurement at fair value are recognised in the income statement. Changes in the value of the derivatives are presented under “Changes in value of financial instruments”. Interest income from financial derivatives is presented under “Net realised financials”.

The fair value of interest rate swaps is the estimated amount the group would receive or pay to redeem the contracts on the balance sheet date. This amount will depend on interest rates and the contracts' remaining term to maturity. The derivatives are classified on the balance sheet as non-current.

General objectives, policies and processes
The board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The board receives periodic reports from the group's finance function through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

The group is exposed to market risk (including interest rate risk), currency risk, credit risk and liquidity risk. The risk policies are continuously being assessed by the board of directors and the appropriate policies and procedures to identify, measure and manage the financial risks has been implemented. The group's overall risk management program seeks to minimise potential adverse effects on the group's financial performance.

5.1 Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of
changes in market prices.

(i) Currency risk
Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional cur-

rency. The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their own operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the group.

The group is predominantly exposed to currency risk on lessor contracts in EURO, SEK and DKK. Group seek to finance loans in the same currency as the cash flow, if this is not possible hedging using currency swaps is applied. At year end the group has economically hedged these positions 100%.

Apart from these particular cash-flows the group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

At 31 December the group's net exposure to foreign exchange risk was the following the following balance sheet currency exposures on a consolidated level

2023:

Currency	SEK	DKK	EUR	Total
Cash and cash equivalents	(22.1)	(3.5)	(162.7)	**(188.3)**
Interest-bearing liabilities	428.5	149.3	-	**577.8**
Net exposure	406.5	145.7	(162.7)	**389.5**

2022:

Currency	SEK	DKK	EUR	Total
Cash and cash equivalents	(21.4)	(2.9)	(8.1)	**(32.3)**
Interest-bearing liabilities	283.4	-	-	**283.4**
Net exposure	262.0	(2.9)	(8.1)	**251.0**

(ii) Interest rate risk on cash flows and fair value
The group is exposed to cash flow interest rate risk from long-term borrowings at variable rate, and the risk is hedged using interest rate swaps, see details in note 11 and 15.

During both 2022 and 2023, the group's borrowings at variable rate were denominated in NOK. Calculated on the existing funding terms for the group's interest-bearing liabilities on 31 December 2023, a rise in market interest rates of 1 percentage point would have increased KMC Properties annualised interest expenses by NOK 19.6 million.

5.2 Liquidity risk
Liquidity risk is the risk that The group will not be able to meet its obligations at maturity, and the risk that The group will not be able to meet its obligations without a significant increase in cost. The group's objective is to maintain a reasonable balance between debt and equity and to have sufficient available cash to fulfil obligations from The group's activity.

The table below illustrates the maturity structure of liabilities.

Maturity structure

Amounts in NOK million	Total cash flow	Year 1	Year 2	Year 3-5	After year 5
Financial liability as of 31 December 2023					
Principal payment on bank and bond loans	3 581.6	363.8	699.8	2 290.6	227.3
Payment of interest and interest swap	1 244.5	326.8	316.1	432.3	169.3
Other non-current liabilities	18.4	-	-	-	18.4
Trade payables	22.3	22.3	-	-	-
Other current liabilities	103.1	103.1	-	-	-
Total	4 969.8	816.0	1 015.9	2 722.9	415.0

Maturity structure

Amounts in NOK million	Total cash flow	Year 1	Year 2	Year 3-5	After year 5
Financial liability as of 31 December 2022					
Principal payment on bank and bond loans	3 115.9	1 892.8	81.1	1 009.3	132.8
Payment of interest and interest swap	543.0	181.0	181.0	181.0	-
Other long-term liabilities	19.8	2.6	-	-	17.2
Trade payables	37.4	37.4	-	-	-
Other current liabilities	41.0	41.0	-	-	-
Total	3 757.1	2 154.8	262.1	1 190.3	150.0

5.3 Capital risk management
The main purpose of the group's capital management is to maintain a reasonable balance between debt and equity. The group's goal is to have an LTV ratio of 50-65 per cent. The target is set with consideration to value development in the group and the opportunity to obtain the necessary financing. The EPRA LTV ratio at 31 December is 55.6%.

There are covenants on existing financing related to; loan to value, interest cover ratio and liquidity. Reference is made to note 15 for description of the covenants. Both during 2022, and at 31 December 2023, the group was in compliance with all financial covenants, and the group expects to be in compliance going forward.

5.4 Climate risk
Physical climate risk is the danger that climate-related events such as extreme weather cause damage to buildings or interruptions. This can lead to losses and affect the return on investments negative. Furthermore, in the transition to the low-emission society, there is a risk that buildings that are not assessed as sustainable will receive regulatory restrictions, yield lower or lost rental income, and become more difficult to sell in the future.

Management and the board follow developments in the market regarding the importance of climate risk for the development in the market value of investment property. So far, climate risk has not affected the valuations, but it is assumed that the buyer group is somewhat smaller for properties that have a higher risk linked to climate change.

Physical risk and transition risk related to climate change on the road to a low-emission society are highly relevant for the group. Climate risk is further dealt with in the sustainability report.

Note 06 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations about future events which are believed to be reasonable under current circumstances. Corporate management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual figures. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

6.1 Fair value of investment properties
Investment property is valued at its fair value based on a quarterly valuation update based on external valuations. The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a specified period using an estimated discount rate and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of cash flows from signed leases, as well as future cash flows based on an expected market rent at the end of the lease terms. Both contractual and expected cash flows are included in the calculations. Fair-value assessment of investment properties, therefore, depends largely on assumptions related to market rents, discount rates, and inflation. Market rents are based on individual assessments of each property and the segmentation of different areas within the properties if relevant. To the extent that specific development potential is associated with a property, an assessment is made of whether this support or influences fair value. Updated macroeconomic assumptions for interest-rate levels, inflation expectations, and so forth are applied in the calculations. Based on an assessment of the properties, tenants, and macroeconomic conditions at the balance sheet date, cash flows are discounted using discount rates based on individual assessments of each property.

The external valuers performs their valuations on the basis of the information they have received, and estimate future market rents, yields, inflation, and other relevant parameters. Each individual property is assessed in terms of its market position, rental income (contractual rents versus market rents) and ownership costs, with estimates being made for anticipated vacancy levels and the need for alterations and upgrades where applicable. The remaining term of the leases is also assessed for risk, along with any special clauses in the contracts. Each property is also compared with recently sold properties in the same segment (location, type of property, mix of tenants, etc).

The sensitivity of the fair-value assessment of investment properties depends to a considerable extent on assumptions related to yield, interest rates, market rents and operating costs for the properties. Reference is made to note 10 Investment property.

6.2 Classification as operating or finance lease
All leases where KMC is the lessor are classified as either an operating lease or a finance lease. Leases in which a significant portion of the risks and rewards of ownership are retained by KMC are classified as operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the property. Classification of a lease can require significant judgment. When determining lease classification, management makes the clas-

sification decision based on the substance of the transaction rather than the form of the contract. Management evaluates all relevant factors that are possible indicators for a transfer of control, including but not limited to the lease term as compared to the economic life of the asset and the present value of the lease payments as compared to the fair value of the underlying property. In addition, if there is a purchase option for the property in the lease contract, management assesses if it is reasonably certain that the option will be exercised taking into consideration the number of years to exercise, lease extension period to gain the rights to the option and other relevant factors. Classification of a lease as an operating lease or a finance lease is done at lease inception and only reassessed when there is a modification of lease terms. All leases as of year-end 2023 and 2022 are classified as operating leases.

Note 07 Tenancy agreements

The group mainly enters into long-term lease agreements with solid counterparties, strategically located for tenants.

The group's future accumulated rent from operational lease contracts at 31 December

Amounts in NOK million	2023	2022
≤ 1 year	**457.2**	367.3
Between 1 and 5 years	**457.2**	367.3
Between 2 and 3 years	**457.2**	367.3
Between 3 and 4 years	**457.2**	367.2
Between 4 and 5 years	**452.3**	367.2
≥ 5 years	**3 041.6**	2 351.1
Total	**5 322.8**	4 187.3

The group's lease contracts at 31 December 2023 have the following maturity structure measured in annual rent [1)]

Amounts in NOK million	No of contracts	Contract rent	Contract rent,%
≤ 1 year	0	-	0%
Between 1 and 5 years	2	5.0	1%
Between 5 and 10 years	32	170.3	37%
≤ 10 years	43	281.9	62%
Total	77	457.2	100%

The group's lease contracts at 31 December 2022 have the following maturity structure measured in annual rent [1)]

Amounts in NOK million	No of contracts	Contract rent	Contract rent,%
≤ 1 year	1	3.5	1%
Between 1 and 5 years	1	0.0	0%
Between 5 and 10 years	24	109.3	29%
≤ 10 years	39	257.9	70%
Total	65	370.8	100%

1) The rent is stated as the annualised undiscounted contractual rent, and is therefore not reconcilable with the rental income for the year for accounting purposes.

Note 08 Property and administration expenses

Amounts in NOK million	2023	2022
Property expenses		
Insurance premium	**1.4**	1.0
Property tax	**0.7**	1.0
Maintenance	**-**	-
Other property expenses	**2.9**	0.5
Total property expenses	**5.0**	2.5
Administration expenses		
Personnel expenses	**32.9**	28.6
Legal, agency and consultancy fees	**6.8**	12.2
Accounting	**1.9**	1.3
Auditors	**4.8**	4.7
Other operating expenses	**9.1**	5.2
Total administration expenses	**55.5**	52.1
Auditor fees full year basis		
Statutory audit	**4.7**	4.5
Tax advice	**0.1**	0.2
Other services not related to auditing	**-**	-
Other assurance services	**-**	-
Total auditor expenses (excl. VAT)	**4.8**	4.7
Personnel expenses		
Salaries, performance-related pay and other taxable benefits	**21.8**	21.1
Employers` Natural Insurance contributions	**4.5**	2.8
Pension expenses	**1.1**	0.9
Share based payment expense	**1.8**	-
Other personnel expenses	**0.8**	1.6
Board fees	**2.8**	2.2
Total personnel expenses	**32.9**	28.6
Number of full-time equivalent employees	**14**	12

Employees may purchase shares in the company at a 20% discount for an amount limited upwards to NOK 1 million, on condition that the employee is obliged to hold the shares for a three-year period (lock-up period). The board decides how the transaction shall be arranged within the authorisations granted by the general meeting. Employees are included in the company's option program, reference is made to note 21.

Renumeration to senior executives
The total remuneration of the CEO and other Senior Executives consists of a fixed package of salary and benefits supplemented by cash-based short-term incentive (STI), share option program (LTI) (reference is made to note 21), share purchase scheme (on the same terms as all other employees), pension and insurance arrangements.

Please refer to the Remuneration Report 2023 for more information. The report can be found on KMC Properties website: https://www.kmcp.no/en/investors/corporate+governance

Amounts in NOK million	2023	2022
Salary	**8.9**	8.5
Variable cash salary (STI)	**2.3**	3.2
Share based payment expense	**1.1**	-
Pension expense	**0.6**	0.6
Benefits in kind	**0.3**	0.3
Senior executives remuneration	**13.2**	12.7
Board of directors remuneration	**2.7**	2.5

Note 09 Financials

Amounts in NOK million	**2023**	2022
Interest income	**6.7**	3.1
Interest income from financial derivatives	**50.2**	16.1
Interest expense	**(256.6)**	(141.6)
Net realised financials	**(199.7)**	(122.4)

Amounts in NOK million	**2023**	2022
Net currency exchange differences	**16.0**	44.1
Amortised borrowing costs loan	**(29.2)**	(6.0)
Amortised bond discount	**(2.0)**	0.0
Interest expense on lease liabilities	**(1.4)**	(0.7)
Other financial expenses/income	**(1.7)**	(2.7)
Net unrealised financials	**(18.2)**	34.7

Note 10 Investment property

The valuation of the properties at 31 December 2023 has been performed by independent expert valuers. The variables used for valuation are both company specific and marked derived. Company specific variables include contractual rental income and expenses. Market derived variables include, inter alia, market rent rates, market discount rates and market capitalisation rates. The carrying value of the properties in the balance sheet reflects the values given a long-term perspective. Also see note 6 for critical accounting estimates and assumptions.

Amounts in NOK million	**2023**	2022
Opening balance	**5 365.6**	4 001.6
Classified as held for sale	**-**	(142.6)
Acquisitions	**672.4**	1 307.7
Development and upgrades [1]	**205.3**	139.3
Sale	**(101.4)**	-
Change in value	**(117.4)**	41.3
Currency translation effect	**128.5**	37.8
Other changes	**-**	(19.6)
Value at period end	**6 153.0**	5 365.6

1) Of which NOK 4.9 million is capitalised interest in 2023 and NOK 1.2 million in 2022.

The sensitivity of the fair-value assessment of investment properties depends to a considerable extent on assumptions related to yield, interest rates, market rents and operating costs for the properties. The table below presents examples of how changes related to each of these variables influenced property values, at 31 December 2023, assuming all other variables remained constant (amounts in NOK million). However, there are interrelationships between these variables, and it is expected that a change in one variable may influence one or more of the other variables.

Variables	Change of variables	Value change (+)	Value change (-)
Exit yield	+/- 0,25 per cent points	(41.9)	44.6
Discount rate	+/- 0,25 per cent points	(117.9)	119.3
Operating costs	+/- 10 per cent	(11.8)	11.3
Market rent	+/- 10 per cent	220.3	(220.5)
Average rental growth	+/- 0,5 percentages points next 10 years	191.1	(184.7)

The calculations have been performed by Cushman & Wakefield in connection the valuations at 31 December 2023.

Input for valuations – overview

	Investment property
Valuation method, reference is made to note 5	Level 3
Valuation model DCF	DCF
WAULT	11.4
Net yield (interval)	4.74%-12.20%
Contract rent at 31 December 2023, measured in annual rent (NOK millions)	459

Note 11 Other receivables and financial derivatives

Amounts in NOK million	**2023**	2022
Trade receivables (non-interest bearing)	**4.7**	7.0
Other receivables	**24.0**	6.8
Total other receivables	**28.7**	13.8
Financial derivatives	**149.2**	180.0

Age analysis of trade receivables

Amounts in NOK million	**2023**	2022
Not overdue	**4.5**	5.9
0-30 days	**0.2**	0.6
31-60 days	**0.0**	0.5
Total trade receivables	**4.7**	7.0

The group has cross currency and interest rate swaps to hedge risk against exchange rate and interest rate fluctuations.

Swap agreements 2023:

Amounts in million

Swap agreement	Currency amount	Market value 31.12.2022	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest	DKK 75	DKK 6	11.12.2023	13.12.2027	Not applicable	CIBOR = 0.22%
Interest	EUR 32	EUR 3	11.12.2023	13.12.2027	Not applicable	EURIBOR = -0.03%
Interest	NOK 235	NOK 25	11.12.2023	11.12.2027	Not applicable	NIBOR = 1.5175%
Interest	NOK 265	NOK 28	11.09.2023	11.12.2030	Not applicable	NIBOR = 1.5175%
Interest	NOK 70	NOK 6	06.01.2024 [1]	06.01.2028	Not applicable	NIBOR = 0.885%
Interest	NOK 135	NOK (2)	06.01.2024 [1]	06.01.2029	Not applicable	NIBOR = 3.53
Interest	SEK 69.6	SEK 5	11.12.2023	13.12.2027	Not applicable	STIBOR = 0.686%
Interest	SEK 100	SEK 0	28.12.2023	31.01.2029	Not applicable	STIBOR = 2.4125%
Interest	SEK 50.4	SEK 3	11.12.2023	13.12.2027	Not applicable	STIBOR = 0.686%
Interest	SEK 75	SEK (0)	08.01.2024 [1]	06.01.2029	Not applicable	STIBOR = 2.405
Currency	NOK 470	NOK 19	06.07.2023	06.07.2026	EUR/NOK = 11.63	Spread (Bond): 5.015%
Currency	NOK 430	NOK 22	06.07.2023	06.07.2026	DKK/NOK = 1.56	Spread (Bond): 4.645%

1) The swap agreement is a forward starting interest rate swap.

Swap agreements 2022:

Amounts in million Swap agreement [1]	Currency amount	Market value 31.12.2022	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest & currency	NOK 335	NOK 16	23.12.2020	11.12.2023	EUR/NOK = 10.630	EURIBOR = -0.51%
Interest & currency	NOK 240	NOK 32	23.12.2020	11.12.2023	SEK/NOK = 1.050	STIBOR = 0.017%
Interest & currency	NOK 165	NOK 7	23.12.2020	11.12.2023	DKK/NOK = 1.428	DANISH IBOR = -0.505%
Interest	NOK 500	NOK 56	13.07.2021	31.12.2030	Not applicable	NIBOR = 1.5175%
Interest	EUR 32	EUR 4	11.12.2023[1]	13.12.2027	Not applicable	EURIBOR = -0.03%
Interest	SEK 120	SEK 11	11.12.2023[1]	13.12.2027	Not applicable	STIBOR = 0,686%
Interest	DKK 120	DKK 13	11.12.2023[1]	13.12.2027	Not applicable	DANISH IBOR = 0.215%
Interest	NOK 35	NOK 1	10.02.2022	10.02.2027	Not applicable	NIBOR = 2,305%

1) The swap agreement is a forward starting interest rate swap.

Note 12 Cash and Bank depositis

Amounts in NOK million	2023	2022
Bank deposits	**137.9**	185.4
Disposal account	**136.0**	0.4
Restricted bank deposits (withholding tax account)	**1.1**	0.7
Total bank deposits	**275.0**	186.5

The bond terms governing the bond issue, require that all funds received from sale of pledged properties shall be paid into a bank account pledged in favour of the bond holders. Funds from the disposal account may be used to financing (in whole or in part) of any permitted acquisition (in relation to which additional security shall be granted) or the development, repair or re-building of any property. The fund is to be used to finance the remaining five properties in Belgium, Germany and Poland in the BEWI-transactions expected to be closed in the first half of 2024 and represents the last part of the large NOK 1.9 billion transaction with BEWI ASA announced in 2022.

Note 13 Shareholder capital and shareholders

Share capital and nominal value

	31.12.2023
Shares issued	**394 129 580**
Nominal amount in NOK	**0.2**
Share capital in NOK	**78 825 916**

No of shares as of 31 December 2020	240 765 311
Issue of shares subsequent offering 19.02.2021	981 233
Issue of shares private placement 16.09.2021	37 500 000
Issue of shares employee offering 18.10.2021	750 000
Issue of shares subsequent offering 27.10.2021	1 875 000
No of shares as of 31 December 2021	281 871 544
Issue of shares private placement 22.02.2022	2 772 105
Issue of shares private placement 04.11.2022	39 250 000
No of shares as of 31 December 2022	323 893 649
Issue of shares private placement 31.03.2023 [1]	20 235 931
Issue of shares private placement 28.09.2023 [2]	50 000 000
No of shares as of 31.12.2023	394 129 580

1) Private placement to BEWI ASA price of NOK 7.33 per share, in total NOK 148.3 millions. BEWI ASA sold the shares in the open market during the year.
2) Private placement to Nordika at a subscription price of NOK 5.50 per share, in total NOK 275 millions (transaction cost NOK 2.3 million). Nordika was granted a call option to subscribe for and be allotted additional new shares in KMC Properties for a total amount of NOK 130 million at a subscription price of NOK 5.75 per share. Nordika exercised the call option in January 2024, reference is made to Note 22.

All shares are fully paid. There is only one share class. All shares have equal rights. KMC Properties ASA is listed on the Oslo Børs (Oslo Stock Exchange) under the symbol KMCP. The shareholder list shows the shareholder register from VPS at 31 December 2023. Any trades via brokers before the closing date which is registered after the closing date is not reflected in the shareholder list.

Shareholder	% holding	Country	Type of shareholder	Shares at 31 December 2023
BEWI Invest AS	35.3%	Norway	Ordinary	139 019 470
HAAS AS	19.5%	Norway	Ordinary	76 875 801
Swedbank AB [1]	12.7%	Sweden	Nominee	50 054 500
M2 Asset Management AB	10.6%	Sweden	Ordinary	41 627 422
Frøy Kapital AS	3.3%	Norway	Ordinary	13 020 833
Surfside Holding AS	2.5%	Norway	Ordinary	10 000 000
Credit Suisse (Luxembourg) S.A.	1.6%	Ireland	Nominee	6 500 000
Constructio AS	1.4%	Norway	Ordinary	5 607 141
Formo AS	0.9%	Norway	Ordinary	3 740 000
Skandinaviska Enskilda Banken AB	0.9%	Sweden	Nominee	3 618 890
Total 10 largest shareholders	89%			350 064 057
Other shareholders	11%			44 065 523
Total	100%			394 129 580

1) Of this, Nordika owns 50 000 000.
Nominee = Nominee Accounts; foreign institutions holding shares on behalf of clients.

Shareholder	% holding	Country	Type of shareholder	Shares at 31 December 2022
BEWI Invest AS	42.9%	Norway	Ordinary	139 019 470
HAAS AS	23.7%	Norway	Ordinary	76 875 801
Frøy Kapital AS	4.0%	Norway	Ordinary	13 020 833
Surfside Holding AS	3.1%	Norway	Ordinary	10 000 000
Nordea Bank Abp	2.7%	Sweden	Nominee	8 597 653
Credit Suisse (Luxembourg) S.A.	2.0%	Luxembourg	Nominee	6 500 000
Carnegie Investment Bank AB	1.7%	Sweden	Nominee	5 625 000
Constructio AS	1.7%	Norway	Ordinary	5 607 141
M2 Asset Management AB	1.6%	Sweden	Ordinary	5 171 825
Formo AS	1.2%	Norway	Ordinary	3 740 000
Total 10 largest shareholders	85%			274 157 723
Other shareholders	15%			49 735 926
Total	100%			323 893 649

Shares controlled by directors	Via	% holding	Shares at 31 December 2023
Bjørnar André Ulstein	Shares held through indirect ownership in BEWI Invest AS [1]	0.0%	-
Marianne Bekken	Shares held through indirect ownership in BEWI Invest AS [2]	0.0%	-
John Thoresen	Shares held through indirect ownership in BEWI Invest AS [3] and Kastor Invest AS [4]	0.0%	-
Morten Eivindssøn Astrup	Surfside Holding AS [5]	2.5%	10 000 000
Jonas Grander	Shares held through indirect ownership in Nordika [6]	0.0%	-
Mia Arnhult	M² Asset Management AB [7]	10.6%	41 627 422
Hege Aasen Veiseth	-	0.0%	-
Haakon Sæter	-	0.0%	-
Sum shares controlled by directors		13.1%	51 627 422

1) Bjørnar André Ulstein owns 0.003% of the shares in BEWI Invest AS and has indirect ownership interest in the company. BEWI Invest AS owns 35.27% of the Shares in the company. In addition he holds 0.195% of Bekken Invest AS through his wholly owned company Tindan AS (Bekken Invest AS owns 52.15% of BEWI Invest AS which in turn owns 35.27% of the company's Shares).
2) Marianne Bekken has ownership interest in the company through the holding company Marbek Invest AS owning 23.41% of Bekken Invest AS which in turn owns 52.15% of BEWI Invest AS. BEWI Invest AS owns 35.27% of the Shares in the company.
3) John Thoresen has ownership interest in the company through the holding company Bajato AS (owned with his children) owning 50% of Kastor Invest Holding AS. Kastor Invest Holding AS owns 10.31% of BEWI Invest AS (BEWI Invest AS owns 35.27% of the Shares in the company) and 10.03% of Bekken Invest AS (Bekken Invest AS owns 52.15% of BEWI Invest AS which in turn owns 35.27% of the Shares in the company).
4) Kastor Invest AS is 100% owned by Kastor Invest Holding AS, a company in which 50% of the shares are owned by John Thoresen through the holding company Bajoto AS (with his children).
5) Morten Eivindssøn Astrup holds his Shares in the company through Surfside Holding AS, a company of which he owns 100% of the shares.
6) Jonas Grandér has indirect ownership interest in the company through his indirect holding of 4.34% of the shares in Nordika.
7) Mia Arnhult holds her Shares in the company through M2 Asset Management AB, a company which is wholly owned by her husband, Rutger Arnhult.

Shares controlled by directors	Via	% holding	Shares at 31 December 2022
Pål Magnus Aglen	Aglen Holding AS	0.3%	820 500
Morten Eivindssøn Astrup	Surfside Holding AS	3.1%	10 000 000
Hege Aasen Veiseth		0.0%	-
Haakon Sæter		0.0%	-
Nini Høegh Nergaard		0.0%	-
Marianne Bekken	Shares held through indirect ownership in BEWI Invest AS	0.0%	-
John Thoresen	Shares held through indirect ownership and Kastor Invest AS	0.7%	2 242 856
Anna Musiej Aanensen		0.0%	-
Stig Wærnes	Snewær AS	0.1%	278 540
Sum shares controlled by directors		4.0%	13 341 896

Shares controlled by senior executives	Via	% holding	Shares at 31 December 2023	Options
Liv Malvik, CEO	-	0.0%	179 285	392 598
Kristoffer Holmen, CFO	Mejdell Holmen Holding AS	0.0%	125 000	392 598
Ove Rød Henriksen, CAO	Substrata AS	0.0%	9 630	392 598
Audun Aasen, COO	Tripla Invest AS	0.1%	577 000	392 598
Kristoffer Formo, Head of M&A	Formo AS	0.9%	3 740 000	392 598
Sum shares controlled by senior executives		1.2%	4 630 915	1 962 990

Shares controlled by senior executives	Via	% holding	Shares at 31 December 2022	Options
Liv Malvik, CEO	-	0.1%	179 285	-
Kristoffer Holmen, CFO	Mejdell Holmen Holding AS	0.0%	125 000	-
Ove Rød Henriksen, CAO	Substrata AS	0.0%	9 630	-
Audun Aasen, COO	Tripla Invest AS	0.2%	577 000	-
Kristoffer Formo, Head of M&A	Formo AS	1.2%	3 740 000	-
Sum shares controlled by senior executives		1.4%	4 630 915	-

Note 14 Tax

Income tax expense

Amounts in NOK million	2023	2022
Tax payable, current year	**(20.1)**	(8.9)
Change in deferred tax	**(6.2)**	(29.3)
Income tax expense	**(26.4)**	(38.3)
Income tax payable is calculated as follows		
Profit before tax	**(51.6)**	282.2
Profit before tax from discontinued operations	**(0.1)**	(81.4)
Other permanent differences	**84.3**	30.9
Changes in temporary differences	**21.8**	(208.6)
Profit for tax purposes	**54.5**	23.2
Tax payable on the balance sheet	**12.0**	5.1

Reconciliation of income tax expense

Amounts in NOK million	2023	2022
Profit before tax (including discontinued operations)	**(51.7)**	200.8
Estimated tax based on 22%	**11.4**	(44.2)
Tax effects of:		
Deferred tax assets that are not recognised in the balance sheet	**-**	-
Change in temporary differences due to different tax regimes	**(0.7)**	(2.1)
Changes in fair value investment properties without tax effect	**(18.4)**	14.9
Permanent differences	**(18.6)**	(6.8)
Income tax expense	**(26.4)**	(38.3)
Effective tax rate	**(51.0%)**	19.0%

Deferred income tax
The group has offset deferred tax assets and deferred tax liabilities on the balance sheet as the group has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

The following net value was recognised:

Amounts in NOK million	2023	2022
Deferred tax liability	**218.3**	**231.2**
Deferred tax assets	**82.4**	**67.8**
Net deferred tax	**135.9**	**163.4**

CHANGE IN DEFERRED TAX (+)/DEFERRED TAX ASSETS (-)

Movment in temporary differences

Amounts in NOK million	Investment property	Financial instruments	Current assets	Loss carried forward	Other	**Total**
31 December 2021	795.4	67.4	10.7	(302.1)	(33.3)	**538.2**
Recognised in profit and loss	48.1	110.6	0.2	21.9	-	**180.7**
Acquisition of subsidiaries	-	-	-	-	10.4	**10.4**
31 December 2022	843.5	178.0	10.9	(280.3)	(22.9)	**729.3**
Recognised in profit and loss	(20.6)	(33.7)	22.6	(94.3)	-	**(125.9)**
Acquisition of subsidiaries	-	-	-	-	-	**-**
31 December 2023	822.9	144.3	33.5	(374.6)	(22.9)	**603.3**

Change in temporary differences based on nominal tax rate	**(125.9)**
Change in deffered tax based on nominal tax rate	**27.7**
Differences due to different tax regimes and currency effects	**(0.7)**
Other differences	**(33.2)**
Change in deferred tax	**(6.2)**

Note 15 Interest bearing liabilities

Non-current interest bearing liabilities	**2023**			2022		
Amounts in NOK million	**Nominal value**	**Market value**	**Carrying amount**	Nominal value	Market value	Carrying amount
Bond loans	**900.0**	**894.4**	**882.3**	-	-	-
Bank loans	**2 317.7**	**2 317.7**	**2 281.7**	1 223.1	1 223.1	1 217.4
Total non-current interest bearing liabilities	**3 217.7**	**3 212.1**	**3 164.0**	1 223.1	1 223.1	1 217.4

Current interest bearing liabilities	**2023**			2022		
Amounts in NOK million	**Nominal value**	**Market value**	**Carrying amount**	Nominal value	Market value	Carrying amount
Bond loans	**-**	**-**	**-**	1 850.0	1 862.0	1 844.3
Bank loans	**363.3**	**363.3**	**363.3**	60.6	60.6	60.6
Total current interest bearing liabilities	**363.3**	**363.3**	**363.3**	1 910.6	1 922.6	1 904.9
Total interest-bearing liabilities	**3 581.0**	**3 575.4**	**3 527.3**	3 133.7	3 145.7	3 122.3

The market value on the bond loans is the observed mid-price on the reporting date.

Changes in liabilties arising from financing activities

	2023			2022		
Amounts in NOK million	**Bank loans**	**Bond loans**	**Total**	Bank loans	Bond loans	Total
31 December 2022	**1 278.0**	**1 844.3**	**3 122.4**	430.7	1 838.3	2 269.0
Repayment interest-bearing liabilities	**(315.1)**	**(1 850.0)**	**(2 165.1)**	(18.7)	-	(18.7)
Proceeds from interest bearing liabilities	**1 649.0**	**864.2**	**2 513.2**	866.0	-	866.0
Amortisation of debt issue costs and bond discount	**7.4**	**23.7**	**31.1**	-	6.0	6.0
Foreign exchange movements	**25.6**	**-**	**25.6**	-	-	-
Total interest-bearing liabilities	**2 644.9**	**882.3**	**3 527.3**	1 278.0	1 844.3	3 122.3
Total non-current interest-bearing liabilities	**2 281.7**	**882.3**	**3 164.0**	1 217.4	-	1 217.4
Total current interest-bearing liabilities	**363.3**	**-**	**363.3**	60.6	1 844.3	1 904.9
Interest paid during the period to bank and bonds	**134.1**	**122.5**	**256.6**	31.7	110.0	141.6
Interest on financial derivatives			**(50.2)**			(16.1)
Interest paid during the period			**206.4**			125.5

Key terms:
NOK 900 000 000 (with a maximum issue amount of NOK 1 500 000 000 under potential subsequent tap issue) senior secured bond. Guarantees and security is shared with certain hedging providers and one or more revolving credit facilities and, under the terms of an intercreditor agreement, the bond issue ranks behind the relevant hedging providers and the revolving credit facilities in the payment waterfall.

Call option: Make Whole 1.5-years, thereafter callable @ 100% of par + $^1/_2$ / $^1/_3$ / $^1/_6$ of the Margin after 18/24/30 months. Callable @ 100% after 33 months until the Maturity Date.

Put option: Upon a change of control, failure to list the bond or a de-listing of the Issuer's share from Oslo Børs, exercisable at 101% of the nominal amount of the redeemed bond.

General undertakings (covenants): Customary general undertakings applicable to the Issuer and all its direct and indirect subsidiaries, including maintaining authorisations, compliance with laws, continuation of business, pari passu ranking, limitations on investments, limitations on distributions, certain financial support restrictions, restrictions on limiting subsidiaries' right to make distributions.

Financial covenants: The Issuer must ensure compliance with the following financial covenants (maintenance covenants), measured on the group as a whole:

- Interest cover ratio (ICR) of not less than 1.5x
- Net-loan-to-value ratio below (NLTV) 75%
- Liquidity not less than an amount equal to net interest costs for the next 3 months

In addition (incurrence covenants):
any distribution from the Issuer is subject to an NLTV of not less than 65% and a liquidity that is 1.5x higher than the liquidity requirement above; and the incurrence of certain otherwise permissible new financial indebtedness is subject to a loan-to-value ratio of 60%

Security bond loan:

Amounts in NOK million	**2023**	2022
Pledged property portfolio	**3 054.8**	3 029.1
Properties refinanced in bank	**(1 561.3)**	-
Disposal account	**-**	40.7
Opening balance security [1]	**1 493.5**	3 069.8
Investments in pledged property portfolio	**189.8**	197.0
Sale of assets in pledged property portfolio	**(297.7)**	(143.8)
Inflow disposal account	**136.0**	143.8
Outflow disposal account	**-**	(184.0)
Fair value and translation adjustments pledged property portfolio [2]	**57.1**	(28.0)
Value security end of period	**1 578.8**	3 054.8
Value of bond loan	**900.0**	1 850.0

1) The bond is secured by, in addition to mortgages over the properties, share charges over the shares of the guarantors, pledges over bank accounts, Norwegian floating charges over trade receivables, and certain other floating charges / enterprise mortgages in Finland, Denmark and Sweden.
2) In accordance with valuation from Cushman & Wakefield at 31 December 2023.

Note 16 Site leaseholds, right-of-use assets

At the end of the year, KMC Properties had 12 properties (11) granted site leaseholds. KMC Properties recognises a right-of-use asset and a corresponding liability at the lease commencement date.

Amounts in NOK million	**2023**	2022
Beginning of year	**19.1**	19.1
Additions	**5.7**	1.0
Adjustments	**(1.0)**	(0.4)
Depreciation	**(0.8)**	(0.6)
Value at year-end	**23.0**	19.1

Note 17 Other current and non-current liabilities

Other current liabilities

Amounts in NOK million	**2023**	2022
Trade payables (non-interest bearing)	**22.4**	37.4
Taxes payable	**12.0**	-
Value added taxes payable	**3.3**	5.1
Accrued interest	**58.2**	21.5
Accrued wages and salaries	**10.3**	11.8
Pro-contra settlement payable	**12.4**	-
Accrued cost development projects and real estate transfer tax	**14.2**	-
Other current liabilities (non-interest bearing)	**4.6**	3.1
Other current liabilities	**137.4**	78.8

Other non-current liabilities

Amounts in NOK million	**2023**	2022
Lease liabilities	**23.6**	19.1
Deferred stamp duty	**-**	2.6
Depositum	**18.4**	17.2
Other non-current liabilities	**42.0**	38.9

Note 18 Entities and subsidiaries

The group comprises the following legal entities at 31 December 2023.
All entities are directly or indirectly owned 100%.

Subsidiaries incorporated in Norway

KMC Balsfjord AS	KMC Holamyra AS	KMC NewCo AS	KMC Properties Nederland AS	KMC Østre Rosten 102 AS
KMC Båtsfjord AS	KMC Holsneset AS	KMC Oppdal AS	KMC Properties Nordic AS	KMC Østre Rosten 102 B AS
KMC Energy AS	KMC Industrial Properties Norway AS	KMC Properties AS	KMC Properties Poland AS	KMC Ågotnes AS
KMC Fagernessletta 10 AS	KMC Kampenveien 5 AS	KMC Properties ASA	KMC Properties V AS	KMCP II Norway Midt-Norge AS
KMC Fagervikveien AS	KMC Hofstadvegen 15 AS	KMC Properties Belgium AS	KMC Properties V Norway AS	KMCP II Norway Nord-Norge AS
KMC Gjerdsvika AS	KMC Holamyra AS	KMC Properties Germany AS	KMC Properties VII AS	KMCP II Norway Vestlandet AS
KMC Hamarvik AS	KMC Holsneset AS	KMC Properties Holdco AS	KMC Properties VII Norway AS	Sentrallager Nord-Norge AS
KMC Havnegata 16 AS	KMC Industrial Properties Norway AS	KMC Properties II AS	KMC Senja AS	Sentrallager Nord-Norge KS
KMC Havnegata 24 AS	KMC Kampenveien 5 AS	KMC Properties II Norway AS	KMC Skattørvegen 78 AS	Skarvenesveien 3 Eiendom ANS
KMC Havøysund AS	KMC Kongsvinger AS	KMC Properties III AS	KMC SPV II AS	
KMC Hitra AS	KMC Kvenild AS	KMC Properties III Norway AS	KMC Storemyra 200 AS	
KMC Hitra II AS	KMC Leknes AS	KMC Properties IV AS	KMC Uthaug AS	
KMC Hofstadvegen 15 AS	KMC Lundamo AS	KMC Properties IV Norway AS	KMC Valsneset AS	

Subsidiaries incorporated in Sweden

KMC Fårtickan AB	KMC Kungshamn AB	KMC Properties Sweden AB	KMC Urshult AB
KMC HoldCo Täby AB	KMC Laholm AB	KMC Properties VII Sweden AB	KMC Varberg AB
KMC Klädesholmen AB	KMC Norrköping AB	KMC Skurup AB	KMC Våmb AB
KMC Kramfors AB	KMC Properties III Sweden AB	KMC Täby AB	KMC Vårgårda AB

Subsidiaries incorporated in Denmark

KMC Farsø A/S	KMC Hedensted ApS	KMC Industrial Properties Denmark ApS	KMC Properties III Denmark ApS	KMC Skelvej ApS
KMC Frederikshavn A/S	KMC Hvide Sande A/S	KMC Nykøbing Mors A/S	KMC Properties V Denmark ApS	KMC Properties Denmark A/S

Subsidiaries incorporated in the Netherlands

Holland Industrial Properties B.V	Oldenzaal Investment properties B.V	Someren Investment properties B.V	Wijchen Investment properties B.V	Zwartsluis Investment properties B.V

Subsidiaries incorporated in Finland

KMC Kuopio Oy	KMC Pajakatu Oy	KMC Toravantie Oy
KMC Muurlantie Oy	KMC Properties VI Finland Oy	Pesca Property Finland Oy

Subsidiaries incorporated in Germany

KMC Mechau GmbH	KMC Ohrdruf GmbH	KMC Properties Germany GmbH

Subsidiaries incorporated in Belgium

KMC Heist-op-den-Berg BV	KMC Olen BV	KMC Properties Belgium BV

Subsidiaries incorporated in Poland

KMC Kluczborska Sp. z o.o.	KMC Legnicka Sp. z o.o.	KMC Narutowicza Sp. z o.o.	KMC Properties Poland Sp. z o.o.

Subsidiaries incorporated in other countries

Tiberton Yard Holding 2 Ltd (Cyprus)

Note 19 Related party transactions

The table below sets out KMC Properties ASA (including its subsidiaries) material investments and acquisitions with related parties. The total purchase price for the acquisitions was NOK 570.0 million.

Date	Target/property	Related party
31 March 2023	Muurlantie 438, Salo, Finland	BEWI ASA
31 March 2023	Pajakatu 6, Sastamala, Finland	BEWI ASA
31 March 2023	Toravantie 18, Sastamala, Finland	BEWI ASA
31 March 2023	Lundagervej 20, Hedensted, Denmark	BEWI ASA
15 December 2023	Ritzlebener Strasse 1, Mechau, Germany	BEWI ASA
28 December 2023	Industrielaan 39, Olen, Belgium	BEWI ASA

The tenant BEWI is regarded as related parties by their ownership in KMC Properties ASA through BEWI Invest AS. Reference is made to note 2.5 Segment information for detailed information.

KMC Properties ASA has in 2023 purchased services for NOK 2.0 million from BEWI related companies, mainly office rent (NOK 1.7 million) which is an entirely forwarded cost.

Note 20 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Profit attributable to equity holders of the company (NOK millions)	**(78.0)**	163.2
Weighted average number of shares	**352 209 038**	290 461 793
Net profit per share attributable to ordinary equity holders (NOK)	**(0.22)**	0.56

In relation to the private placement 28 September 2023 Nordika were granted a call option to subscribe for and be allotted additional new shares in KMC Properties for a total amount of NOK 130. Nordika exercised the call option in January 2024. The shares are not considered to be dilutive. Reference is made to note 13 and 22 for detailed information on changes in number of shares.

Note 21 Shared based payment

The share option program was introduced in March 2023 and includes all employees in the company.
Each option will give the holder the right to acquire one KMCP share from the company.

The exercise price for the KMCP Options is NOK 6.4571, which is equal to the volume weighted average trading price (VWAP) of KMCP´s shares on the Oslo Stock Exchange during the last 30 days before grant date, 29.03.2023.

The options have a vesting period of three years from being awarded, whereby 20% of the options will vest after one year, 30% after two years and 50% will vest after three years and may then be exercised in a period of two additional years.

The options are non-tradable and conditional upon the option holder being employed by the company or its subsidiaries and not having resigned or being terminated for cause prior to the vesting date.

Movements of options during 2023	Number of instruments	Weighted Average Strike Price (NOK)
Outstanding at 1 January	-	-
Granted	3 238 936	6.46
Exercised	-	-
Expired	-	-
Outstanding at 31 December	3 238 936	6.46
Vested options	-	-

Outstanding Instruments Overview	**2023**
Number of instruments	**3 238 936**
Weighted Average Strike Price (NOK)	**6.46**
Vested instruments at 31 December	**-**
Weighted Average Strike Price on vested instruments NOK	**-**
Weighted Average remaining contractual life (years)	**4.24**

Fair value pricing assumptions	**2023**
Instrument	**Option**
Quantity at 31 December	**3 238 936**
Contractual life*	**5.00**
Strike price (NOK)*	**6.46**
Share price (NOK)*	**6.00**
Expected lifetime*	**3.30**
Volatility*	**35.82%**
Interest rate*	**2.94%**
Dividend*	**-**
FV per instrument*	**1.57**

* *Weighted average parameters at grant of instrument*

Amounts in NOK million	**2023**
Share-based payment expense	**1.8**
Total Social security provisions	-

Note 22 Subsequent events

Acquisition
In January 2024, Nordika exercised a call option to subscribe for NOK 130 million of additional new shares in KMC Properties, bringing the ownership in KMC Properties to 17.4 per cent. A total of 22 608 696 new shares was issued to Flugfiskaren AB, a wholly owned subsidiary of Nordika, at a subscription price of NOK 5.75 per share.

Other matters
No other events have taken place after the balance sheet date that would have had a material effect on the financial statements or any assessments carried out.

Alternative Performance Measures

KMC Properties ASA's financial information is prepared in accordance with the international financial reporting standards (IFRS). In addition, the company reports alternative performance measures (APMs) that are regularly reviewed by management to enhance the understanding of the company's performance as a supplement, but not as a substitute, to the financial statements prepared in accordance with IFRS. Financial APMs are intended to enhance comparability of the results and cash flows from period to period.
The financial APMs reported by KMC Properties ASA are the APMs that, in management's view, provide relevant supplemental information of the company's financial position and performance. Operational measures such as, but not limited to, occupancy and WAULT are not defined as financial APMs according to ESMA's guidelines.

EBITDA
Net realised financials is the aggregate gross cash interest costs of the group related to the group's interest-bearing debt less the aggregate gross cash interest income of the group. Net income from property management is the aggregate rental income less property expenses and other operational expenses and net realised financials.

Amounts in NOK million	**2023**	2022
Net income from property management	**149.1**	95.7
Net realised financials	**199.7**	122.4
EBITDA	**348.9**	218.0

Interest Cover Ratio (ICR)

Amounts in NOK million	**2023**	2022
EBITDA (incl EBITDA from discontinued operations)	**348.8**	225.3
Net realised financials	**(199.7)**	(122.4)
ICR	**1.7x**	1.8x

EPRA Reporting

The following performance indicators have been prepared in accordance with best practices as defined by EPRA

(European Public Real Estate Association) in its latest edition of the Best Practices Recommendations Guidelines.

The EPRA Best Practices Recommendations Guidelines focus on making the financial statements of public real estate companies clearer and more comparable across Europe. For further information about EPRA, see www.epra.com.

Summary table EPRA performance measures

		Unit	**2023 / 31.12.2023**	2022 / 31.12.2022
A	EPRA Earnings per share	NOK	**0.25**	0.22
B	EPRA NRV per share	NOK	**7.3**	7.5
	EPRA NTA per share	NOK	**7.3**	7.5
	EPRA NDV per share	NOK	**7.1**	7.3
C	EPRA Net Initial Yield (NIY)	%	**7.3**	6.9
	EPRA "topped-up" NIY	%	**7.3**	6.9
D	EPRA Vacancy Rate	%	**1.8**	0.0
E	EPRA Cost Ration (including direct vacancy costs)	%	**14.8**	20.0
	EPRA Cost Ration (excluding direct vacancy costs)	%	**14.8**	20.0
F	EPRA LTV	%	**55.6**	56.2

The details for the calculation of the performance measures are shown on the following pages.

EPRA Capital expenditure

Amounts in NOK million	**2023**	2022
Acquisitions	**672.4**	1 307.7
Development	**127.0**	109.3
o.w capitalised interest	**4.9**	1.2
Upgrades	**78.3**	30.0
Incremental lettable space	**28.6**	-
No incremental lettable space and tenant incentives	**44.1**	30.0
Other material non-allocated types of expenditure	**5.6**	-
Total capital expenditure	**877.7**	1 447.1
Conversion from accrual to cash basis	**-**	-
Total capital expenditure on cash basis	**877.7**	1 447.1
Non-yielding capital expenditure	**37.4**	5.4
Yielding capital expenditure	**167.9**	133.9
Development and upgrades	**205.3**	139.3

Yielding capital expenditure means capital expenditure that generates increased rental income.

EPRA like-for-like rental growth

The like-for-like rental growth is based on changes in rental income for those properties which have been held for the duration of both the current and prior reporting years. KMC Properties has one segment, industrial- and logistic properties.

Amounts in NOK million	**Rental income from like-for-like portfolio 2023**	Rental income from like-for-like portfolio 2022	Like-for-like growth	Like-for-like growth in%
Norway	**160.4**	149.3	11.1	7.4%
Sweden	**33.6**	29.8	3.8	12.6%
Denmark	**31.0**	28.0	3.0	10.7%
Netherlands	**35.4**	30.9	4.5	14.5%
Finland	**5.8**	5.4	0.4	8.3%
Net rental income	**266.2**	243.4	22.8	9.4%
Value on which LFL growth is based	**3 405.8**	3 489.8		
Number of investment properties	**37**	37		

A. EPRA EARNINGS

EPRA Earnings is a measure of the operational performance of the property portfolio. EPRA Earnings is calculated based on the income statement, adjusted for non-controlling interests, value changes on investment properties, changes in the market value of financial instruments and the associated tax effects.

Amounts in NOK millions	**2023**	2022
Earnings per IFRS income statement	**(78.0)**	163.2
Adjustments to calculate EPRA Earnings:		
Changes in value of investment properties	**117.4**	(41.3)
Changes in value of financial instruments	**65.1**	(110.6)
Deferred tax for FV adjustments	**(7.2)**	27.2
Deferred tax for financial derivatives	**(7.9)**	24.3
EPRA earnings	**89.4**	62.8
Weighted average shares outstanding (million)	**352.2**	290.5
EPRA Earnings per Share (EPS)	**0.25**	0.22
Company specific adjustments:		
Profit from discontinued operations	**0.1**	80.8
Company specific Adjusted Earnings	**89.5**	143.6
Company specific Adjusted EPS	**0.25**	0.49

B. EPRA NET ASSET VALUE (NAV) METRICS

EPRA Net Reinstatement Value (NRV)

The objective of the EPRA NRV measure is to highlight the value of net assets on a long-term basis and assumes that no selling of assets takes place. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. Real estate transfer taxes are levied on property transactions in Netherland, but not on property transactions in the Nordics. Such taxes are not included in investment property values and is therefore not corrected for.

Amounts in NOK millions	**31.12.2023**	31.12.2022
IFRS Equity attributable to shareholders	**2 798.5**	2 376.9
Approved, not paid dividend	**-**	-
Net Asset Value (NAV) at fair value	**2 798.5**	2 376.9
Deferred tax investment properties	**184.3**	188.6
Deferred tax financial derivatives	**31.7**	39.6
Real estate transfer tax	**-**	-
Fair value of financial derivatives	**(149.2)**	(180.0)
Net reinstatement value (EPRA NRV)	**2 865.2**	2 425.1
Fully diluted shares outstanding	**394.1**	323.9
EPRA NRV per share	**7.3**	7.5

EPRA Net Tangible Assets (NTA)

The EPRA NTA is focused on reflecting a company's tangible assets and assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax liability. KMC Properties has adopted the first option in the EPRA BPR guidelines excluding all deferred tax related to investment properties, since KMC Properties has no intention to sell any of its properties.

Amounts in NOK millions	**31.12.2023**	31.12.2022
IFRS Equity attributable to shareholders	**2 798.5**	2 376.9
Approved, not paid dividend	**-**	-
Net Asset Value (NAV) at fair value	**2 798.5**	2 376.9
Deferred tax investment properties	**184.3**	188.6
Deferred tax financial derivatives	**31.7**	39.6
Fair value of financial derivatives	**(149.2)**	(180.0)
Net tangible assets (EPRA NTA)	**2 865.2**	2 425.1
Shares outstanding	**394.1**	323.9
EPRA NTA per share	**7.3**	7.5

EPRA Net Disposal Value (NDV)

The EPRA NDV measure illustrates a scenario where deferred tax, financial instruments, and certain other adjustments are calculated as to the full extent of their liability. This enables readers of financial reports to understand the full extent of liabilities and resulting shareholder value under an orderly sale of business and/or if liabilities are not held until maturity. The measure should not be viewed as a "liquidation NAV" for KMC Properties, as fair values may not represent liquidation values, and as an immediate realisation of KMC Properties assets may be structured as sale of property-owning companies, resulting in the deferred tax liabilities only partially crystallising.

Amounts in NOK millions	**31.12.2023**	31.12.2022
IFRS Equity attributable to shareholders	**2 798.5**	2 376.9
Approved, not paid dividend	**-**	-
Net Asset Value (NAV) at fair value	**2 798.5**	2 376.9
Fair value adjustment of interest-bearing liabilities, net of tax	**-**	-
Net disposal value (EPRA NDV)	**2 798.5**	2 376.9
Shares outstanding	**394.1**	323.9
EPRA NDV per share	**7.1**	7.3

C. EPRA Net Initial Yield (NIY)

EPRA Net Initial Yield (NIY) measures the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA "topped-up" NIY incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

Amounts in NOK millions	**31.12.2023**	31.12.2022
Investment properties	**6 153.0**	5 365.6
Investment properties held for sale	**-**	-
Market value of the property portfolio	**6 153.0**	5 365.6
Less projects, land and developments	**(7.4)**	(66.7)
Allowance for estimated purchasers' cost	**12.3**	10.7
Gross up completed management portfolio valuation	**6 157.9**	5 309.6
12 months rolling rent	**457.2**	371.4
Estimated ownership cost	**(7.8)**	(6.5)
Annualised net rents	**449.4**	364.9
Add: Notional rent expiration of rent-free periods or other lease incentives	**-**	-
Topped up net annualised net rents	**449.4**	364.9
EPRA "topped-up" NIY	**7.3%**	6.9%
EPRA NIY	**7.3%**	6.9%

D. EPRA Vacancy Rate

Estimated Market Rental Value (ERV) of vacant space divided by the ERV of the whole portfolio.

Amounts in NOK millions	**31.12.2023**	31.12.2022
Market rent vacant areas	**8.1**	-
Total market rent	**462.0**	375.5
EPRA Vacancy Rate	**1.8%**	0.0%

KMC Properties vacant space is related to a logistic property acquired in Narvik with roughly half the property vacant, enabling a potential for significant additional income. KMC Properties as no other vacant space.

E. EPRA Cost Ratios

Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income. KMC Properties has a policy to not capitalise overheads and operating expenses and there is no overheads and operating expenses capitalised for the years 2022 and 2023.

Amounts in NOK millions	**2023**	2022
Property expenses	**(5.0)**	(2.5)
Administration expenses	**(55.5)**	(52.1)
Less: Ground rent costs	**-**	-
EPRA Costs (including direct vacancy costs)	**(60.5)**	(54.6)
Direct vacancy costs	**-**	-
EPRA Costs (excluding direct vacancy costs)	**(60.5)**	(54.6)
Gross Rental Income less ground rents	**409.4**	272.7
Gross Rental Income	**409.4**	272.7
EPRA Cost Ratio (including direct vacancy costs)	**14.8%**	20.0%
EPRA Cost Ratio (excluding direct vacancy costs)	**14.8%**	20.0%

F. EPRA LTV

EPRA LTV is a metric to determine the percentage of debt comparing to the appraised value of the properties.

Amounts in NOK million	**31.12.2023 Combined EPRA LTV**	31.12.2022 Combined EPRA LTV
Bond loan	**900.0**	1 850.0
Bank loan	**2 453.0**	1 265.9
Construction loans	**121.1**	17.8
Revolving Credit Facility / Shareholder loan	**107.5**	-
Net Payables	**114.9**	69.0
Cash and cash equivalent	**(275.0)**	(186.5)
Net debt	**3 421.4**	3 016.2
Investment properties	**6 153.0**	5 365.6
Investment properties held for sale	**-**	-
Market value of the property portfolio	**6 153.0**	5 365.6
EPRA LTV	**55.6%**	56.2%

1) Net payables include trade payables, other current and non-current liabilities, trade receivables, other receivables and other assets.

Definitions

GLA	Gross leasable area, corresponds to the sum of the areas available for lease.
GRI	Gross rental income, equals total rental income.
ICR	Interest Cover Ratio, the ratio of EBITDA to Net Interest Cost.
LTM	Last twelve months.
Market value of portfolio	The market value of all properties owned by the parent company and subsidiaries.
NAV	Net Asset Value, the total equity that the company manages for its owners. KMC Properties presents NAV calculations in line with EPRA recommendation, where the difference mainly is explained by the expected turnover of the property portfolio.
Vacancy rate (%)	Estimated market rent of occupied space of the management properties, divided by the market rent of the total space of the management portfolio.
Swap	A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time.
Triple net lease	A type of lease whereby the tenant pays, in addition to the rent, all costs incurred on the property that would normally have been paid by the property owner. These include operating expenses, maintenance, property tax, site leasehold fees, insurance, property caretaking, etc.
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the investment properties of the group, including areas that have been re-let and signed new contracts, adjusted for termination rights and excluding any renewal options, divided by Contractual rent, including renewed and signed new contracts.

PSW Power & Automation AS and PSW Technology AS: *Specialises in the design and integration of electrical power systems, electrical infrastructure, energy storage systems and control systems, and offers a wide range of services and solutions to the global drilling industry.*

Statement of comprehensive income – KMC Properties ASA

For the period 1 January - 31 December

Amounts in NOK million	Note	2023	2022
Other income		**25.5**	17.2
Total income		**25.5**	17.2
Personnel expenses	*7*	**(32.9)**	(28.9)
Other operating expenses	*6*	**(18.3)**	(18.8)
Total operating expenses		**(51.1)**	(47.8)
Operating profit (loss)		**(25.7)**	(30.6)
Income from subsidiares		**0.0**	33.7
Finance revenues	*5*	**407.6**	248.0
Finance expenses	*5*	**(371.7)**	(170.1)
Currency exchange gains (losses)	*5*	**(12.0)**	27.1
Net financials		**23.9**	138.6
Profit before tax		**(1.8)**	108.0
Income tax expense	*8, 9*	**0.9**	(36.0)
Profit		**(0.9)**	72.0
Translation differences from foreign operations		**0.0**	0.0
Comprehensive income		**(0.9)**	72.0

Statement of financial position – KMC Properties ASA

Per 31 December

Amounts in NOK million	Note	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Investment in subsidiaries	*2*	**1 278.2**	1 266.7
Financial derivatives	*4*	**80.7**	176.7
Loans to subsidiaries		**993.7**	2 636.4
Deferred tax assets	*9*	**10.5**	9.6
Other assets		**2.1**	0.3
Total non-current assets		**2 365.2**	4 089.7
Current assets			
Receivables from group companies		**2 835.3**	270.6
Other receivables	*4*	**10.5**	3.0
Other financial derivatives		**3.8**	2.1
Cash and cash equivalents	*4*	**44.6**	11.3
Total current assets		**2 893.2**	286.9
TOTAL ASSETS		**5 258.4**	4 376.6
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	*10*	**78.8**	64.8
Share premium		**2 782.5**	2 375.5
Other paid-in equity		**308.7**	306.9
Other equity		**(422.5)**	(421.6)
TOTAL EQUITY		**2 747.5**	2 325.5
Liabilities			
Non-current liabilities			
Non-current interest-bearing liabilities	*3*	**861.6**	1 844.3
Loans from group companies		**751.3**	172.7
Total non-current liabilities		**1 612.9**	2 017.1
Current liabilities			
Trade liabilities		**8.0**	4.6
Corporate tax payable	*9*	**0.0**	0.0
Current interest-bearing liabilities		**129.6**	7.7
Payables to group companies		**748.9**	7.8
Other current liabilities	*7*	**12.5**	13.8
Total current liabilities		**899.0**	34.0
TOTAL LIABILTIES		**2 511.9**	2 051.1
TOTAL EQUITY AND LIABILITIES		**5 258.4**	4 376.6

Trondheim, Norway, 21 March 2024

The board of directors and CEO, KMC Properties ASA

Bjørn André Ulstein
Chair

Morten Eivindssøn Astrup
Director

Mia Arnhult
Director

Jonas Grandér
Director

Haakon Sæter
Director

Hege A. Veiseth
Director

Marianne Bekken
Director

John Thoresen
Director

Liv Malvik
CEO

Statement of cash flows – KMC Properties ASA

Amounts in NOK million	Note	2023	2022
Cash flow from operational activites			
Profit before tax		**(1.8)**	108.0
Adjusted for:			
Depreciations		**0.1**	0.1
Financial income	*5*	**(143.8)**	(143.0)
Interest on loans to subsidiaries	*5*	**(39.0)**	(138.6)
Interest on loans from subsidisaries	*5*	**32.0**	7.1
Financial expenses	*5*	**114.6**	163.0
Net currency gains	*5*	**12.3**	(27.1)
Cash flow before changes in working capital		**(25.5)**	(30.5)
Changes in working capital:			
Trade receivables and other receivables	*4*	**(2 572.2)**	(152.7)
Trade payables and other payables	*4*	**1 321.7**	135.1
Paid taxes	*8.9*	**0.0**	0.0
Net cash flow from operating activities		**(1 250.5)**	(17.6)
Cash flow from investment activities			
Outflows from investments in subsidiaries	*2*	**(11.5)**	105.2
Outflows from lending to subsidiaries		**1 642.7**	(474.4)
Inflows from repayment of loan		**0.0**	133.0
Interest received		**176.2**	0.0
Net cash flow from investment activities		**1 807.5**	(236.2)
Cash flow from financing activities			
Share issue	*10*	**423.3**	330.0
Net borrowings	*3*	**1 162.1**	0.0
Repayments of loans	*3*	**(2 050.0)**	3.1
Transactions fees paid and other financial costs		**(10.1)**	(5.5)
Interest paid	*3*	**(87.0)**	(100.0)
Other financial income		**63.6**	0.0
Net cash flow from financing activities		**(498.1)**	227.6
Net change in cash and cash equivalents		**33.2**	(56.7)
Carried forward cash and cash equivalents	*4*	**11.3**	68.0
Fx movements on bank deposits		**0.0**	0.0
Cash and cash equivalents on closing date		**44.6**	11.3
Restricted cash and cash equivalents not included above		**0.0**	0.0

Statement of changes in equity – KMC Properties ASA

Amounts in NOK million	*Note*	Share capital	Share premium	Other paid-in capital	Retained earnings/ losses	**Total equity**
1 January 2022		56.4	2 053.9	312.7	(493.6)	**1 929.4**
Issue of shares private placement 22.02.2022	*10*	0.6	29.4			**30.0**
Issue of shares private placement 04.11.2022	*10*	7.9	292.2			**300.0**
Transaction cost issue of shares	*10*			(5.9)		**(5.9)**
Profit					72.0	**72.0**
Sum		8.4	321.6	(5.9)	72.0	**396.2**
31 December 2022		64.8	2 375.5	306.9	(421.6)	**2 325.5**

Amounts in NOK million	*Note*	Share capital	Share premium	Other paid-in capital	Retained earnings/ losses	**Total equity**
1 January 2023		64.8	2 375.5	306.9	(421.6)	**2 325.5**
Issue of shares private placement 31.03.2023	*10*	4.0	144.3			**148.3**
Issue of shares private placement 28.09.2023	*10*	10.0	265.0			**275.0**
Transaction cost issue of shares	*10*		(2.3)			**(2.3)**
Share based payment				1.8		**1.8**
Profit					(0.9)	**(0.9)**
Sum		14.0	407.0	1.8	(0.9)	**422.0**
31 December 2023		78.8	2 782.5	308.7	(422.5)	**2 747.5**

Change in share capital and related transaction cost:

- The private placement of NOK 4 047 186,20, at NOK 0.20 per share, gave 20 235 931 new shares
- The private placement of NOK 10 000 000, at NOK 5.50 per share, gave 50 000 000 new shares (transaction cost: NOK 2 253 102).

Notes to the financial statements – KMC Properties ASA

Note 01 Accounting principles

KMC Properties ASA (KMCP) is a public limited liability company registered in Norway. Its head office is at Brattørkaia 13 B, 7010 Trondheim.

KMC Properties ASA uses a simplified version of IFRS as accounting principle and follows the accounting rules for recognition and measurement according to IFRS with the exception of group contributions and which are accounted for in accordance with the general provisions of the Accounting Act, i.e. revenue recognition when this is set aside in the issuing company. This is in line with the regulations for simplified IFRS § 3-1, no. 3. Also see note 3 to the consolidated accounts for further information on accounting principles. Subsidiaries and investments in related companies are recognised at cost unless the value is considered to be impaired. A write-down to fair value will be done if the impairment is not considered temporary and impairment is considered required by IFRS. Write-downs will be reversed if the requirement for impairment is no longer present.

Note 02 Investment in subsidiaries

KMCP investment in subsidiaries

	Location	Formed/ acquired	Ownership	Equity 31.12.2023	Book value KMCP 2023	Book value KMCP 2022
KMC Properties Holdco AS	Norway	2022	100%	1 308.5	1 278.2	1 266.7
Tiberton Yard Holding 2 Ltd	Cyprus	2015	100%	(0.0)	0.0	0.0
Total				1 308.5	1 278.2	1 266.7

Note 03 Borrowings

Bond loan:

Amounts in NOK million	**2023**	2022
Interest-bearing debt at 1 January	**1 844.3**	1 838.3
New debt	**900.0**	0.0
Repayment/refinancing of debt	**(1 844.3)**	0.0
Interest-bearing debt at 31 December	**900.0**	1 838.3
Capitalised borrowing cost	**(38.4)**	6.0
Carrying amount interest-bearing debt*	**861.6**	1 844.3
Fair value of interest-bearing debt, excess value/(reduced value) for the group in relation to book value	**5.6**	(11.6)

Bond loan	NOK million *	Weighted average current interest	Interest terms	Final maturity	In compliance with covenants?
2023-2026	1 850	9.38%	3 months NIBOR + 5.00%	6 July 2026	Yes

Key terms:
NOK 900,000,000 (with a maximum issue amount of NOK 1,500,000,000 under potential subsequent tap issue) senior secured bond. Guarantees and security is shared with certain hedging providers and one or more revolving credit facilities and, under the terms of an intercreditor agreement, the bond issue ranks behind the relevant hedging providers and the revolving credit facilities in the payment waterfall.

Call option: Make Whole 1.5-years, thereafter callable @ 100% of par + $^1/_2$ / $^1/_3$ / $^1/_6$ of the Margin after 18/24/30 months. Callable @ 100% after 33 months until the Maturity Date

Put option: Upon a change of control, failure to list the bond or a de-listing of the Issuer's share from Oslo Børs, exercisable at 101% of the nominal amount of the redeemed bond.

General undertakings (covenants): Customary general undertakings applicable to the Issuer and all its direct and indirect subsidiaries, including maintaining authorisations, compliance with laws, continuation of business, pari passu ranking, limitations on investments, limitations on distributions, certain financial support restrictions, restrictions on limiting subsidiaries' right to make distributions.

Financial covenants: The Issuer must ensure compliance with the following financial covenants (maintenance covenants), measured on the group as a whole:

- Interest cover ratio (ICR) of not less than 1.5x
- Net-loan-to-value ratio below (NLTV) 75%
- Liquidity not less than an amount equal to net interest costs for the next 3 months

In addition (incurrence covenants):
Any distribution from the Issuer is subject to an NLTV of not less than 65% and a liquidity that is 1.5x higher than the liquidity requirement above; and the incurrence of certain otherwise permissible new financial indebtedness is subject to a loan-to-value ratio of 60%

Note 04 Financial instruments

Financial assets represent contractual rights for the group to receive cash or other financial assets in the future. Financial liabilities correspondingly represent contractual obligations for the group to make future payments. Financial instruments are included in several accounting lines in the group's balance sheet and income statement and are classified in different categories in accordance with their accounting treatment.

The carrying amount of financial instruments in the group's balance sheet is considered to provide a reasonable expression of their fair value, with the exception of interest-bearing debt. The fair value of interest-bearing debt is described in note 3. A specification of the group's financial instruments is presented below.

Financial assets *Amounts in NOK million*	Amortised cost 31.12.2023	Fair value through profit or loss 31.12.2023	Total
Cash and cash equivalents	44.6	0.0	**44.6**
Interest-bearing loans and borrowings to subsidiaries	993.7	0.0	**993.7**
Currency and interest swaps (long-term)	0.0	80.7	**80.7**
Currency and interest swaps (short-term)	0.0	3.8	**3.8**
Other current receivables	39.2	0.0	**39.2**
Current receivables to subsidiaries	2 835.3	0.0	**2 835.3**
Total financial assets at 31 December 2023	3 912.8	84.5	**3 997.2**

Financial liabilities *Amounts in NOK million*	Amortised cost 31.12.2023	Fair value through profit or loss 31.12.2023	Total
Interest-bearing loans and borrowings (bond)	861.6	0.0	**861.6**
Interest-bearing loans and borrowings from subsidiaries	751.3	0.0	**751.3**
Interest-bearing loans and borrowing (short-term)	106.9	0.0	**106.9**
Interests on loans and borrowings	22.6	0.0	**22.6**
Trade payables (non interest bearing)	8.5	0.0	**8.5**
Current liabilities to subsidiaries	748.9	0.0	**748.9**
Other current liabilities (non interest bearing)	11.8	0.0	**11.8**
Total financial liabilities at 31 December 2023	2 511.7	-	**2 511.7**
Net financial assets and liabilities at 31 December 2023	1 401.1	84.5	**1 485.6**

Financial assets *Amounts in NOK million*	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total
Cash and cash equivalents	11.3	0.0	**11.3**
Interest-bearing loans and borrowings to subsidiaries	2 636.4	0.0	**2 636.4**
Currency and interest swaps (long-term)	0.0	176.7	**176.7**
Currency and interest swaps (short-term)	0.0	2.1	**2.1**
Current receivables to subsidiaries	33.7	0.0	**33.7**
Other current receivables	239.9	0.0	**239.9**
Total financial assets at 31 December 2022	2 921.3	178.8	**3 100.0**

Financial liabilities *Amounts in NOK million*	Amortised cost 31.12.2022	Fair value through profit or loss 31.12.2022	Total
Interest-bearing loans and borrowings (bond)	1 844.3	0.0	**1 844.3**
Interest-bearing loans and borrowings from subsidiaries	172.7		**172.7**
Interests on loans and borrowings	7.7	0.0	**7.7**
Trade payables (non interest bearing)	4.6	0.0	**4.6**
Current liabilities to subsidiaries	7.8	0.0	**7.8**
Other current liabilities (non interest bearing)	13.8	0.0	**13.8**
Total financial liabilities at 31 December 2022	2 051.1	-	**2 051.1**
Net financial assets and liabilities at 31 December 2022	870.2	178.8	**1 048.9**

The below table shows an analysis of fair values of assets and liabilities in the parent company, grouped by level in the fair value hierarchy, which either are measured at fair value or where information about the fair value is provided.

Level 1 - Quoted prices in active markets that the entity can access at the measurement date.
Level 2 – Use of a model with inputs other than level 1 that are directly or indirectly observable market data.
Level 3 - Use of a model with inputs that are not based on observable market data.

Financial liabilities measured at fair value / where fair value must be presented

Amounts in NOK million	Level 1	Level 2	Level 3	Total
Currency and interest swaps (long-term)	0.0	80.7	0.0	**80.7**
Currency and interest swaps (short-term)	0.0	3.8	0.0	**3.8**
Total	0.0	84.5	0.0	**84.5**

Swap agreement	Currency amount (million)	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest & currency	NOK 470	06.07.2023	06.07.2026	EUR/NOK = 11.63	Spread (Bond): 5.015%
Interest & currency	NOK 430	06.07.2023	06.07.2026	EUR/NOK = 11.55	Spread (Bond): 4.645%
Interest	EUR 32	11.12.2023	13.12.2027	Not applicable	EURIBOR = -0.03%
Interest	DKK 75	11.12.2023	13.12.2027	Not applicable	DANISH IBOR = 0.215%

Note 05 Finance income and costs

Finance income

Amounts in NOK million	2023	2022
Interest income	**2.3**	0.1
Fair value adjustment bank loan	**0.0**	0.0
Interest gains from group companies	**437.9**	138.6
Dividends from subsidiaries	**0.0**	33.7
Gains from the disposal of shares in subsidiaries	**0.0**	0.0
Changes in fair value, financial derivatives over profit and loss	**(32.5)**	109.3
Reversal of provision for loss on group companies	**0.0**	0.0
Other finance revenues	**0.0**	0.0
Sum finance income	**407.6**	**281.7**

Finance costs

Amounts in NOK million	2023	2022
Interest costs from loans measured at amortised cost	**114.0**	99.9
Changes in fair value, financial derivatives over profit and loss	**0.0**	0.0
Loss from the disposal of shares in subsidiaries	**0.0**	61.2
Interest costs to group companies	**257.1**	7.1
Impairment of investment in group companies	**0.0**	0.0
Other finance costs	**0.5**	1.9
Sum finance costs	**371.7**	170.1
Net foreign exchange gains and losses	**(12.0)**	27.1
Net finance gains (losses)	**23.9**	138.6

Note 06 Other operating expenses

Other operating expenses

Amounts in NOK million	2023	2022
Management fees	**0.0**	0.0
Legal, agency and consultancy fees	**8.3**	11.6
Accounting	**0.6**	0.7
Auditors	**1.6**	1.5
Other operating expenses	**7.8**	5.0
Sum other operating expenses	**18.3**	18.8

Auditor fees (excl. vat)

Amounts in NOK million	2023	2022
Audit fees	**1.5**	1.6
Tax advice	**0.0**	0.1
Other services not related to auditing	**0.0**	0.0
Other services	**0.0**	0.0
Sum auditor expenses	**1.6**	1.7

Note 07 Personnel costs

Personnel costs

Amounts in NOK million	2023	2022
Salaries, performance-related pay and other taxable benefits	**23.7**	21.4
Employers` Natural Insurance contributions	**4.5**	2.8
Pension expenses	**1.1**	0.9
Other personnel costs	**0.8**	1.6
Board fees	**2.8**	2.2
Sum personnel costs	**32.9**	28.9

Renumeration to senior executives

The total remuneration of the CEO and other Senior Executives consists of a fixed package of salary and benefits supplemented by cashbased short-term incentive (STI), share option program, share purchase scheme (on the same terms as all other employees), pension and insurance. arrangements.

Please refer to the Remuneration Report 2023 for more information.

Overview of total renumeration to the board of directors (incl fees for board committees)

Amounts in NOK million	2023	2022
Salary	**8.9**	8.5
Variable cash salary (STI)	**2.3**	3.2
Share based payment expense	**1.1**	-
Pension expense	**0.6**	0.6
Benefits in kind	**0.3**	0.3
Senior executives remuneration	**13.2**	12.7
Board of directors remuneration	**2.7**	2.5

Amounts in NOK million	2023	2022
Accrued asset management fee	**10.3**	11.3
Other accrued expenses	**2.2**	2.5
Sum other current liabilities	**12.5**	13.8

Note 08 Income tax

Tax recognised over income statement

Amounts in NOK million	2023	2022
Current income tax	**0.0**	0.0
Movement in deferred tax	**0.9**	(36.0)
Sum income tax	**0.9**	(36.0)

Basis for taxation, parent company

Amounts in NOK million	2023	2022
Earnings before tax	**(2.0)**	108.0
Income and expenses not subject to taxation	**(2.2)**	55.5
Movement in temporary differences	**62.7**	(104.8)
Adjustment interest not deductible current year	**0.0**	0.0
Tax losses for current year not recognised	**0.0**	0.0
Basis for taxation	**58.5**	58.6
Change of losses carried forward	**(58.5)**	(58.6)
Tax payable	**0.0**	0.0

Note 09 Deferred tax

Temporary differences, parent company

Amounts in NOK million	31.12.2023	31.12.2022	Change
Financial liabilities	**(0.1)**	(0.0)	(0.0)
Receivables	**0.0**	0.0	0.0
Capitalised borrowing cost	**(39.0)**	(5.7)	(33.3)
Currency and interest swaps	**(80.7)**	(176.7)	96.0
Tax losses carried forward	**134.2**	192.9	(58.7)
Adjustment interest deductible in the future	**33.1**	33.1	0.0
Sum temporary differences	**47.6**	43.7	3.9
Tax rate	**22%**	22%	0%
Deferred tax asset (liability)	**10.5**	9.6	0.9
Deferred tax asset (liability) not recognised	**0.0**	0.0	(0.0)
Recognised deferred tax asset (liability)	**10.5**	9.6	0.9

Deferred tax assets have been recognised in the balance sheet, since there is a sufficient likelihood that the tax assets will be utilised in the future.

Note 10 Share capital and shareholdes

Share capital and nominal value

Amounts in NOK million	31.12.2023	31.12.2022
Shares issued	**394.1**	323.9
Nominal amount	**0.20**	0.20
Share capital	**78.8**	64.8

All shares are fully paid. There is only one share class. All shares have equal rights.

Change in share capital and related transaction cost:

- The shares subsequent of NOK 4 047 186,20, at NOK 0,20 per share, gave 20 235 931 new shares
- The private placement of NOK 10 000 000, at NOK 5,50 per share, gave 50 000 000 new shares

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To the General Meeting of KMC Properties ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KMC Properties ASA, which comprise:

- the financial statements of the parent company KMC Properties ASA (the Company), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- the consolidated financial statements of KMC Properties ASA and its subsidiaries (the Group), which comprise the statement of financial position at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 24 June 2020 for the accounting year 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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The Group's business activities are largely unchanged compared to last year. *Valuation of investment properties* has the same characteristics and risks as in the prior year, and therefore continues to be an area of focus this year.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of investment properties	
The majority of the Group's assets consists of Investment properties. Primarily these are logistics properties. The book value on 31 December 2023 is NOK 6 153 million. Investment properties are measured at fair value. Fair value adjustments of investment properties may affect the Group's results significantly for the year and consequently the equity. The fair value is an estimate based on assumptions as well as property specific information, such as lease terms, future expected cash flows and yield. The making of estimates and determination of underlying assumptions require application of management judgement. The basis for management's estimate is valuations performed by an external valuation firm. We considered valuation of investment properties to be a key area of focus due to the material amounts involved and the extent of management judgment needed. For details of valuation methodology and further information on investment properties, refer to the Directors' report and note 3 (summary of accounting policies), note 6 (critical accounting estimates and judgements) and note 10 (investment property) to the consolidated financial statements.	We obtained, read and understood the valuation reports prepared by the external valuation firms and met with them independently of the Group's management. We assessed whether the valuation reports were prepared in accordance with the relevant framework and whether the reports were appropriate to determine the fair value of the Group's investment properties. We assessed qualifications, competence, and objectivity of the valuation firms. Further, we reviewed their terms of engagement to determine whether there were unusual terms that might have affected their objectivity or impose scope limitations upon their work. Based on this work, we were satisfied that the valuation firms remained objective and competent, and that the scope of their work was appropriate. In our meetings with the valuation firms, we discussed and challenged assumptions used. Assumptions regarding cash flows and yield were evaluated. We compared the assumptions used by the valuation firms to observable market data and our knowledge about the industry. We further evaluated whether assumptions that were not readily observable in a marketplace were reasonable. For a sample of investment properties, we evaluated whether the property-specific information provided by management to the valuation firms, such as lease terms, duration and vacant area were consistent with underlying property information. Furthermore, we agreed this underlying information to the received valuation reports. We obtained the valuation reports directly from the valuation firms and compared them to the reports we received from management. We found no indication that the information was used inconsistently. We assessed the disclosures in notes 3, 6 and 10 to the consolidated financial statements regarding valuation of investment properties and found them to be adequate and appropriate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of KMC Properties ASA, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name kmcpasa-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Oslo, 21 March 2024
PricewaterhouseCoopers AS

Chris Håvard Jakobsen
State Authorised Public Accountant

PROPERTY PORTFOLIO

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Norway	Hammarvikringen 64	Frøya	24 366	7 318	694	-	8 012	0%	27.05.2020	100%	1980, 2012, 2021	
Norway	Hofstadvegen 15	Melhus	17 500	3 849	328	-	4 177	0%	27.05.2020	100%	2008	
Norway	Lyngenvegen 5	Melhus	4 949	1 650	200	-	1 850	0%	27.05.2020	100%	1980	
Norway	Gjerdsvikvegen 208	Sande	5 770	4 182	618	-	4 800	0%	23.12.2020	100%	1982, 1990, 2000	Leasehold
Norway	Havnegata 24	Stjørdal	30 559	14 272	2 428	-	16 700	0%	27.05.2020	100%	1971	
Norway	Østre Rosten 102B	Trondheim	7 868	4 200	1 500	-	5 700	0%	27.05.2020	100%	2007	
Norway	Østre Rosten 102	Trondheim	7 036	1 685	790	-	2 475	0%	27.05.2020	100%	2004, 2021	
Norway	Havneveien 1, Uthaug	Ørland	27 251	13 341	669	-	14 010	0%	17.12.2020	100%	1988, 1990, 2021	
Norway	Valsnesveien 259	Ørland	8 798	2 400	400	-	2 800	0%	27.05.2020	100%	2017	
Norway	Industrivegen 15	Balsfjord	11 620	6 580	120	-	6 700	0%	27.05.2020	100%	1999, 2009	
Norway	Industriparkveien 35, Jøsnøya	Hitra	13 000	4 875	300	-	5 175	0%	27.05.2020	100%	2023	
Norway	Industriparkveien 43, Jøsnøya	Hitra	3 129	1 209	41	-	1 250	0%	22.03.2023	100%	2023	
Norway	Stømnervegen 1 & 3	Konsvinger	13 705	3 628	372	-	4 000	0%	23.12.2020	100%	1990, 2010, 2017, 2022	
Norway	Holsneset 23-25	Sula	13 743	3 236	443	-	3 679	0%	29.09.2022	100%	1950, 1977, 1986, 2006	
Norway	Torgardsveien 11	Trondheim	12 900	2 999	330	-	3 329	0%	27.05.2020	100%	2012	
Norway	Kampenveien 5	Fredrikstad	21 694	3 834	560	-	4 394	0%	20.12.2021	100%	1968, 2008	Leasehold
Norway	Sørkilen 3 og Østkilen 14	Fredrikstad	34 468	14 152	648	-	14 800	0%	08.11.2022	100%	1980, 1997, 2016, 2020	Leasehold
Norway	Krosnesveien 6	Fredrikstad	14 198	7 100	300	-	7 400	0%	08.11.2022	100%	1975, 1980, 1987, 2019	Leasehold
Norway	Østkilen 1	Fredrikstad	17 189	1 457	-	230	1 687	0%	08.11.2022	100%	1988	Leasehold
Norway	Vikerveien, plot Rally	Fredrikstad	4 925	-	-	-	-	0%	08.11.2022	100%	Plot	
Norway	Kvernamoveien 12	Gjesdal	2 507	1 520	80	-	1 600	0%	08.11.2022	100%	1905, 1985, 1998	
Norway	Linneflaten 2, 4, 6	Kristiansand	20 133	8 520	289	-	8 809	0%	08.11.2022	100%	1970, 2010	
Norway	Holamyra 24	Hustadvika	10 250	2 519	400	-	2 919	0%	30.06.2021	100%	2011, 2020	
Norway	Søndre Industrivegen 50	Oppdal	18 155	5 027	391	-	5 418	0%	02.07.2021	100%	2022	
Norway	Havnegata 16	Stjørdal	17 692	5 610	740	-	6 350	0%	31.05.2020	100%	1989	
Norway	Fagernessletta 10	Narvik	10 303	5 193	900	-	6 093	0%	10.02.2022	100%	1998, 2003	
Norway	Skarvenesveien 3	Narvik	22 357	16 744	-	-	16 744	46%	01.01.2023	100%	1998, 2011	Leasehold
Norway	Strandvegen 4	Båtsfjord	16 590	6 346	348	1 067	7 761	0%	27.05.2020	100%	1971, 2004, 2020	Leasehold
Norway	Fagervikveien 2a og 2b	Båtsfjord	11 525	2 680	130	-	2 810	0%	30.11.2022	100%	1968, 2003	
Norway	Strandgata 105, Havøysund	Måsøy	9 843	6 421	230	418	7 069	0%	23.12.2020	100%	1940, 1983, 2006	Leasehold
Norway	Vikaveien 421	Senja	7 927	3 224	576	-	3 800	0%	10.06.2020	100%	2021	Leasehold
Norway	Skattørvegen 78	Tromsø	5 715	1 568	309	-	1 877	0%	27.05.2020	100%	1998, 2020	
Norway	Havet 45, Leknes	Vestvågøy	45 011	12 889	1 500	-	14 389	0%	23.12.2020	100%	2010, 2020	Leasehold
Norway	Storemyra 200, Mongstad	Alver	62 091	9 964	770	-	10 734	0%	12.07.2021	100%	2019	
Norway	Bleivassvegen 7 og 11, Ågotnes	Øygarden	13 700	4 453	1 328	-	5 781	0%	01.12.2021	100%	1974, 1997, 2008, 2015, 2020	
Total			**568 467**	**194 645**	**18 732**	**1 715**	**215 092**					

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Sweden	Guleskär 56	Kungshamn	15 819	6 616	550	-	7 166	0%	23.12.2020	100%	1995, 2004	
Sweden	Halmstadsvägen 32	Laholm	34 010	13 600	200	-	13 800	0%	27.05.2020	100%	1929	
Sweden	Ramshällsvägen 2	Norrköping	47 282	6 350	350	-	6 700	0%	27.05.2020	100%	1973, 1974, 1976	
Sweden	Björkelundsgatan 14	Skara	30 998	6 100	400	-	6 500	0%	27.05.2020	100%	1988	
Sweden	Kanalvägen 6	Urshult	20 744	8 593	450	-	9 043	0%	27.05.2020	100%	2007	
Sweden	Traktorvägen 1	Varberg	28 104	14 650	1 200	-	15 850	0%	23.12.2020	100%	1955, 2007, 2016	
Sweden	Åleden 13	Vårgårda	15 378	6 505	300	-	6 805	0%	27.05.2020	100%	1976	
Sweden	Hamnviksvägen 9	Kramfors	53 595	10 324	260	-	10 584	0%	08.11.2022	100%	1890, 1960, 2016	
Sweden	Järnvägsgatan 39	Skurup	44 076	12 150	450	-	12 600	0%	08.11.2022	100%	1989, 2008, 2011	
Sweden	Diabasvägen 9, Våmb	Skövde	124 201	20 174	950	-	21 124	0%	08.11.2022	100%	1966, 1989, 2019	
Sweden	Ängholmsvägen 14	Tjörn	24 361	11 010	660	-	11 670	0%	10.02.2022	100%	2005, 2015	
Total			**438 568**	**116 072**	**5 770**	**-**	**121 842**					

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Denmark	Skelvej 1, Thorsø	Favrskov	53 235	5 558	300	-	5 858	0%	06.04.2021	100%	1962, 2020	
Denmark	Constantiavej 31 and Århusgade 24	Fredrikshavn	42 573	11 606	500	-	12 106	0%	23.12.2020	100%	1946, 1978, 1990, 2014, 2020	
Denmark	Torvegade 41, Tørring	Hedensted	9 572	5 357	382	-	5 739	0%	27.05.2020	100%	1976	
Denmark	Østerled 30	Holbæk	41 503	8 819	650	-	9 469	0%	27.05.2020	100%	1938, 2009	
Denmark	Kidnakken 13, Maribo	Lolland	56 000	8 196	200	-	8 396	0%	28.08.2020	100%	1970, 2007	
Denmark	Havrevænget 1, Hobro	Mariagerfjord	9 913	4 820	250	-	5 070	0%	27.05.2020	100%	1983	
Denmark	Rogalandsvej 3, Nykøbing Mors	Morsø	39 509	20 593	800	-	21 393	0%	15.08.2022	100%	1985, 2005	
Denmark	Tungevej 2-4, Hvide Sande	Ringkøbing-Skjern	6 224	2 657	150	-	2 807	0%	23.12.2020	100%	1984, 2001, 2014, 2020	Leasehold
Denmark	Tvilhovej 8, Tvilhov	Vejen	84 825	16 481	450	-	16 931	0%	28.08.2020	100%	1970, 2007	
Denmark	Fabriksvej 3 og 4, Farsø	Vesthimmerland	46 357	21 041	850	-	21 891	0%	15.08.2022	100%	1995, 2010	
Denmark	Lundagervej 20	Hedensted	33 722	7 359	600	-	7 959	0%	31.03.2023	100%	1995, 1999, 2006, 2016	
Total			**423 433**	**112 487**	**5 132**	**-**	**117 619**					

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Finland	Mastotie 7	Kuopio	23 093	4 651	400	-	5 051	0%	23.12.2020	100%	1991, 2000, 2010	Leasehold
Finland	Muurlantie 438	Salo	18 178	4 482	-	-	4 482	0%	31.03.2023	100%	1964	
Finland	Pajakatu 6	Sastamala	30 946	4 775	500	-	5 275	0%	31.03.2023	100%	1985	
Finland	Toravantie 18	Sastamala	55 624	14 485	1 500	-	15 985	0%	31.03.2023	100%	2009	
Total			**127 841**	**28 393**	**2 400**	**-**	**30 793**					

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Netherlands	Nieuweweg 235	Wichjen	72 421	29 145	1 443	-	30 588	0%	23.12.2020	100%	1970, 2007	Leasehold
Netherlands	Kanalstraat 107	Someren	50 874	22 616	1 488	-	24 104	0%	23.12.2020	100%	1970, 2017	
Netherlands	Textielstraat 30	Oldenzaal	43 643	12 974	-	-	12 974	0%	23.12.2020	100%	1970, 2007	
Netherlands	De Kalkovens 10	Zwartsluis	12 201	4 285	400	-	4 685	0%	23.12.2020	100%	1980, 2001	
Total			**179 139**	**69 020**	**3 331**	**-**	**72 351**					

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Belgium	Industrielaan 39	Olen	21 282	9 000	400	-	9 400	0%	28.12.2023	100%	1995	Leasehold
Total			**21 282**	**9 000**	**400**	**-**	**9 400**					

Country	Address	Municipality	Plot area	Warehouse/ industrial	Offices	Other	Total	Vacany	Acquisition date	Share of ownership	Year of construction completion/ major refurbishment	Leasehold
Germany	Ritzlebener Strasse 1, Mechau	Arendsee	207 207	29 100	900	245	30 245	0%	15.12.2023	100%	1993, 2007	Leasehold
Total			**207 207**	**29 100**	**900**	**245**	**30 245**					

Appendix

Appendix 1: Materiality assessment

Impact	Explanation	External impact	Financial impact
Climate change	Emissions from extraction, production and transportation of materials and components used in the construction and rehabilitation of KMCPs buildings (e.g. concrete, steel).	High	X
	Emissions from tenants' use of property.	High	X
Biodiversity & ecosystem impacts on land and water	Impacts from the sourcing of steel, concrete and other components used in buildings and rehabilitation.	Low	
	Impact on surrounding ecosystem due to location of properties and waste/pollution from tenants (e.g., close to the shoreline). This can cause e.g., habitat disturbance or fragmentation.	High	
Waste/pollution impacts	Waste generation and local pollution throughout construction and rehabilitation of properties.	Medium	X
Material and resource use in the supply chain	Use of raw materials, scarce materials, or non-recyclable materials/components for rehabilitation and construction of properties.	High	
Circular economy	Contribution to the circular economy through material selection, reducing use of raw and finite material, considerations for recyclability and longevity	Medium	X
Health, safety and injuries in value chain	Fatalities, injuries or work-related ill health among own contractors, suppliers and tenants.	High	X
Negative impact on local communities	Reduction in local community well-being and property values through e.g. noise, vibrations, dust, smell, emissions, land use from construction and use of properties	Medium	
Positive impact on local communities	Additional employment opportunities, business development and economic influx to local communities in which properties are located	Low	
Discrimination in hiring practices or pay levels	Impacts on equality, inclusion and diversity for our work force in terms of age, gender, sexual orientation, disability, race, nationality, political opinions, religion or ethnic background.	Low	X
Labour and human rights violation	Forced labour, poor working conditions and child labour. This could be related to e.g., sourcing of raw materials, contracted personnel during construction phase or rehabilitation of properties.	High	X
	Violation of indigenous rights in the property acquisition process and development of property	Medium	X
Tax contributions	Transparent ownership structure and taxation practices	Low	X
Illegal or unethical practices in the supply chain	Corruption, bribery and money laundering	Medium	X
Illegal or unethical practices in own operation	Corruption, bribery, and money laundering in regulations and acquisition of properties.	Medium	X

Appendix 2: Salient issues

Salient issue	Relevancy in value chain
Health and safety	Transportation
	Construction
	Tenants
Working conditions	Transportation
	Construction
Social dumping/migrant workers	Transportation
	Construction
Forced labour	Transportation
	Construction
Discrimination	Transportation
Land rights	Local community
Potentially unidentified salient issues	Sourcing of raw materials

Appendix 3: GRI content index

Statement of use	KMC Properties ASA has reported the information cited in this GRI content index for the period 01.01.2023 to 31.12.2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	Disclosure	
GRI 2: General Disclosures 2022	2-1 Organisational details	Page 7
	2-2 Entities included in the organisation's sustainability reporting	Page 38
	2-3 Reporting period, frequency and contact point	Page 38
	2-4 Restatements of information	
	2-5 External assurance	Page 110-111
	2-6 Activities, value chain and other business relationships	Page 7-9
	2-7 Employees	Page 48
	2-8 Workers who are not employees	
	2-9 Governance structure and composition	Page 39
	2-10 Nomination and selection of the highest governance body	Page 55
	2-11 Chair of the highest governance body	Page 20
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 38
	2-13 Delegation of responsibility for managing impacts	
	2-14 Role of the highest governance body in sustainability reporting	Page 38
	2-15 Conflicts of interest	Page 55
	2-16 Communication of critical concerns	Page 39
	2-17 Collective knowledge of the highest governance body	Page 20-21
	2-18 Evaluation of the performance of the highest governance body	Page 55
	2-19 Remuneration policies	Page 56
	2-20 Process to determine remuneration	Page 56
	2-21 Annual total compensation ratio	Page 75
	2-22 Statement on sustainable development strategy	Page 4
	2-23 Policy commitments	Page 40, 44, 47
	2-24 Embedding policy commitments	Page 38-51
	2-25 Processes to remediate negative impacts	Page 38-51
	2-26 Mechanisms for seeking advice and raising concerns	Page 51
	2-27 Compliance with laws and regulations	There were no incidents of non-compliance in the reporting period.
	2-28 Membership associations	Until date, KMC Properties does not participate in any associations or advocacy organisations.
	2-29 Approach to stakeholder engagement	Page 40
	2-30 Collective bargaining agreements	

GRI STANDARD	Disclosure	Location in report
GRI 3: Material Topics 2022	3-1 Process to determine material topics	Page 40
	3-2 List of material topics	Page 40
GRI 205: Anti-corruption 2016	3-3 Management of material topics	Page 51
	205-1 Operations assessed for risks related to corruption	Page 51
	205-3 Confirmed incidents of corruption and actions taken	Page 51
GRI 302: Energy 2016	3-3 Management of material topics	Page 44-45
	302-1 Energy consumption within the organisation	Page 44-45
	302-3 Energy intensity	
GRI 304: Biodiversity	3-3 Management of material topics	Page 45
	304-2 Significant impacts of activities, products and services on biodiversity	Page 45
GRI 305: Emissions 2016	3-3 Management of material topics	Page 43-45
	305-2 Energy indirect (Scope 2) GHG emissions	Page 44
	305-3 Other indirect (Scope 3) GHG emissions	Page 44
GRI 306: Waste 2020	3-3 Management of material topics	Page 45
	306-3 Waste generated	Page 45
	Additional - Sorting rate: Percentage of waste that is diverted from disposal for recycling or reuse	Page 45
GRI 308: Supplier Environmental Assessment 2016	3-3 Management of material topics	Page 43
	308-1 New suppliers that were screened using environmental criteria	Page 43
GRI 403: Occupational Health and Safety 2018	3-3 Management of material topics	Page 48-49
	403-9 Work-related injuries	Page 49
GRI 405: Diversity and Equal Opportunity 2016	3-3 Management of material topics	Page 48
	405-1 Diversity of governance bodies and employees	Page 48
GRI 406: Non-discrimination 2016	3-3 Management of material topics	Page 47-48
	406-1 Incidents of discrimination and corrective actions taken	Page 47-48
GRI 411: Rights of Indigenous Peoples 2016	3-3 Management of material topics	Page 49
	411-1 Incidents of violations involving rights of indigenous peoples	Page 49

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