Q4 |2020

KMC Properties ASA

28 FEBRUARY 2021

Comments from the CEO

During the fourth quarter of 2020, we combined the companies KMC Properties AS and KMC Properties ASA (previously named Storm Real Estate ASA) into an Oslo Børs listed real estate company focusing on logistics- and industrial properties.

Today, we have a portfolio of 40 properties with long-term lease agreements with solid tenants, strategically located in proximity to key areas or key customers of our tenants.

Our portfolio is a result of several acquisitions during 2020, all in line with our strategy to acquire, manage and develop logistics- and industrial properties. We aim at being the preferred partner for our customers, also benefiting from a common and ambitious growth strategy.

The transformative agreement leading to the combination of KMC Properties AS and KMC Properties ASA included completion of several financial transactions, including a NOK 300 million private placement, issuance of a NOK 1,850 million bond loan and acquisition (and later conversion) of a bank loan from Swedbank, providing us with a solid platform for growth.

As the combination of KMC Properties AS and KMC Properties ASA were completed late December 2020, including related acquisitions and financial transactions, the financial information for the fourth quarter and full year of 2020 will not provide useful information. The overview below provide selected full year financials based on existing rental agreements and cost levels:

Amounts in millions NOK	**Annual run rate**
Gross rental income (GRI)	212.8
OPEX	(22.9)
Net operating income (NOI)	**189.9**
SG&A expenses	(13.8)
EBITDA	**176.1**
Net financial income (expenses)	(79.5)
Earnings before tax (EBT)	**96.6**

Going into 2021, we are ready to start executing on our growth strategy. We aim to grow both through organic initiatives together with our customers and through our strong pipeline of M&A opportunities. Currently, we are developing a new facility for our largest customer, the listed packaging and insulation company BEWI ASA, at Senja in Northern Norway. Furthermore, we have several other ongoing expansion projects, and we look forward to shortly announcing new projects with our customers. Our M&A opportunities include properties or property portfolios with similar key characteristics as we have today: Strategic locations, long lease agreements and solid counterparts.

With a strong financial position, a solid property portfolio, ongoing investment projects yielding good returns and a strong pipeline of M&A opportunities, we are well positioned to deliver on our ambition to double our real estate value over the next five years.

Liv Malvik, CEO KMC Properties ASA
Trondheim, 28 February 2021

Highlights for the fourth quarter of 2020

- Combination of KMC Properties AS and Storm Real Estate ASA
    - Completion of NOK 300 private placement at NOK 7 per share
    - Placement of a NOK 1,850 million 3-year senior secured bond
    - Purchase of NOK 188 million loan from Swedbank and converted it to equity
    - Acquisition of company Pesca Properties
    - Acquisition of 4 properties from BEWI in the Netherlands
    - Acquisition of Grøntvedt Næringsbygg property
- New Board of Directors elected by extraordinary general meeting
- Liv Malvik appointed CEO of the combined listed entity
- Company name changed from Storm Real Estate ASA to KMC Properties ASA

Subsequent events

- Mandatory offer by EBE Eiendom and Kverva Industrier completed
- Subsequent offering completed

Financial review

On 20 December 2020, the owners of KMC Properties AS and Storm Real Estate ASA, now named KMC Properties ASA (the Company), completed a transformative agreement (the Transaction), combining the two companies into an Oslo Børs listed real estate Group, primarily within industrial- and logistics properties.

As further described in the selected notes to the interim financial statement the transaction is accounted for as a reversed takeover with KMC Properties AS being identified as the accounting acquirer. Thus, consolidated financial statements have been prepared as if KMC Properties ASA is a continuation of KMC Properties AS.

As a result of KMC Properties AS being the accounting acquirer, the reported numbers in the consolidated statement of comprehensive income for the fourth quarter and full year 2020, includes only the numbers for KMC Properties AS from 27 May 2020 which is the date when the company was established. Financials for Grøntvedt Næringsbygg AS, Pesca Property AS, former Storm Real Estate ASA are not included in the consolidated figures, as these companies were formally acquired during the last days of December 2020. Furthermore, the consolidated figures do not include financials related to the four properties acquired in the Netherlands in December. Financials for acquired entities and properties for this period were considered immaterial.

The consolidated statement of financial position as of 31 December 2020 include all assets and liabilities for the new combined property Group.

KMC Properties AS was incorporated in 2020 and has not published audited financial statements as of the date of this interim report. Therefore, numbers for corresponding periods of 2019 do not exist.

Due to the above-mentioned Transaction, significant one-off costs amounting to NOK 48.9 million incurred for the fourth quarter. NOK 38.9 million incurred in Storm Real Estate ASA before the reverse takeover, hence, these costs are reflected in the balance sheet but not in the P&L.

Consolidated key figures

As the consolidated statement of comprehensive income and related key figures below only include the financials for KMC Properties AS, the financials are recommended read in conjunction with pro-forma figures for 2020 as described in the comments from the CEO.

KMC Properties AS paid a portfolio premium when acquiring a group of investments properties exceeding the total of the property-by-property valuations. The portfolio premium cannot be recognised in the balance sheet at the acquisition date as this is an asset acquisition outside of the scope of IFRS 3 Business Combinations (no goodwill recognition allowed). This results in a recognized one-time loss for the fourth quarter of 2020 of approximately NOK 78.0 million (included in the table below in net fair value adjustment of 52 MNOK) which is the difference between the amount paid and the total fair value of the property-by-property valuations. This effect from fair value adjustment from initial recognition of the group of investment properties explains the Net income loss for the fourth quarter of 2020. This one-time loss should not be confused with a quarterly change in valuation of these underlying investment properties, which in comparison was net positive in local currency measured by the independent external valuer Cushman & Wakefield. In this context it can also be mentioned that the Group has currency swaps to hedge risk against exchange rate fluctuations.

amounts in millions NOK	**Q4 2020**	**2020**
Gross rental income (GRI)	22.7	52.0
OPEX	(14.4)	(18.9)
Net operating income (NOI)	**8.3**	**33.1**
SG&A expenses	(0.5)	(1.9)
Net fair value Adjustments on Investment Property	(52.0)	421.7
EBITDA	(44.1)	**453.0**
Net financial income (expenses)	(23.8)	(28.6)
Earnings before tax (EBT)	**(67.9)**	**424.4**
Tax	2.6	(99.6)
Profit for the period (Net income)	**(65.3)**	**324.8**
Net Asset Value adjusted (NOK million)		1 311.0
Group Net LTV (%)		55.6
WAULT (years)		10.7
Occupancy rate (%)		98.7
Group property portfolio value (NOK million)		3 089.8

Financial results

Profit and loss

Net operating income for the fourth quarter of 2020 amounted to NOK 8.3 million. For the full year 2020, net operating income came in at NOK 33.1 million.

Total operating expenses were NOK 14.4 million and NOK 18.9 million for the fourth quarter and full year of 2020 respectively.

Employee benefit and salary expenses amounted to NOK 0.5 million for the fourth quarter of 2020. For the full year of 2020, KMC had employee benefit expenses of a total of NOK 1.9 million.

EBITDA for the fourth quarter of 2020 amounted to a negative NOK 44.1 million. For the full year of 2020, EBITDA was NOK 453.0 million.

Net financial expenses amounted to NOK 23.8 million for the quarter and NOK 28.6 million for the full year of 2020.

Tax expenses amounted to a negative NOK 2.6 million for the quarter and NOK 99.6 for the full year of 2020.

Net income was negative NOK 65.3 million for the quarter and NOK 324.8 million for the full year of 2020.

Financial position and liquidity

Consolidated financial position

Assets amounted to NOK 3 291.4 million on 31 December 2020. Investment property is valued at its fair value based on a quarterly valuation update from external valuations.

Trade receivables and other receivables, prepaid expenses and tax were NOK 68 million on 31 December.

Bank deposits amounted to NOK 125.1 million at the end of the year.

Total non-current liabilities stood at NOK 1 894 million at the end of December.

Total equity was NOK 1 259.4 million at the end of the year, representing an equity ratio of 38.5 per cent.

Consolidated cash flow

Operating activities generated a cash inflow of NOK 36.0 million for the full year of 2020.

Investing activities generated a cash outflow of NOK 1 111.9 million for the full year of 2020.

Financing activities led to a cash inflow of NOK 1 201.0 million for the full year of 2020.

Operational review

KMC Properties ASA is a real estate company focused on owning industrial- and logistics properties. The company currently owns a diversified portfolio of 39 properties in the Nordics and the Netherlands. The properties have long-term lease agreements with solid counterparties, strategically located for the tenants. In addition to the industrial properties, the company owns an office building in Moscow, Russia.

Before 28 December 2020, the company's legal and commercial name was Storm Real Estate ASA (Storm). As further described below, a transformative agreement was completed on 20 December 2020, combining Storm and KMC Properties AS, and transforming the company (Storm) from a single asset company to a strong real estate group.

History and important events in the development of the Group

2020	EVENT
20 January	KMC Properties AS was incorporated, but did not have operational activities until 26 May 2020
Between 26 May and 30 September	Between 26 May 2020 and 30 September 2020, KMC AS acquired several subsidiaries which in turn owned properties
16 November	KMC Properties AS enters into a conditional agreement to purchase all the shares in Pesca Property AS
17 November	KMC Properties AS enters into a conditional agreement to form a combined entity with Storm Real Estate ASA (later KMC Properties ASA)
27 November	Storm Real Estate ASA (later KMC Properties ASA) successfully completed the placement of a NOK 1,850 million senior secured bond with 3 years tenor
14 December	Storm Real Estate ASA (later KMC Properties ASA) successfully completed the NOK 300 million private placement at NOK 7 per share
18 December	Extraordinary general meeting held in Storm Real Estate ASA (later KMC Properties ASA) where resolutions in connection to the transaction with KMC Properties AS and related financing activities were adopted
20 December	Swedbank's loan to Storm Real Estate ASA (later KMC Properties ASA) was purchased by the ten largest shareholders in the company (as of 17 November 2020) Completion of the agreement to combine Storm Real Estate ASA (later KMC Properties ASA) and KMC Properties AS into one entity, after the final condition for the agreement (purchase of the Swedbank loan) was fulfilled. This completion fulfilled the final condition for the purchase of all the shares in Pesca Properties AS, see item above
22 December	Commencement of the offer period in the mandatory offer (Both EBE Eiendom AS and Kverva Industrier AS triggered a mandatory offer when they both acquired more than 40% of the shares in Storm Real Estate ASA (later KMC Properties ASA)). Liv Malvik was appointed as new CEO of Storm Real Estate ASA (later KMC Properties ASA)
23 December	The NOK 1,850 million senior secured bond was released from escrow account. Same day, Storm Real Estate ASA (later KMC Properties ASA) received NOK 300 million from the private placement. Use of proceeds were refinancing of the previous debt in KMC Properties AS and Pesca Property AS, purchase of four properties in the Netherlands from BEWi ASA, and purchase of Grøntvedt Næringseiendom AS
30 December	Storm Real Estate ASA changed its name to KMC Properties ASA and its municipality from Oslo to Trondheim
2021	
19 January	End of offer period in the mandatory offer, see item above
19 February	Completion of subsequent offering related to the NOK 300 million private placement

Establishment of KMC Properties AS

KMC Properties AS was incorporated in January 2020. This represents the starting point for the financial reporting of the KMC Properties reporting entity.

KMC Properties AS acquisitions prior to 30 September 2020

Prior to 30 September 2020, KMC Properties AS acquired several companies/properties as described in note 4 for a total consideration of NOK 592 million. All these acquisitions were treated at asset acquisitions.

Transformative agreement

On 17 November 2020, KMC Properties AS and Storm Real Estate ASA (Storm) announced that the companies had entered into a transformative agreement (the Transaction) to form a combined entity of the two companies. Several transactions were related to the agreement, including a private placement, placement of a senior secured bond, acquisition of Storm's debt towards Swedbank in accordance with a refinancing agreement, acquisition of Pesca Properties, acquisition of four properties in the Netherlands and acquisition of a property from Grøntvedt. The Transaction was formally completed on 20 December 2020.

Appointment of CEO

Following completion of the Transaction on 20 December 2020, the board of directors of KMC Properties ASA appointed Liv Malvik as new CEO of the company on 22 December 2020. Liv Malvik came from the position as CEO of KMC Properties AS.

Placement of bond

On 27 November, KMC Properties announced the completion of a placement of a NOK 1,850 million senior secured bond with 3 years tenor.

Private placement

On 14 December 2020, KMC Properties announced the completion of a NOK 300 million private placement at NOK 7 per share. The placement was done in connection with the Transaction mentioned above and was fully underwritten

The net proceeds from the placement will, together with the completed bond issue, be used to finance the company's growth ambitions, including purchase and development of new properties, as well as expansion of existing properties. In addition, the proceeds will be used to refinance existing debt.

Swedbank agreement

On 20 December 2020, before the Transaction was completed, the ten largest shareholders of the company as of 17 November 2020, completed the purchase of Swedbank AB's loan to the company in accordance with the agreement announced on 27 May 2020. Later, the new creditors converted the loan to approximately NOK 187.8 million and converted the NOK loan to equity at NOK 7 per share.

Acquisition of Pesca Portfolio

Prior to the Transaction, KMC Properties AS acquired all the shares of Pesca Property AS, including a total of 10 properties. The total consideration was approximately NOK 420 million, whereby approximately NOK 245 million was settled in shares, approximately NOK 143 million in cash and the remaining amount by way of a shareholder loan.

The Pesca properties are in Norway, Sweden, Denmark and Finland. The lease agreements have an average wault of approximately 12 years. The properties make up about 25 per cent of the total rental income for the consolidated company.

Acquisition of 4 properties in the Netherlands

On 16 October 2020, the listed company BEWI ASA announced its intention to divest four properties in the Netherlands to KMC Properties, by way of a sale-and-leaseback transaction whereas BEWI entered into a leasing agreement of 12 years with an option to extend the term for 2 x 5 years. The total consideration for the properties was EUR 33 million, of which NOK 60 million was settled by shares in KMC Properties at a price of NOK 7 per share, and the remainder of the consideration was paid in cash.

The transaction was closed on 20 December 2020, as part of the transformative agreement mentioned above.

Acquisition of Grøntvedt property

As part of the Transaction, KMC Properties acquired Grøntvedt Næringsbygg AS by way of a sale-and-leaseback transaction whereas Grøntvedt Pelagic AS and Grøntvedt Nutri AS entered into a leasing agreement of 15 years with an option to extend the term for 10 years. The total consideration for the property was NOK 220 million.

The two tenants Grøntvedt Pelagic AS and Grøntvedt Nutri AS together serve as a leading platform within industrial processing of pelagic fish, and the world's largest producer of marinated herring. The property, which is located at Ørlandet approximately 50 minutes by boat from the city of Trondheim, Norway, is strategic to the two tenants given the rich resources of pelagic fish in the North Sea.

In 2019, Grøntvedt Pelagic AS had revenues of NOK 542 million excluding Grøntvedt Nutri AS. Grøntvedt has roots back to the 1830-ies and is run by the sixth generation Grøntvedt (the name of the family owning the company).

Other important events

Development of greenfield project at Senja

KMC Properties is currently involved in a development project relating to the construction of a fully automatic fish box production facility at Klubben Næringsområde in Senja, Norway. The facility is located next to Salmar ASA's new fish slaughtery InnovaNor. The tenant of the fish box facility, BEWI ASA, has a long-term agreement with Salmar for delivery of fish boxes.

The construction was initiated in August 2020, and production at the facility is expected to commence in the third quarter of 2021.

KMC Properties has entered into an agreement with the tenant BEWI for the construction of the building, including a provision stating that the parties shall enter into a bare-house agreement for a period of 15 years including an option for 15 more years, and to BTA Yield 7.5 per cent of the total investment cost. The annual rent is expected to be approximately NOK 7 million.

Share information

KMC Properties ASA is listed on the Oslo Børs (Oslo Stock Exchange) under the symbol KMCP.

The company has a total of 241,746,544 issued and outstanding shares.

10 largest shareholders on 31 December 2020:

Shareholder	% holding
EBE Eiendom AS	37.4%
Kverva Industrier AS	35.0%
DNB NOR Markets	6.6%
Surfside Holding AS	6.4%
Aconcagua Management LTD	4.7%
LIN AS	1.3%
Banan II AS	1.2%
Pactum AS	1.1%
Skottind Invest AS	0.8%
Østlandske Pensjonistboliger AS	0.6%
SUM 10 largest shareholders	**95.1%**

Extraordinary general meeting

On 18 December 2020, an extraordinary general meeting was held in the company. All resolutions proposed by the board of directors related to the acquisition of KMC Properties AS were approved at the meeting.

In addition, the meeting resolved to appoint a new board in line with the recommendation by the nomination committee with effect from completion of the KMC transaction, and change the company's name to KMC Properties ASA, effective from 28 December 2020.

Subsequent events

Mandatory offer

Completion of the abovementioned Transaction resulted in a mandatory offer obligation for each of EBE Eiendom AS and Kverva Industrier AS (previous majority owners of KMC Properties AS).

The offer to acquire the shares in KMC Properties ASA made by EBE Eiendom AS and Kverva Industrier AS at an offer price of NOK 7 commenced on 22 December 2020 and was completed on 19 January 2021.

At the time of expiry of the offer, EBE Eiendom and Kverva Industrier, had received acceptances for a total of 149,369 shares and votes in KMC, corresponding to 0.062 per cent of the share capital and voting rights in KMC.

Subsequent offering

On 11 February 2021, the company launched a NOK 30 million subsequent offering with expiration on 18 February. The offering was completed on 19 February 2021, by approval of the board of directors.

Outlook

The combination of the two entities KMC Properties AS and former Storm Real Estate ASA and the related transactions completed, has formed a real estate group with a sound foundation for further growth.

In 2021, the company will execute on its growth strategy, including both organic initiatives and M&A opportunities. KMC Properties' ongoing investment projects include greenfield- and expansion projects together with existing customers and the company expects to shortly announce further development projects. In addition, the company has a pipeline of M&A opportunities in line with its strategic priorities.

With a strong financial position, a property portfolio with solid counterparts on long lease agreements, ongoing investment projects yielding good returns and a pipeline of M&A opportunities, KMC Properties is well positioned to deliver on the company's ambition to double its real estate value over the next five years.

Trondheim, Norway, 28 February 2021
The Board of Directors and CEO
KMC Properties ASA

Anders Dyrseth Chair	Morten Eivindssøn Astrup Board member	Nini Høegh Nergaard Board member
Anna Musiej Aanensen Board member	Stig Wærnes Board member	Marianne Bekken Board member
Børge Klungerbo Board member	Liv Malvik CEO	

Consolidated condensed Statement of Comprehensive Income

Amounts in thousands NOK	Note	Q4 2020 *unaudited*	2020 *unaudited*
Rental income	6	22 636	51 782
Other revenue		73	250
Total income		**22 709**	**52 031**
Property related expenses	6	1 459	2 970
Salary expenses		482	1 871
Other operating expenses, external	5	12 935	15 900
Depreciation		5	18
Total operating expenses		**14 880**	**20 759**
Operating profit (loss) before fair value adjustments		**7 829**	**31 272**
Gain/loss from fair value adjustments on investment property			
Gain/loss from fair value adjustments on investment property	6	(51 976)	421 679
Total operating profit (loss)		**(44 147)**	**452 951**
Financial income	7	793	793
Financial expenses	7	24 544	29 363
Net financial income (expense)		**(23 751)**	**(28 569)**
Earning before tax (EBT)		**(67 898)**	**424 382**
Tax expense		2 617	(99 597)
Profit for the period/year (Net income)		**(65 281)**	**324 785**
Other Comprehensive Income:			
Items that may be reclassified to profit or loss:			
Other comprehensive income (translation reserves)	3	(43 815)	(10 059)
Other comprehensive income for the period, net of tax		**(43 815)**	(10 059)
Total comprehensive income for the period		**(109 096)**	**314 726**
Profit attributable to:			
Equity holders of the company		**(65 281)**	**324 785**
Non-controlling interest		**0**	**0**
Total comprehensive income attributable to:			
Equity holders of the company		**(43 815)**	**(10 059)**
Non-controlling interest		**0**	**0**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Consolidated condensed Statement of Financial Position

Amounts in thousands NOK	*Note*	***31.12.2020*** *unaudited*
Non-current assets		
Investment Property	6	3 089 750
Equipment and other movables		172
Financial derivatives	10	8 021
Other long-term assets	6, 10	128
Total non-current assets		**3 098 072**
Current assets		
Trade receivables		33 296
Other receivables, prepaid expenses, and tax		34 749
Other financial assets	10	154
Cash and cash equivalents	10	125 117
Total current assets		**193 316**
Total assets		**3 291 388**
Equity		
Share Capital		48 153
Share Premium		896 481
Sum paid-in equity		**944 634**
Retained earnings and translation reserves		
Translation reserves		(10 059)
Retained earnings		324 785
Sum retained earnings and translation reserves		**314 726**
Total equity		**1 259 360**
Liabilities		
Non-current liabilities		
Deferred tax Liabilities		51 774
Loans from credit Institutions	7, 10	1 832 345
Other Long-term Liabilities	10	10 032
Total non-current liabilities		**1 894 151**
Current liabilities		
Trade Payables		36 489
Income tax payable		2 673
Value added taxes		23 839
Other Current liabilities	10	74 876
Total current liabilities		**137 877**
Total liabilities		**2 032 028**
Total equity and liabilities		**3 291 388**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Consolidated condensed Statement of Changes in Equity

All figures are unaudited

Amounts in thousands NOK	*Note*	**Share capital**	**Share premium**	**Translation reserves**	**Retained earnings**	**Total equity**
Issue of shares 20.1.20	4	30	(9)			21
Issue of shares - liquidation	4	(30)				(30)
Issue of shares 11.6.	4	1 000	199 000			200 000
Issue of shares 30.11.	4	294	244 200			244 494
Reverse takeover	4	473	(1 110 813)			(1 110 340)
Issue of shares		46 386	1 577 129			1 623 515
Transaction cost issue of shares			(13 026)			(13 026)
Profit /(loss) for the period					324 785	324 785
Other comprehensive income (translation reserves)				(10 059)		(10 059)
Total equity 31.12.2020		**48 153**	**896 490**	**(10 059)**	**324 785**	**1 259 360**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

Issue of new shares and related transaction cost

In connection with the Transaction the following shares have been issued: the new creditors of the “Swedbank loan”, see operational review above, converted the entire loan of NOK 187,768,140 to equity at NOK 7 per share, resulting in the issue of 26,824,020 new shares (transaction cost: NOK 387,560).

The seller’s credit of NOK 1,075,747,106 after KMC Properties ASA purchased KMC Properties AS was converted to equity at NOK 7 per share, giving 153,678,158 new shares (transaction cost: NOK 3,745,040).
The private placement of NOK 299,999,994, at NOK 7 per share, gave 42,857,142 new shares (transaction cost: NOK 8,887,142). The seller’s credit of NOK 59,999,996 after the purchase of the four properties in the Netherlands was converted to equity at NOK 7 per share, giving 8,571,428 new shares (transaction cost: NOK 6,297). In connection with the conversion of the “Swedbank loan” to equity, the fair value adjustment of the bank loan as of 20 December 2020 (NOK 89,248,515), see description in note 4 in Storm Real Estate’s interim report for the first half of 2020, was accounted as a reduction of Retained Earnings.

Consolidated condensed Statement of Cash Flow

Amounts in thousands NOK	Note	**2020** *unaudited*
Cash flows from operating activities		
Total operating profit (loss)		452 951
Depreciation of tangible assets	6	18
Fair value adjustment of investment property	6	(421 679)
Change in working capital:		
- change in trade and other receivables		(60 257)
- change in trade and other payables, excl. corporate tax		64 976
Net cash flow from operating activities		**36 010**
Acquisition of businesses, net of cash acquired		(1 112 439)
Outflows from financial investments		(282)
Interest received		793
Net cash flow from investment activities		**(1 111 928)**
Cash flows from financing activities		
Capital increase from issue of shares		259 993
Issue of bond	10	1 850 000
Settlement of debt	4	(928 794)
Cash from acquisitions		60 484
Other financial activities		6 280
Interest paid		(47 018)
Net cash flow from financing activities		**1 201 035**
Net change in cash and cash equivalents		**125 117**
Opening balance of Cash and Cash equivalents	10	0
Cash and cash equivalents at period end		**125 117**

The accompanying notes are an integral part of the condensed consolidated interim financial statements

The cash flow statement reflects that KMC Properties AS was deemed as the accounting acquirer. In the legal structure, KMC Properties ASA (former Storm Real Estate ASA) acquired all shares in KMC Properties AS.

In the transaction KMC properties ASA (legal acquirer) issued a bond booked at approx. NOK 1 850 million. The bond was, together with paid-in capital, used to settle existing loans and debt to owners. As a consequence of the reverse takeover, there is no net cashflow from the bond issue and settlement of the debt.

Summary	*Amounts in million NOK*
Bond issue and paid in capital	2 101
Cash distribution	
Share purchase	1 112
Debt settlement	989

SELECTED NOTES TO THE INTERIM FINANCIAL STATEMENT

Note 1 - Company information

The KMC Properties ASA real estate Group conducts business in Europe. The Group's business idea is primarily to acquire and manage commercial industry and logistics properties. The property portfolio is mainly comprising industrial and logistics properties, in addition to a smaller proportion office property. The holding company, KMC Properties ASA, is a public limited liability company with headquarter in Trondheim (Norway).

In December 2020 KMC Properties ASA (formerly Storm Real Estate ASA) completed the acquisition of all the issued and outstanding shares in KMC Properties AS. The transaction is accounted for as a reversed takeover with KMC Properties AS being identified as the accounting acquirer. Thus, these consolidated financial statements have been prepared as if KMC Properties ASA is a continuation of KMC Properties AS.

KMC Properties AS was incorporated 31. January 2020, thus these are the first financial reports prepared by the reporting entity (KMC Properties AS). These consolidated financial statements are for the period from incorporation (31. January 2020) until 31 December 2020.

For additional details see note 4 for significant events and transactions.

The company's shares are listed on the Oslo Stock Exchange under the ticker “KMCP”.

Note 2 - Basis of Preparation and Accounting principles

2.2 Basis of Preparation

These interim financial statements for the period ending 31 December 2020 are prepared in accordance with IAS 34. The interim financial statements are prepared in accordance with applicable IFRS standards and interpretations. The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements. These condensed consolidated interim financial statements are unaudited.

The financial statements include KMC Properties ASA and subsidiaries. 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. The interim consolidated financial statements were approved by the Board of Directors on 28 February 2021.

All notes are in NOK thousands, unless otherwise is indicated. The Interim Report has been prepared under the assumption of going concern.

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 companies which the Group has control over. 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. Control is normally achieved when the Group owns – directly or indirectly – more than 50% of the voting shares in the company. The effect of any existing voting rights resulting from exercisable options is included in the assessment of control. The Group also assesses whether control exists where fewer than 50% of the voting rights are held, but the Group is nevertheless in a position to control the relevant activities.

Such 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.

The purchase method is applied to business combinations. The consideration transferred is measured at the fair value of assets transferred, liabilities incurred, and equity instruments issued. The consideration also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs related to business combinations are expensed as incurred. Identifiable assets and liabilities are recognised at fair value at the acquisition date. Non-controlling interests in the acquiree are measured on a case-by-case basis either at fair value or at their share of the acquiree's net assets.

In the case of a step acquisition, equity interests from previous acquisitions are remeasured at the control date to fair value through profit and loss. Any contingent consideration is recognised at fair value at the acquisition date. In accordance with IFRS 9, subsequent changes to the fair value of the contingent consideration are recognised in the income statement or as a change to other comprehensive income if the contingent consideration is classified as an asset or liability. Contingent considerations classified as equity are not remeasured, and subsequent settlement is entered against equity.

Intra-company transactions, balances, and unrealized gains and losses on transactions between Group companies are eliminated. The financial statements of subsidiaries are restated where necessary to achieve consistency with the Group's accounting policies.

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.

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

On 20 December 2020, the owners of KMC Properties AS and Storm Real Estate ASA, now named KMC Properties ASA, completed a transformative agreement, combining the two companies to a real estate group, primarily within industrial- and logistics properties.

As the combined Group is newly established, it has not had segment reporting in 2020. The Group is working to establish a structure for internal reporting with appropriate operating segments.

Note 3 - 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. Property held under a lease is classified as investment property when the definition of an investment property is met. 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 Property, plant, and equipment

Property, plant, and equipment that is not directly attributed to the investment property is classified as non-current assets and measured at acquisition cost less depreciation and impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of the items.
Costs incurred after the asset has been taken into use are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the acquisition will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is written down to zero. All other repairs and maintenance are charged to the income statement in the period in which they are incurred.

3.3 Leases

(a) Where a Group company is the lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

• Leases of low value assets; and

• Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

(b) Where a Group company is the lessor

Properties leased under operating leases are included in investment property in the Company's statement of financial position. Rental income is recognised over the term of the lease on a straight-line basis.

At the start of a lease agreement tenants pay a security deposit. This is treated as an advance payment from the tenants. The tenants then continue to pay in advance for the term of their lease, such that the level of the security deposit is maintained.

3.4 Financial assets

3.4.1 Classification, recognition and measurement

Financial assets within the scope of IFRS 9 are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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.

As at 31 December 2020 the only relevant category is financial assets at amortised cost.

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.

3.4.2 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.

3.4.3 Impairment of trade (rent) receivables

For trade (rent) receivables the Group applies a simplified approach in calculating expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.5 Financial liabilities

3.5.1 Classification, recognition and measurement

Financial liabilities are classified at initial recognition, and subsequently measured at amortized 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.

3.5.3 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.

3.6 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.

3.7 Cash and cash equivalents

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

3.8 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.

3.9 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.

3.10 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 utilized. 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 realized, or the deferred tax liability is settled. The provision for deferred tax is based on the expected manner of realization 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.

3.11 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.

Some of these lease agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, landscaping and snow removal of common areas), as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The consideration charged to tenants for these services is based on a percentage of the rental income. The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria. The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

3.12 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.

3.13 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.

3.14 Financial instruments

Financial instruments at fair value through profit and loss are derivatives unless they are part of hedging.

3.14.1 Derivatives and hedging

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 change financial income/expense (see Note 7 & 10). The realised payable part of the interest-rate swap agreements is presented under financial cost.

Note 4 – Significant events and transactions

Date	Target/Property	Purchase price
26.05.2020	KMC Fårtickan AB	SEK 26 039 000
27.05.2020	KMC Properties Sverige Danmark AS	NOK 79 817 233
27.05.2020	Hofstadvegen 15 AS	NOK 12 970 767
27.05.2020	Industrieiendom Nord AS	NOK 66 844 177
27.05.2020	Botngård Eiendom AS	NOK 4 670 339
27.05.2020	Rantex Eiendom AS	NOK 9 415 722
27.05.2020	Østre Rosten 102b AS	NOK 98 479 132
27.05.2020	Østre Rosten 102 AS	NOK 46 321 498
02.06.2020	Havnegata 20B AS	NOK 106 748 792
25.06.2020	KMC Norrkøping AB	SEK 31 528 286
28.08.2020	Maribo property	EUR 2 840 000
28.08.2020	Tvilho property	EUR 7 400 000

Establishment of KMC Properties AS

KMC Properties AS was incorporated in January 2020. This represents the starting point for the financial reporting of the KMC Properties reporting entity.

KMC Properties AS acquisitions prior to 30 September 2020 (Asset acquisitions)

Prior to 30. September 2020 KMC acquired a 100 % share in the following companies/properties for a total consideration of approximately NOK 592 million.

All these acquisitions were treated at asset acquisitions as the only activity of all these companies (or subsidiaries of these companies) owning one or more investment properties.

Reverse acquisition (The Transaction) of Storm Real Estate ASA (Now KMC Properties ASA)

In November 2020 KMC and Storm Real Estate ASA (KMC Properties ASA) entered into an agreement with the aim to combine the two entities. The transaction was completed in December 2020. Based on the legal structure of the transaction Storm Real Estate ASA acquired 100% of the shares in KMC, for a consideration of 153,678,158 shares at NOK 7 per share in Storm Real Estate ASA. In December 2020, following the Transaction with KMC Properties AS, the management of KMC Properties AS became the management of KMC Properties ASA as well.

Management has performed an assessment of the transaction between KMC and Storm Real Estate and has determined that, with reference to relevant accounting considerations, this transaction will constitute a reverse acquisition in accordance with IFRS 3. As such, , KMC Properties AS will comprise the acquirer for accounting purposes and KMC Properties ASA (previously named Storm Real Estate ASA) will comprise the acquiree for accounting purposes, and resulting in the continuation of the Accounting acquirer (where the assets and liabilities of the Accounting acquirer are stated at their pre-combination carrying amounts while the assets and liabilities of the Accounting acquiree are stated in accordance with IFRS) and except for its capital structure where the share capital is representing the share capital of the Accounting acquiree and other reserves are representing those of the Accounting acquirer. The transaction is settled in accordance with IFRS 2 share-based payments.

The Pesca transaction

Prior to the Combination, KMC Properties AS acquired all of the shares of Pesca Property from Kverva Industrier, Invest Neptun AS and Zebrafish AS. As a part of the Pesca Transaction, 10 properties were acquired. The valuation of the properties was performed by Cushman & Wakefield. The rental income related to these properties is approximately NOK 52 million on a yearly basis in total, which constitutes approximately 26 % of the total rental income of the KMC Properties.

Acquisition of 4 properties in Netherlands

As a part of the Transaction, the Group entered into an agreement with Synbra B.V (a subsidiary of KMC Properties AS) to acquire the 4 subsidiaries of Holland Industrial Properties B.V, Wijchen Investment properties B.V., Oldenzaa1 Investment properties B.V., Someren Investment properties B.V., and Zwartsluis Investment properties B.V. As partial settlement of this acquisition, the seller, Synbra B.V., issued a seller's credit of NOK 60 million, which in connection with the completion of the acquisition on 23 December 2020, was transferred to the Company, and subsequently converted to share capital through issuance of new shares in the Company to Synbra B.V.

Acquisition of Grøntvedt property

Furthermore, the Group acquired Grøntvedt Næringsbygg AS ("Grøntvedt"), for a total consideration of NOK 220 million, which was settled in cash at the closing of the acquisition, on 23 December 2020, with the net proceeds from the Bond Issue.

The private placement

In connection with the Transaction, the Company implemented a NOK 300 million private placement of 42,857,142 new shares, directed towards certain shareholders of the Company and new investors, at an offer price of NOK 7.00 per share (the "Private Placement"). The Private Placement was resolved by the Board of the Company on 22 December 2020, pursuant to a board authorization for issuance of new shares, granted by the extraordinary general meeting held on 18 December 2020. The purpose of the Private Placement was to strengthen liquidity in the Company's shares, and along with the Bond Issue the use of proceeds was to refinance existing bank debt and part of shareholder loans in KMC Properties AS, purchase of new properties (the 4 properties in Netherlands and the Grøntvedt property) in line with the Company's strategy and, as well as general corporate purposes.

The Conversion of the Swedbank Loan

Furthermore, Aconcagua Management Ltd (a company wholly owned by Morten E. Astrup) and certain other shareholders of the Company, as a part of the Transaction, acquired the Company's outstanding debt towards Swedbank AB in accordance with the refinancing agreement dated 27 May 2020 and conditions set by the Board. Following the purchase, the outstanding debt was thereafter converted to 26,824,020 new shares in the Company at the same price as in the Private Placement and the Transaction.

The bond issue

In connection with the Transaction, the Company issued senior secured callable bonds of NOK 1,850 million through a private placement. The proceeds from the Bond Issue were used to refinance shareholder loans, existing bank debt and for general corporate purposes including acquisitions of the combined company. Following completion of the Transaction and the Private Placement, the funds from the Bond Issue were released from escrow on 23 December 2020.
The Company intends to apply for listing of the Bonds on the Oslo Stock Exchange.

As part of the Bond Issue, KMC Properties, certain other group companies and the property-owning subsidiaries of the Company in Norway, Sweden, Denmark, Finland, and the Netherlands have granted guarantees and security over the shares in each of the property ownings companies, bank accounts, properties, intercompany receivables, floating charges over trade receivables, and property insurances to secure the Bonds.

Acquisition of subsidiaries by the Group

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The acquisition cost is measured as the fair value of assets used as consideration, equity instruments issued, and liabilities incurred at the transfer of control. Direct costs related to the acquisition are expensed in the income statement at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities are recognised at fair value at the date of acquisition, irrespective of any minority interest. The excess cost of acquisition over the fair value of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement at the date of acquisition.

Purchases of single-purpose entities owning only property, with no employees, management or recorded procedure descriptions are not considered as the acquisition of business (IFRS 3 Business Combinations is not applicable). The cost of such purchases is capitalised as part of the acquisition price.

With the exception of the reverse acquisition of Storm Real Estate ASA, all acquisitions in 2020 is treated as assets acquisitions (not business combinations), thus no goodwill is recorded in connection with these acquisitions.

Additional disclosures on business combinations (Storm Real Estate ASA)

The consideration in the reversed acquisition of Storm Real Estate ASA was valued at NOK 62 million, consisting of the 8,834,563 shares at NOK 7 per share in Storm Real Estate ASA (shares in the listed entity before the Transaction).

Major class of assets and liabilities assumed were as follows (as of 30 June 2020):

Investment property	NOK 210 million
Other assets	NOK 14 million
Non-current liabilities	NOK 118 million
Current liabilities	NOK 8 million

Revenue from Storm Real Estate ASA included in the consolidated financial statement amounts to NOK 0 million, profit/loss included amounts to NOK 0 million. If the transaction took place at the beginning of the year revenue would be included with NOK 21 million and profit/loss would be included with NOK 40 million.

Note 5 – Related party transactions

Date	Target/Property	Purchase price
27.05.2020	KMC Properties Sverige Danmark AS including subsidiaries	NOK 79,817,233
27.05.2020	Hoftsadvegen 15 AS	NOK 12,970,767
	Industrieiendom Nord AS including subsidiaries	NOK 66,844,177
27.05.2020	Botngård Eiendom AS	NOK 4,670,339
27.05.2020	Rantex Eiendom AS	NOK 9,415,722
27.05.2020	Østre Rosten 102b AS	NOK 98,479,132
27.05.2020	Østre Rosten 102 AS	NOK 46,321,498
28.08.2020	KMC Industrial Properties Denmark ApS aquired Maribo property	EUR 2,840,000 (approximately NOK 29.7 million)
28.08.2020	KMC Industrial Properties Denmark ApS acquired Tvilho property	EUR 7,400,000 (approximately NOK 77.5 million)
23.12.2020	Pesca Property AS	NOK 419,439,784
23.12.2020	Wijchen Investment properties B.V., Oldenzaa Investment properties B.V., Someren Investment properties B.V., and Zwartsluis Investment properties B.V.	EUR 34.980.000 (approximately NOK 367 million)

The table above sets out KMC Properties AS (including its subsidiaries) material investments and acquisitions with related parties in 2020.

On this date, KMC Properties AS was 100% owned by EBE, which at this date was owned 50 % by Bekken Invest AS, and 50 % by Kastor Invest AS. Bewi Holding AS was 100 % owned by Bekken Invest AS. The purchase prices for all of these companies acquired by KMC Properties AS were based on valuations by external valuators. All rental income for the period is from related parties.

Note 6 – Investment property

The valuation of the properties at 31 December 2020 has been performed by an independent expert valuer, Cushman & Wakefield. 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 3 for critical accounting estimates and assumptions.

	Q4 2020	2020
Opening balance	**1 980 219**	
Additions in period	1 205 322	2 678 130
Fair value adjustments in period	(51 976)	421 679
Translation adjustment	(43 815)	(10 059)
Value at period end	**3 089 750**	**3 089 750**

Net Operating Income (NOI) from Properties

	Q4 2020	2020
Rental Income	22 636	51 782
Property related costs	(1 459)	(2 970)
NOI from properties	**21 177**	**48 812**

Note 7 – The Group`s borrowings

All amounts in NOK million	2020
Interest-bearing debt as at 1 January	0
Net change in debt	1 850
Interest-bearing debt as at 31 December	1 850
Capitalised borrowing cost	-18
Carrying amount interest-bearing debt*	1 832
Fair value of interest-bearing debt, excess value/(reduced value) for the group in relation to book value*	**6**

**The fair value presented above is the excess value as at 31 December 2020, given by Nordic Bond Pricing AS.*

Bond loan (to be listed)	NOK Million *	Current interest	Interest terms	Final Maturity	In compliance with covenants?
2020-2023	1,850	4.60%	3 months NIBOR + 4.25%	11 Dec 2023	Yes

Key terms:

- NOK 1,850,000,000 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: Voluntary redemption of bond (i) prior to 11 June 2023 in done with a "make whole" compensation to bondholders and (ii) after 11 June 2023 until (but not including) Final Maturity is done at 101% of the nominal amount of redeemed bond.
- 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.
- Guarantors and Security: KMC Properties AS and substantially all of its direct and indirect subsidiaries (i) are guarantors for the bond issue and (ii) substantially all of their assets (and the shares in KMC Properties AS) are granted as security for the bond issue.
- 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.
- Additional undertakings (covenants) for KMC Properties AS: In additional to the general undertakings set out above, there are certain covenants that only apply to KMC Properties AS and its direct and indirect subsidiaries and which, to a certain extent, "ring-fences" this part of the group. These covenants include restrictions on mergers and de-mergers, additional limitations on investments, limitations on disposals of assets and requirements for re-investing disposal proceeds, additional restrictions on incurring financial indebtedness, negative pledge, requirements as to insurances, requirements for maintenance and managements of properties and limitations on alteration of property lease agreements.
- Financial covenants: The Issuer must ensure compliance with the following financial covenants (maintenance covenants), measure 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 6 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%.
  - The group was in compliance with all covenants related to its liabilities at 31 December 2020.

Note 8 – Impact of the Covid-19 Pandemic

The Covid-19 pandemic has had, and continues to have an adverse negative impact on the global economy, including the markets in which the Group's tenants operate within. The property portfolio is mainly comprising industrial and logistics properties, in addition to a smaller proportion office properties.

The market for industrial and logistics real estate is invariably linked to the performance of the tenants' industries. The Group's tenants are in general diversified and operate within different segments. The Group's tenants have consequently experience lower income in some segments, but on the other hand achieved better income in other segments. The tenants have consequently, in terms of total income, not to this date been negatively effected by the Covid-19 pandemic. This may however change, and the failure by tenants of the Group to meet their obligations would have a negative impact on the Group's future earnings and financial position.

The experts discuss the potential permanent effects in the market for office space in Moscow, such as more remote work (employees working from home and digital workplaces), the revival of suburban areas (citizens moving out of the city centre), less open space, more flexible workspace, and higher demand for shared workspaces. The final outcome is highly uncertain, but the net effects of the pandemic are currently considered to be slightly negative. Hence, the estimated rental value per square meter has been reduced in the valuation model used on the Gasfield building as at 31 December 2020, resulting in a value reduction compared to the last valuation. However, the occupancy in the Gasfield building is still high, the rental rates are stable (it is the rental rate growth which is considered to be affected by the pandemic), and the number of viewings are increasing, showing the building is still highly attractive. Also, the building is located in a suburban area with exiting development underway, such as the construction of a new metro station, new residential buildings, new public schools and buildings, and the construction of more retail and office space. making it a more attractive business centre. All in all, we still see potential for a significant increase in value for the Gasfield building.

Note 9 – 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.

9.1 - Fair value of investment properties

Investment property is valued at its fair value based on a quarterly valuation update based on external valuations, the first time 31 September 2020. The valuations on 30 September 2020 and 31 December 2020 were obtained by Cushman & Wakefield.

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 valuer 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. The table below presents examples of how changes related to each of these variables influenced property values, at 31 December 2020, 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	(44)	48
Discount rate	+/- 0,25 per cent points	(89)	86
Operating costs	+/- 10 per cent	(16)	15
Market rent	+/- 10 per cent	150	(150)
Average rental growth	+/- 0,5 percentages points next 10 years	115	(109)

The calculations have been performed by Cushman & Wakefield in connection the valuations at 31 December 2020.

9.2 Fair value of financial derivatives

The fair value of financial instruments traded in active markets is based on quoted market prices at the transfer date. The quoted market price used for financial assets held by the Group is the current bid price. The fair value of interest rate swaps and forward contracts is calculated by the issuing financial institution as the present value of future estimated cash flows. The carrying amount of trade receivables (face value minus provision for bad debts) and trade payables is not considered to deviate significantly from fair value.

Note 10: 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 7. A specification of the group's financial instruments is presented below.

	Amortised cost	Fair value through profit or loss	Total
	31.12.2020	31.12.2020	
Financial assets			
Cash and cash equivalents	125 117		**125 117**
Land plot lease agreements (financial asset)		945	**945**
Currency and interest swaps (long-term)		8 021	**8 021**
Currency and interest swaps (short-term)		154	**154**
Trade receivables (non-interest bearing)	33 296		**33 296**
Other receivables	34 877		**34 877**
Total Financial Assets as at 31 December 2020	**193 290**	**9 120**	**202 410**

	Amortised cost	Fair value through profit or loss	Total
	31.12.2020	31.12.2020	
Financial liabilities			
Interest-bearing loans and borrowings (Bond)	1 832 345		**1 832 345**
Land plot lease agreements (financial liability)		945	**945**
Trade payables (non-interest bearing)	36 489		**36 489**
Other financial liabilities	10 032		**10 032**
Other current liabilities (non-interest bearing)	101 387		**101 387**
Total Financial Liabilities as of 31 December 2020	1 980 253	945	**1 981 198**
Net Financial Assets and Liabilities as of 31 December 2020	**(1 786 963)**	**8 175**	**(1 778 788)**

Interest bearing loans *Amounts in thousands NOK*	**31.12.2020**
Bond	1 832 345
Other long-term liability	10 032
Total interest-bearing loans	**1 842 377**

Derivates	**31.12.2020**
Principle amounts:	
EUR swap	**NOK 350 million**
DKK swap	**NOK 165 million**
SEK swap	**NOK 240 million**
Maturity date	**11.12.2023**
Exchange rate EUR/NOK	**10,630**
Exchange rate DKK/NOK	**1,428**
Exchange rate SEK/NOK	**1,050**
Fixed interest rate - EUR	**3.740%**
Fixed interest rate - DKK	**3.745%**
Fixed interest rate - SEK	**4.267%**

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 derivates are currency and interest swap agreements booked at fair value according to level 2.

Financial assets measured at fair value *Amounts in thousands NOK*	**Level 1**	**Level 2**	**Level 3**	**Sum**
Currency and interest swaps (long-term)		8 021		**8 021**
Currency and interest swaps (short-term)		154		**154**
Land plot lease agreements			945	
Sum financial assets measured at fair value		**8 175**	**945**	**9 120**

Financial liabilities measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Sum**
Land plot lease agreements (financial liability)			945	**945**
Sum financial liabilities measured at fair value			**945**	**945**

Financial instruments and derivatives

The estimated fair value of the group's financial instruments is based on market prices and valuation methods as described below. The fair value change in the derivatives is recognized in KMC Properties (previously Storm Real Estate ASA) results and hence not recognized in the group's profit and loss statement due to the effects of the reverse acquisition

Cash and Cash equivalents

Fair value is assumed to be equal to the carried amount.

Interest-bearing liabilities

The group recognises interest-bearing liabilities at amortised cost. Notes to the financial statements (see note 7) provide information on the estimated fair value of interest-bearing liabilities. Bonds are valued at the market price on 31 December and bank loans at the estimated fair value where account is taken of the estimated difference between the current margin and market conditions.

Trade Receivables/Other receivables and Trade payables/other liabilities

In principle, these items are recognized initially at fair value and measured at amortized cost in subsequent periods. However, discounting is not normally assumed to have a significant effect on this type of receivable and liability.

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 checked these valuations and tested them for reasonableness.

The Group uses derivatives to manage its interest rate risk. Derivatives are initially recognized 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 recognized in the income statement. Regular payments are presented as interest and other finance expenses. Changes in the value of the derivatives are presented under "Changes in value of financial instruments".

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 current or non-current, depending on whether they are expected to be redeemed under or over 12 months from the balance sheet date.

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.

Net Asset Value adjusted (NAV adjusted)

All amounts in NOK million	**2020**
Total equity	1 259
Deferred tax liabilities	52
Net asset Value (NAV)	**1 311**

Debt ratio – Group net LTV

All amounts in NOK million	**2020**
Interest Bearing Debt (Bond, nominal value)	1 850
Cash and cash equivalents	125
Mark-to-market hedge adjustment	8
Net Interest-Bearing Debt	1 717
Investment Property (Market Value)	3 090
Group Net LTV	**55,6 %**

The Group's Bond has a nominal value of NOK 1,850.0 million with 3 years tenor made on 27 November 2020.

Definitions

Bonds, or the Bond Issue	The Company's placement of a NOK 1,850 million senior secured bond with 3 years tenor made on 27 November 2020
Covid-19	The outbreak of the coronavirus SARS-CoV-2
Cushman & Wakefield	Cushman & Wakefield Debenham Tie Leung Limited, registration number 997 013 263 and registered address 125 Old Brad Street, London Ec2n 1ar, Great Britain
Gross Rental Income (GRI)	Equals Total Income
Independent valuer	Cushman & Wakefield
Loan-to-Value (LTV)	Total net nominal value of interest-bearing debt divided by the total market value of the property portfolio.
Market value of portfolio	The market value of all properties owned by the parent company and subsidiaries.
Net Asset Value, adjusted (NAV)	NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax
NOK	The Norwegian Krone, the official currency of Norway
Occupancy rate (%)	Leased Lettable area (sqm) / Total Lettable area (sqm)
OPEX	Operating expense, measured by total operating expenses – Salary expenses
SG&A	Selling, General & Administrative Expenses, calculated as Salary expenses
Property related expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
SWAP	A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time
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. The Gasfield property is excluded in the calculation.