

Q1 | 2021

KMC Properties ASA

27 MAY 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.

During the first quarter and into the second quarter this year, we have significantly strengthened our organisation to prepare for further growth. We have focussed on integrating the companies acquired last year and we have had good progress on our investment projects. This includes greenfield- and expansion projects together with existing customers, as well as several specific M&A projects.

In 2021, the construction at our development project at Senja has proceeded according to plan. Here, we are setting up a fish box facility for our largest tenant BEWI ASA, that will supply fish boxes to SalMar's new processing facility InnovaNor. The facility is expected to commence production in the third quarter this year. In parallel, we have had good progress on our latest development project with the same tenant, at the island of Jøsnøya.

Today, we have a portfolio of 41 logistics- and industrial properties with long lease agreements with solid tenants, strategically located in proximity to key areas or key customers of our tenants. In addition, we have an office building in Moscow.

Our portfolio is a result of several acquisitions during 2020, as well as two properties acquired so far in the second quarter this year. We have already started to execute on our growth strategy and look forward to announcing further acquisitions in line with our strategy during the next few months.

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.

KMC Properties has a well-experienced organisation, a solid financial position, and a property portfolio with solid counterparts on long lease agreements. This, combined with a strong pipeline of exciting investment opportunities, make us confident that we will deliver on our ambition to double our real estate value over the next five years.



Liv Malvik, CEO KMC Properties ASA
Trondheim, 27 May 2021

Highlights for the first quarter of 2021

- Income of NOK 53.1 million for the first quarter of 2021
- Operating profit before fair value adjustment of NOK 24.3 million
- Strengthened the organisation with new hires
- Integration of companies acquired in the fourth quarter
- Mandatory offer by EBE Eiendom and Kverva Industrier completed
- Subsequent offering completed
- Letter of intent for with BEWI for development of packaging hub at Hitra
- Invested ~NOK 49.7 million in development of existing properties increasing the value of the portfolio

Subsequent events

- Acquisition of industrial property in Denmark for ~NOK 28.0 million
- Acquisition of industrial property near Molde in Norway ~NOK 43.5 million

Key figures

<i>amounts in millions NOK</i>	Q1 2021	2020
Gross rental income (GRI)	53.1	51.8
Direct property related expenses	(4.2)	(2.8)
Net operating income (NOI)	48.9	49.0
Salary expenses	(2.7)	(1.8)
Other operational expenses and depreciation	(21.9)	(16.7)
Net fair value Adjustments on Investment Property	65.1	404.6
Total operating profit (loss) (EBIT)	89.4	435.0
Net financial income (expenses)	(12.9)	(28.1)
Earnings before tax (EBT)	76.5	406.9
Tax	(15.9)	(94.3)
Profit for the period (Net income)	60.6	312.6
Net Asset Value adjusted (NOK million)	1 297	1 293
Group Net LTV (%)	56.4	55.6
WAULT (years)	10.7	10.7
Occupancy rate (%)	98.7	98.7
Group property portfolio value (NOK million)	3 094	3 090

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 described in the annual report for 2020, the transaction is accounted for as a reverse 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 figures in the consolidated statement of comprehensive income for 2020 includes only the figures for KMC Properties AS. Financials for Grøntvedt Næringsbygg AS, Pesca Property AS, former Storm Real Estate ASA and the four properties in the Netherlands are not included in the consolidated figures for 2020, as these companies were formally acquired during the last days of December 2020, and the related financials for these few days were considered immaterial.

As the consolidated statement of comprehensive income for 2020 include only the financials for KMC Properties AS, these financials are recommended to read in conjunction with pro-forma figures for 2020 as presented in the annual report for 2020.

The consolidated statement of financial position as of 31 December 2020 and 31 March 2021 include all assets and liabilities.

KMC Properties AS was incorporated in 2020. Therefore, numbers for the first quarter of 2020 do not exist.

Given that the foundation for KMC Properties ASA came into place at the end of December 2020, a lot of the work related to completing the transactions, including financing, was performed in the first quarter of 2021. Hence, the transactions costs are still high even though there are no material transactions in the period.

Financial results

Profit and loss

Net operating income for the first quarter of 2021 amounted to NOK 53.1 million. For the full year 2020, net operating income came in at NOK 51.8 million (see comments concerning the figures for 2020 above).

Total operating expenses were NOK 28.8 million for the first quarter of 2021 and NOK 21.4 million for full year of 2020. Transaction costs related to consultants and legal services amounted to NOK 15.2 million in the first quarter of 2021.

Employee benefit and salary expenses amounted to NOK 2.7 million for the first quarter of 2021. For the full year of 2020, KMC had employee benefit expenses of a total of NOK 1.9 million. The company has significantly strengthened its organisation in the fourth quarter

of 2020 and the first quarter of 2021.

Total operating profit for the first quarter of 2021 amounted to NOK 89.4 million. For the full year of 2020, the profit was NOK 435.0 million.

Net financial expenses amounted to NOK 12.9 million for the quarter and NOK 28.1 million for the full year of 2020. Interest expenses related to the bond loan amounted to NOK 21.1 million for the quarter. Currency loss on intergroup loans were offset against gains on currency swap agreements.

Tax expenses amounted to NOK 15.9 million for the quarter and NOK 94.3 for the full year of 2020.

Net profit for the period was NOK 60.6 million for the quarter and NOK 312.6 million for the full year of 2020.

Total comprehensive income for the period was a negative 0.1 million for the quarter and a positive NOK 302.6 million for the full year of 2020.

Financial position and liquidity

Consolidated financial position

Assets amounted to NOK 3 301.0 million on 31 March 2021 (2020: NOK 3 294.6 million). Investment properties are valued at its fair value based on a quarterly valuation updates from external valuations.

Trade receivables and other receivables, prepaid expenses and tax were NOK 65.7 million on 31 March 2021 (2020: NOK 71.5 million).

Bank deposits amounted to NOK 91.5 million at the end of the period (2020: NOK 125.1 million), of which NOK 27.5 million were utilisation of the company's revolving credit facility (available facility as of 31 Marc 2021: NOK 170.7 million).

Total non-current liabilities stood at NOK 1 912.9 million at the end of March (2020: NOK 1 909.0 million).

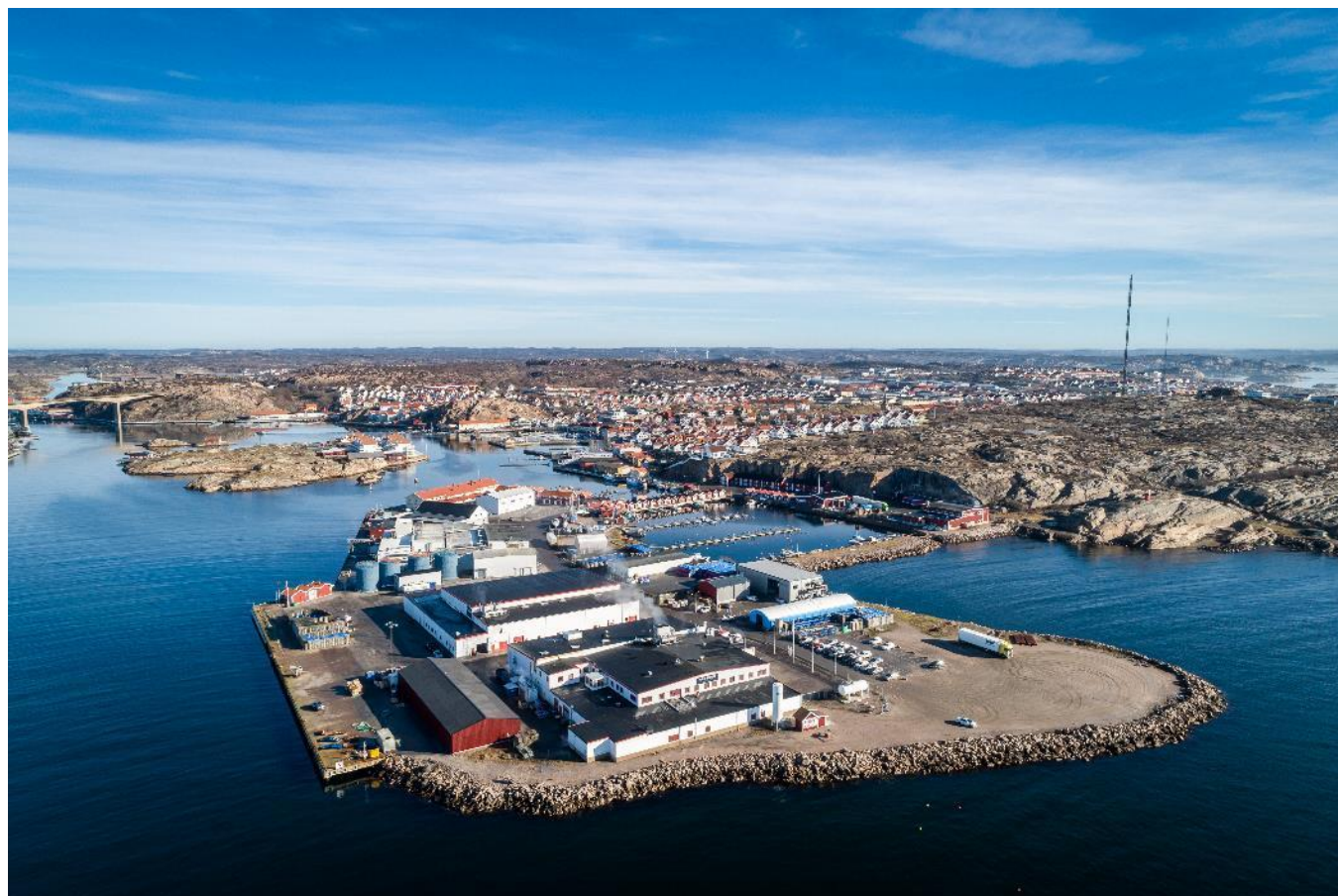
Total equity was NOK 1 247.9 million on 31 March 2021, representing an equity ratio of 37.8 per cent (2020: NOK 1 243.1 million and equity ratio of 37.7 per cent).

Consolidated cash flow

Operating activities generated a cash inflow of NOK 1.1 million for the period.

Investing activities generated a cash outflow of NOK 49.9 million in the first quarter of 2021.

Financing activities led to a cash inflow of NOK 14.2 million for quarter.



Operational review

KMC Properties ASA is a real estate company focused on owning industrial- and logistics properties. As of 26 May 2021, the company owned a diversified portfolio of 41 properties in the Nordics and the Netherlands. The properties have long-term lease agreements with solid counterparties, strategically located for the tenants. In addition, the company owns an office building in Moscow, Russia, and have signed a share purchase agreement concerning an industrial property close to Molde, Norway.

Before 28 December 2020, the company's legal and commercial name was Storm Real Estate ASA (Storm). 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
	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)
20 December	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 Næringsseiendom 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
3 March	Letter of intent with BEWI for development of packaging hub at Hitra
13 April	Acquisition of industrial property in Denmark
27 May	Acquisition of industrial property outside Molde in Norway
27 May	Appointment of Kristoffer Holmen as CFO

Organisation

During the first quarter and into the second quarter of 2021, KMC Properties has significantly strengthened its organisation to prepare for growth.

Kristoffer Formo was appointed Head of M&A, with more than 20 years' experience from several

positions in the finance and real estate business.

In addition, the company has strengthened key functions in accounting and financing, as well as appointed a property manager to secure operational follow up of existing properties. See further information under subsequent events.

Events in the quarter

Letter of intent with BEWI to develop packaging facility at Jøsnøya, Hitra

On 3 March 2021, KMC Properties entered a letter of intent (LOI) with the listed packaging and insulation company BEWI for development of a new packaging facility on Jøsnøya, Hitra, on the west coast of Central Norway.

The project is in line with KMC Properties' strategy to grow together with its existing tenants, in addition to M&A opportunities. BEWI is KMC Properties largest tenant.

The new facility shall be owned by KMC Properties and leased to BEWI. Initial lease term is set at 15 years, with an option for BEWI to extend the lease term two times by five years each time.

Since the LOI was entered, the parties have had good progress on development of the project.

Development of greenfield project at Senja

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

KMC Properties has 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.

The construction was initiated in August 2020 and is expected to be completed during the third quarter of 2021.

Mandatory offer

On 20 December 2020, a transformative transaction was completed, forming a combined entity of KMC Properties AS and Storm Real Estate ASA (Storm). Several transactions were related to the agreement, and the 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.

EBE Eiendom and Kverva Industrier 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, KMC Properties 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.

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 20 May 2021:

Shareholder	% holding
EBE Eiendom AS	41.38
Kverva Industrier AS	34.22
Surfside Holding AS	9.40
Nordea Bank ABP	3.55
LIN AS	1.21
Banan II AS	1.11
Pactum AS	1.10
Skottind Invest AS	0.65
Magnum AS	0.59
Matpartner Invest AS	0.59
Total 10 largest	93.8

Subsequent events

Acquisition of industrial property in Denmark

On 13 April 2021, KMC Properties acquired an industrial property in Denmark from the Danish paper packaging company Honeycomb Cellpack A/S (“Honeycomb”). Honeycomb provides paper-based protective packaging solutions, which is both recyclable and biodegradable.

On the same day, KMC Properties’ largest tenant, the packaging, and insulation company BEWI ASA, announced its acquisition of 51 per cent of Honeycomb.

Honeycomb’s industrial property includes a total of six buildings, comprising a total gross floor area of 5,858 square meters and a plot area of 53,235 square meters. A triple-net bare house lease agreement has been entered with Honeycomb with an initial lease term of 12 years, with an option for Honeycomb to extend the lease term two times by five year each.

Acquisition of property outside Molde in Norway

On 27 May 2021, KMC Properties ASA announced the acquisition of an industrial property in Hustadvika, outside the city Molde on the west coast of Norway from Perfect Temperature Group AS.

KMC Properties has a triple-net bare house agreement with the tenant, PTG Frionordica AS, with a lease term of 17 years. PTG Frionordica is

an industrial refrigeration company with extensive experience in developing cost-effective cooling solutions to the maritime sector, including the fishing, fish processing and aquaculture industry.

The total consideration for the property is approximately NOK 44 million, with a yield of 7.1 per cent of the total investment cost.

Appointment of new CFO

On 27 May 2021, the company announced the appointment of Kristoffer Holmen as new CFO.

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 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. In addition, he has three years of law school at the University of Oslo.

Holmen started working for KMC Properties on 1 May 2021 and will take on the position as CFO from 1 June 2021.

Outlook

In late December 2020, KMC Properties AS and KMC Properties ASA (previously named Storm Real Estate ASA) was combined to form a real estate group with a sound foundation for growth.

During the first quarter and into the second quarter of 2021, the group has strengthened its organisation and focussed on integration of the entities acquired in 2020. In addition, the group has had good progress on investment projects, including greenfield- and expansion projects together with existing customers, as well as several specific M&A projects.

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

Trondheim, Norway, 27 May 2021

The Board of Directors and CEO
KMC Properties ASA

Anders Dyrseth
Chair

Morten Eivindsson 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

<i>Amounts in thousands NOK</i>	Note	Q1 2021 <i>unaudited</i>	2020 <i>audited</i>
Rental income	6	53 113	51 797
Total income		53 113	51 797
Property related expenses	6	4 233	2 821
Salary expenses		2 717	1 871
Other operating expenses		21 570	16 645
Depreciation		306	18
Total operating expenses		28 826	21 355
Operating profit (loss) before fair value adjustments		24 287	30 442
Gain/loss from fair value adjustments on investment property			
Gain/loss from fair value adjustments on investment property	4	65 073	404 572
Total operating profit (loss)		89 360	435 014
Changes in value of financial instruments	7	41 723	8 175
Financial income		74	3 425
Financial expenses	5	54 668	39 673
Net financial income (expense)		(12 871)	(28 073)
Earning before tax (EBT)		76 489	406 941
Tax expense		15 881	94 310
Profit for the period/year (Net income)		60 608	312 631
Other Comprehensive Income:			
<i>Items that may be reclassified to profit or loss:</i>			
Other comprehensive income (translation reserves)	4	(60 703)	(10 059)
Other comprehensive income for the period, net of tax		(60 703)	(10 059)
Total comprehensive income for the period		(96)	302 572
Profit attributable to:			
Equity holders of the company		60 608	312 631
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Equity holders of the company		(96)	302 572
Non-controlling interest		-	-

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

Consolidated condensed Statement of Financial Position

<i>Amounts in thousands NOK</i>	Note	Q1 2021 <i>unaudited</i>	31.12.2020 <i>audited</i>
Non-current assets			
Investment Property	4	3 094 119	3 089 750
Equipment and other movables		155	172
Financial derivatives	7	49 539	8 021
Other long-term assets	7	-	35
Total non-current assets		3 143 814	3 098 072
Current assets			
Trade receivables	7	23 601	36 418
Other receivables, prepaid expenses, and tax	7	41 524	34 910
Other financial assets	7	601	154
Cash and cash equivalents	7	91 469	125 116
Total current assets		157 196	196 598
Total assets		3 301 009	3 294 576
Equity			
Share Capital		48 349	48 153
Share Premium		898 795	892 397
Sum paid-in equity		947 144	940 550
Retained earnings and translation reserves			
Translation reserves		(70 762)	(10 059)
Retained earnings		371 485	312 631
Sum retained earnings and translation reserves		300 722	302 572
Total equity		1 247 866	1 243 122
Liabilities			
Non-current liabilities			
Deferred tax Liabilities		49 223	49 965
Loans from credit Institutions	5,7	1 833 845	1 832 345
Other Long-term Liabilities	7	29 803	26 643
Total non-current liabilities		1 912 872	1 908 953
Current liabilities			
Loans from credit institutions	7	27 500	-
Trade Payables	7	50 446	36 404
Income tax payable	7	4 088	5 232
Value added taxes	7	10 842	24 605
Other Current liabilities	7	47 396	76 259
Total current liabilities		140 271	142 501
Total liabilities		2 053 143	2 051 454
Total equity and liabilities		3 301 009	3 294 576

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		30	(9)			21
Issue of shares - liquidation		(30)				(30)
Issue of shares 11.6.		1 000	199 000			200 000
Issue of shares 30.11.		294	244 200			244 494
Reverse takeover		29 441	(129 961)			(100 520)
Reverse takeover (original shares SRE)		1 767	14 785			16 552
Reverse takeover (loan converted to equity)		5 365	227 693			233 059
Issue of shares (private placement 22.12.2020)		8 571	291 429			300 000
Issue of shares (Dutch transaction 23.12.2020)		1 714	58 286			60 000
Transaction cost issue of shares			(13 026)			(13 026)
Profit /(loss) for the period					312 631	312 631
Other comprehensive income (translation reserves)				(10 059)		(10 059)
Total equity at 31.12.2020		48 153	892 397	(10 059)	312 631	1 243 122
Issue of shares	3	196	6 398			6 594
Conversion difference					(1 754)	(1 754)
Profit / (loss) for the period					60 608	60 608
Other comprehensive income (translation reserves)				(60 703)		(60 703)
Total equity at 31.3.2021		48 349	898 795	(70 762)	371 485	1 247 866

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

Consolidated condensed Statement of Cash Flow

<i>Amounts in thousands NOK</i>	Note	Q1 2021 <i>unaudited</i>	2020 <i>audited</i>
Cash flows from operating activities			
Earning before tax (EBT)		76 489	406 941
Depreciation of tangible assets		306	18
Fair value adjustment of investment property	4	(65 073)	(404 572)
Financial items		12 945	22 013
Change in working capital:			
- change in trade and other receivables		6 203	(63 540)
- change in trade and other payables, excl. corporate tax		(28 586)	64 375
Taxes paid		(1 144)	
Net cash flow from operating activities		1 139	25 235
Cash flows from investment activities			
Acquisition of businesses, net of cash acquired		-	(1 051 956)
Investments in and upgrades of investment properties	4	(49 728)	-
Outflows from financial investments		(208)	(189)
Interest received		74	275
Net cash flow from investment activities		(49 861)	(1 051 870)
Cash flows from financing activities			
Capital increase from issue of shares		6 594	259 993
Issue of bond	5	-	1 850 000
New current loans from Credit Institutions		27 500	-
Increase in other long-term debt		3 160	
Settlement of debt		-	(923 345)
Transaction fee paid		-	(17 655)
Interest paid		(21 820)	(17 378)
Net cash flow from financing activities		14 240	1 151 615
FX movements on bank deposits		(360)	135
Net change in cash and cash equivalents		(33 647)	125 116
Opening balance of Cash and Cash equivalents		125 116	-
Cash and cash equivalents at period end		91 469	125 117

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 was accounted for as a reversed takeover with KMC Properties AS being identified as the accounting acquirer. 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, and did not have operational activities until 26 May 2020. Thus, there are no comparable figures for Q1 2020 in the financial statements of Q1 2021.

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

Note 2 - Basis of Preparation and Accounting principles

The results for the period have been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles that have been used in the preparation of the interim financial statements are in conformity with the principles used in preparation of the annual financial statements for 2020. The financial reporting covers KMC Properties ASA and subsidiaries. The interim financial statements have not been audited.

Note 3 – Significant events and transactions

Mandatory offer:

The completion of the transaction combining KMC Properties AS and KMC Properties ASA (previously named Storm Real Estate ASA) resulted in a mandatory offer obligation for both EBE Eiendom AS and Kverva Industrier AS (the two 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 Properties, corresponding to 0.062 per cent of the share capital and voting rights in KMC.

Subsequent offering:

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

Letter of intent with BEWI for development of packaging hub at Hitra, Norway:

On 3 March 2021, the KMC Properties announced that it had entered a letter of intent with BEWI for development of a new packaging facility on Jøsnøya, Hitra, on the west coast of Central Norway. The new facility will be BEWI's most modern and efficient facility for production of fish boxes, and in addition have facilities to serve an increasing volume of reusable boxes and reusable pallets.

Development of greenfield project at Senja:

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

KMC Properties has 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.

The construction was initiated in August 2020 and is expected to be completed during the third quarter of 2021.

Note 4 – Investment property

The valuation of the properties at 31 March 2021 has been performed by an independent expert valuer, Cushman & Wakefield. The variables used for valuation are both company specific and market 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.

	Q1 2021	2020
Opening balance	3 089 750	-
Additions in 2020	-	2 695 237
Fair value adjustments in period	65 073	404 572
Translation adjustment	(60 703)	(10 059)
Value at period end	3 094 119	3 089 750

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 March 2021, 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)	49
Discount rate	+/- 0,25 per cent points	(69)	70
Operating costs	+/- 10 per cent	(7)	7
Market rent	+/- 10 per cent	156	(156)
Average rental growth	+/- 0,5 percentages points next 10 years	109	(100)

The calculations have been performed by Cushman & Wakefield in connection the valuations at 31 March 2021.

Note 5 – Loans from credit institutions (bond)

All amounts in NOK million	Q1 2021	2020
Opening balance	1 850	-
Net change in debt	-	1 850
Interest-bearing debt as at period end	1 850	1 850
Capitalised borrowing cost	(16)	(18)
Carrying amount interest-bearing debt*	1 834	1 832
Fair value of interest-bearing debt, excess value/(reduced value) for the group in relation to book value*	6	6

*The fair value presented above is the excess value 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 addition 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 March 2021.

Note 6 – Tenancy agreements

The group mainly enters into long-term lease agreements with solid counterparties, strategically located for the tenants. Except for the Gasfield property, all lease contracts are “triple-net barehouse lease agreements”. Lease payments of the contracts include CPI increases.

Net Operating Income (NOI) from Properties

	Q1 2021	2020
Rental Income (Norway)	27 392	28 551
Rental Income (Sweden)	6 987	11 684
Rental Income (Other)	18 734	11 562
Total Rental Income	53 113	51 797
Property related costs	4 233	(2 821)
NOI from properties	48 880	48 976

Summary of significant contracts

There were no material investments or acquisitions with related parties in Q1 2021, but a major part of rental income is from rental contracts with related parties.

All amounts in NOK million	Q1 2021	2020
Rental income from largest tenants in the period		-
BEWI & subsidiaries	31 988	34 682
Insula & subsidiaries	4 216	-
Kastor Invest AS & subsidiaries and related parties and jointly controlled entities	3 187	13 635
Total rental income from largest tenants in the period	39 391	48 317

Note 7 - 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 5. A specification of the group's financial instruments is presented below.

	Amortised cost	Fair value through profit or loss	Total	
	31.3.2021	31.3.2021	31.3.2021	31.12.2020
Financial assets				
Cash and cash equivalents	91 469	-	91 469	125 116
Land plot lease agreements (financial asset)	945	-	945	945
Currency and interest swaps (long-term)	-	49 539	49 539	8 021
Currency and interest swaps (short-term)	-	601	601	154
Trade receivables (non-interest bearing)	23 601	-	23 601	36 418
Other receivables	41 524	-	41 524	34 910
Total Financial Assets	157 539	50 140	207 679	205 564

	Amortised cost	Fair value through profit or loss	Total	
	31.3.2021	31.3.2021	30.3.2021	31.12.2020
Financial liabilities				
Interest-bearing loans and borrowings (Bond)	1 833 845	-	1 833 845	1 832 345
Land plot lease agreements (financial liability)	945	-	945	945
Loans from Credit Institutions (RCF)	27 500	-	27 500	-
Trade payables (non-interest bearing)	50 446	-	50 446	36 404
Other financial liabilities	29 803	-	29 803	26 643
Other current liabilities (non-interest bearing)	62 326	-	62 326	106 096
Total Financial Liabilities	2 004 865	-	2 004 865	2 002 431
Net Financial Assets and Liabilities	(1 847 326)	50 140	(1 797 186)	(1 796 867)

Interest bearing loans		31.3.2021	31.12.2020
<i>Amounts in thousands NOK</i>			
Bond		1 833 845	1 832 345
RCF		27 500	
Other long-term liabilities		29 803	26 643
Total interest-bearing loans		1 891 148	1 858 988

Derivates	31.3.2021
<i>Principle amounts:</i>	
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 at 30.3.2021, 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	Level 1	Level 2	Level 3	Sum
<i>Amounts in thousands NOK</i>				
Currency and interest swaps (long-term)	-	49 539	-	49 539
Currency and interest swaps (short-term)	-	601	-	601
Sum financial assets measured at fair value	-	50 140	-	50 140

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.

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 5) provide information on the estimated fair value of interest-bearing liabilities. Bonds are valued at the market price on 31 March 2021 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	Q1 2021	2020
Total equity	1 248	1 243
Deferred tax liabilities	49	50
Net asset Value (NAV)	1 297	1 293

Debt ratio – Group net LTV

All amounts in NOK million	Q1 2021	2020
Interest Bearing Debt (Bond, nominal value)	1 850	1 850
Loans from Credit Institutions (RCF)	28	
Cash and cash equivalents	91	125
Mark-to-market hedge adjustment	42	8
Net Interest-Bearing Debt	1 745	1 717
Investment Property (Market Value)	3 094	3 090
Group Net LTV	56,4 %	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.