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## Comments from the CEO

In KMC Properties, we continue to execute on our growth strategy. 2022 has so far been eventful. We have had good progress on our development projects, announced three acquisitions, including four production properties, and announced a transformative property transaction with BEWI.

For the second quarter this year, we deliver a rental income of NOK 65 million, up from NOK 49 million for the same period last year, and from NOK 63 million for the previous quarter this year, primarily driven by additional income generated from new investments. For the first six months of 2022, rental income was NOK 127 million, compared to NOK 97 million for the comparable period of 2021.

Towards the end of the second quarter, we announced that we had entered an agreement with the listed packaging and insulation company BEWI, our largest tenant, for acquisition of an attractive property portfolio with up to 24 properties and one land plot with a gross asset value of up to approximately NOK 2.0 billion. The portfolio fits fully with our strategy of entering long lease agreements with solid tenants for properties with strategic locations. The additional portfolio will provide us with a strengthened market position and a new platform for accelerated value creation.

In addition to the BEWI transaction, we could announce our acquisition of two production properties in Denmark for DKK 151 million. The properties also have strategic locations and long lease agreements with solid tenants. At the end of the second quarter this year, our investment properties were

valued at NOK 4 129 million, up from NOK 4 028 at the end of the previous period and from 4 001 million at the end of 2021. For the period, the increase relates to upgrades of existing properties by NOK 31 million and fair value adjustments of close to NOK 8 million, while translation adjustments contribute with NOK 63 million of the increase.

As communicated in the first quarter, we have decided to discontinue our operations in Russia and thus divest our office building in Moscow. The property is therefore currently classified as held for sale. The sales process has progressed throughout the second quarter.

Our development projects continued to show good progress this quarter, including the development of the new packaging hub for BEWI at Jøsnøya, Hitra, which commenced in May, the production facility for Oppdal Speke-mat where we expect completion in the third quarter this year, and the development of the salmon slaughterhouse facility for Slakteriet.

To conclude, we are very pleased with what we have achieved so far this year. Our key priority the next few months will be to secure completion of the BEWI transaction and make sure the properties acquired are well integrated into our property management, and at the same time continue to further develop our pipeline of attractive M&A opportunities. We are very well positioned to reach our strategic target of a NOK 8 billion real estate portfolio by the end of 2024, one year ahead of the previous growth plan.

Trondheim, 15 August 2022



**Liv Malvik**

Chief executive officer, KMC Properties ASA

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# About KMC Properties

**KMC Properties** is an Oslo Børs listed real estate company focusing on industrial- and logistic properties. The company has a diversified portfolio of properties in the Nordics and the Netherlands. The properties are strategically located and have long lease agreements with solid tenants.

**KMC Properties** is focusing on the high-yield segment. The majority of the company's rental agreements, both existing and potential, are long-term triple net bare house contracts resulting in low operational expenses and a solid operational cash flow. A large share of the company's gross asset value is related to a contractual cash flow. As the properties are at very strategic locations for the tenants, contract extensions are likely and will have a positive value adjustment potential.

The company has an ambitious growth strategy with a solid pipeline of M&A initiatives and development projects. KMC Properties expects its growth to eventually have positive impact on its financial expenses, as a result of expected lower interest margin on interest-bearing debt, further improving the income from property management.

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## Second quarter of 2022

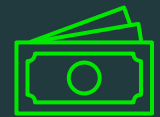
- Income of NOK 64.7 million (49.0) for the second quarter of 2022
- Net income from property management of NOK 28.1 million (12.7)
- Invested NOK ~30.7 million in development of existing properties
- Agreement for transformative acquisition of NOK 2.0 billion real estate portfolio from BEWI
- Ongoing process for sale of office building in Moscow

## First half of 2022

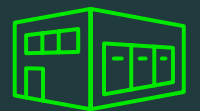
- Income of NOK 127.4 million for the first half of 2022
- Net income from property management of NOK 51.1 million
- Invested NOK ~52.9 million in development of existing properties
- Completed acquisitions of NOK 190 million with gross yield of ~7.6 per cent
- Following initiation of a sales process, the office building in Moscow has been re-classified as held for sale.

## Subsequent events

- Acquisition of two properties in Denmark for DKK ~151 million



Net yield  
**6.4%**



Portfolio value  
**~4.1bn**



Wault (years)  
**~10.0**



Group net LTV  
**~50.3%**

\* Numbers in parenthesis refers to comparable figures for the corresponding period of 2021.

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The investment in Russia is presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5 as of 30 June 2022. Comparative figures, including key figures, are changed accordingly.

Amounts in NOK million except percentage	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Rental income	64.7	49.0	127.4	97.2	205.0
Change period-on-period	32%	-	31%	-	-
Net operating income (NOI)	64.4	49.0	126.1	95.0	202.4
Change period-on-period	31%	-	33%	-	-
Net income from property management <sup>1)</sup>	28.2	12.7	51.1	14.8	12.7
Change period-on-period	121%	-	245%	-	-
Profit before tax from continued operations	96.4	41.8	179.6	115.8	379.8
Change period-on-period	131%	-	55%	-	-
Profit from discontinued operations	2.2	1.7	(49.5)	4.2	1.9
Change period-on-period	27%	-	(1285%)	-	-
Profit after tax	75.0	30.9	87.1	91.5	304.8
Change period-on-period	143%	-	(5%)	-	-
Group property portfolio value	4 129	3 307	4 129	3 307	4 002
Net nominal interest bearing debt <sup>1)</sup>	2 075	1 873	2 075	1 873	2 012
Group net loan to value (%) <sup>1)</sup>	50.3%	56.6%	50.3%	56.6%	50.3%
Net asset value adjusted <sup>2)</sup>	2 157	1 404	2 157	1 404	1 968
Number of shares	284 643 649	241 746 544	284 643 649	241 746 544	281 871 544
Number of properties <sup>2)</sup>	46	41	46	41	44
Property net yield	6.4%	6.1%	6.4%	6.1%	6.4%
WAULT (years)	10.0	10.6	10.0	10.6	10.4
Occupancy rate (%)	100.0%	98.8%	100.0%	98.8%	98.8%

All amounts in NOK per share except percentage	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Net income from property management per share	0.10	0.05	0.18	0.06	0.05
Change period-on-period	94%	-	198%	-	-
Profit after tax per share	0.26	0.13	0.31	0.38	1.08
Change period-on-period	106%	-	(19%)	-	-
Net asset value adjusted pr share	7.58	5.81	7.58	5.81	6.98
Change period-on-period	30%	-	30%	-	-
Share price end of period <sup>3)</sup>	8.26	6.81	8.26	6.81	10.70
Change period-on-period	21%	-	21%	-	-
Share price <sup>3)</sup> / NAV	1.09	1.17	1.09	1.17	1.53
Change period-on-period	(7%)	-	(7%)	-	-

1) See section concerning "Alternative performance measures" for calculation of the key figure.

2) Does not include property in Moscow.

3) Intraday volume-weighted average price (VWAP).

Amounts in NOK million	Annual run rate <sup>1)</sup>
Gross rental income	268.4
Property related expenses	(4.1)
<b>Net operating income</b>	264.3
SG&A expenses <sup>2)</sup>	(33.9)
<b>EBITDA</b>	230.4
Realised financial expenses <sup>3)</sup>	(117.4)
<b>Net income from property management</b>	113.0

1) Based on final agreements as of period end.

2) Does not include transaction costs and variable remuneration to employees.

3) Based on 3 months Nibor and swap agreements at period end. Does not include interest expenses on revolving credit facility.

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# Financial review

KMC Properties has, since the company was established through a transformative transaction with Storm Real Estate in December 2020, owned an office building in Moscow, Russia. During the first quarter of 2022, the company decided to discontinue its operations in Russia completely and thus sell the building. Hence, the accounting figures for the operations in Russia and its assets and liabilities, for the current and previous periods, are presented separately in the financial results and in the financial position.

## Financial results

### Rental income

Amounts in NOK million

Rental income previous period (Q1 2022)	62.7
Income from new investments	1.7
Agio/disagio	0.2
<b>Rental income current period (Q2 2022)</b>	<b>64.7</b>

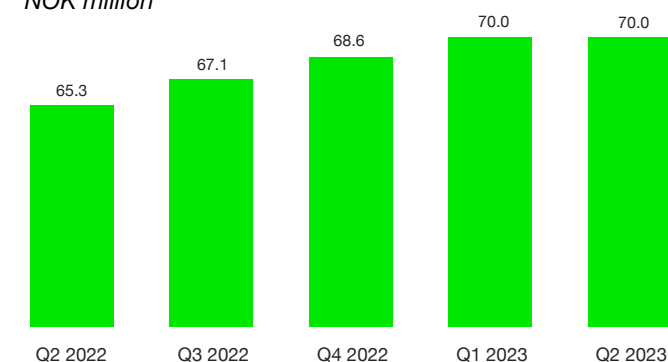
Rental income for the second quarter of 2022 amounted to NOK 64.7 million, up from NOK 49.0 million for the comparable period in 2021. The change of approximately NOK 2.0 million from the contractual rental income in the previous period is specified in the table above. For the first six months of 2022 the rental income amounted to NOK 127.3 million, up from NOK 97.2 million for the comparable period in 2021.

Due to the decision to sell the office building in Moscow, the rental income from Russia (NOK 6.5 million for the second quarter 2022 and NOK 11.0 for the first half of 2022 and NOK 6.6 million for the fourth quarter of 2021) is presented under "Profit from discontinued operations".

KMC Properties has invested NOK 45.7 million in upgrades in its property at Leknes and is currently in the final phase of deciding the rental increase related to the completed capex project together with its tenant. Until the rental increase is set, KMC Properties is invoicing its tenant approximately NOK 0.65 million per quarter. The income is accounted as a financial income.

Contractual rental income development (NOK million) (based on final agreements as of period end) (includes NOK 0.65 million of income from the property at Leknes each quarter, see description above):

NOK million



### Net operating income

Since most of the group's lease agreements are triple net bare house agreements, direct property costs are low. Hence net operating income amounted to NOK 64.4 million for the second quarter and NOK 126.1 million for the first six months of 2022, compared to NOK 49.0 million and NOK 95.0 million respectively for the comparable periods in 2021. The increase is related to income from new investments and CPI adjustments.

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**Employee benefit and salary expenses** amounted to NOK 4.9 million for the quarter, up from NOK 3.9 million for the second quarter last year, and NOK 11.6 million for the first six months of 2022, compared to NOK 6.2 million for the same period of 2021. The company has strengthened its organisation significantly during 2021 and 2022.

**Other operating expenses** came in at NOK 4.2 million for the second quarter this year, compared to NOK 12.5 million last year, and NOK 10.8 million for the first six months, down from NOK 34.4 million for the same period last year. Transaction costs, mainly legal and other advisory fees related to investment and financing activities, amounted to NOK 2.7 million for the first six months of 2022.

## Net financials

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	H1 2022	H1 2021
Realised financial income	0.7	-	1.5	-
Interest expenses <sup>1)</sup>	(27.8)	(19.9)	(54.0)	(39.6)
<b>Net realised financials</b>	<b>(27.1)</b>	<b>(19.9)</b>	<b>(52.5)</b>	<b>(39.6)</b>
Change in value financial instruments	2.9	(14.9)	93.9	26.8
Other unrealised financials	56.9	7.0	29.2	(27.9)
<b>Net financials</b>	<b>32.8</b>	<b>(27.8)</b>	<b>70.6</b>	<b>(40.7)</b>

1) Does not include amortisation of capitalised borrowing cost.

**Net realised financials** came in at a negative NOK 27.1 million for the quarter, compared to a negative NOK 19.9 million last year. For the first six months, net realised financials amounted to a negative NOK 52.5 million, compared to negative NOK 39.6 million for the first six months of 2021. The cost increase relates to higher interest-bearing debt and higher interest rates.

NOK 0.65 million of the financial income in the second quarter of 2022 was interest income on the investment in the property at Leknes, see comment under "Rental income" above.

**Net income from property management** (see definition under "Alternative Performance Measures") came in at NOK 28.1 million for the quarter, up from NOK 12.7 million for the corresponding period last year, and NOK 51.1 million for the first six months, up from NOK 14.8 million in 2021.

**Tax expense** was NOK 23.5 million this quarter, up from NOK 12.6 million for the second quarter of 2021.

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	H1 2022	H1 2021
Administrative costs	4.1	2.3	8.1	6.7
Transaction costs	0.1	10.2	2.7	27.7
<b>Other operating expenses</b>	<b>4.2</b>	<b>12.5</b>	<b>10.8</b>	<b>34.4</b>

**Total operating profit before fair value adjustments** ended at NOK 55.3 million for the second quarter of 2022, compared to NOK 32.7 million for the second quarter of 2021. For the first half of 2022, the total operating profit came in at NOK 103.6 million, up from NOK 54.4 million for the first half of 2021.

For the first half of 2022, the tax expense amounted to NOK 43.0 million. Of this, NOK 9.2 million is tax payable and the remaining NOK 33.8 million is change in deferred tax. For the same period last year, the tax expense was NOK 4.2 million

**Net profit after tax** was NOK 75.0 million for the quarter and NOK 87.1 million for the first six months of 2022. In comparison, the net profit was NOK 30.9 million and 91.5 million for the same periods of 2021.

**Total comprehensive income** came in at NOK 138.6 million for the second quarter this year, up from NOK 55.8 million for the same quarter last year, and NOK 125.2 million for the first six months of 2022, up from NOK 55.6 million for the same period of 2021.

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## Financial position and cash flow

### Property portfolio

<i>Amounts in NOK million</i>	Q2 2022	H1 2022
<b>Opening balance</b>	4 028.1	4 001.6
Classified as held for sale	-	(142.6)
Purchase of investment properties	-	188.2
Upgrades of investment properties	30.7	52.9
Fair value adjustments	7.7	4.8
Translation adjustment	62.8	24.4
<b>Value at period end</b>	4 129.3	4 129.3

The portfolio is valued by Cushman & Wakefield quarterly. For the second quarter of 2022, the total change in value for the company's investment properties amounted to NOK 101.2 million.

Expansion projects, investments in new facilities, and acquisitions amounted to a total of NOK 30.7 million in the quarter and 52.9 for the first six months.

In addition, fair value adjustments contributed with NOK 7.7 million for the quarter and adjustment of right-of-use asset according to IFRS 16 amounted to NOK 0.6 million which in total gives the NOK 8.3 million change in fair value adjustments in the statement of comprehensive income. The change in fair value for the first six months was NOK 4.8 million.

Translation adjustments contributed with NOK 62.8 million for the quarter and 24.4 for the first six months of 2022.

**Other assets** consist primarily of interest rate and currency rate swap agreements of NOK 161.9 million, other long-term assets of NOK 4.9 million, trade receivables of NOK 8.0 million, prepaid expenses, VAT receivables, tax receivables, and other current receivables of NOK 7.8 million, assets held for sale at 151.4 million as well as NOK 136.3 million in cash.

**Total non-current liabilities** amounted to NOK 2 523.3 million at the end of the quarter, up from NOK 2 436.3 million at the end of 2021. The liabilities consist mainly of net interest-bearing debt of NOK 2 336.2 million, deferred tax liabilities of NOK 165.9 million, and land lease liabilities of NOK 18.0 million.

**Total current liabilities** amounted to NOK 85.1 million on 30 June 2022, up from NOK 60.9 million at the end of 2021, consisting mainly of short-term interest-bearing debt (construction loan) of 28.6, trade payables of NOK 23.5 million, taxes of NOK 3.6 million, other current liabilities of NOK 18.0 million and liabilities held for sale 11.5 MNOK.

**Total equity** was NOK 1 991.2 million on 30 June 2022, representing an equity ratio of 43.3 per cent, compared to NOK 1 836.0 million at the end of 2021, equalling an equity ratio of 42.4 per cent.

### Consolidated cash flow

**Operating activities** generated a cash inflow of NOK 53.4 million for the second quarter, compared to NOK 3.1 million for the same quarter last year, and NOK 115.2 million for the first six months of 2022, up from NOK 4.3 million for the same period of 2021.

**Investment activities** generated a cash outflow of NOK 29.3 million for the quarter and NOK 239.7 million for the first six months of 2022, due to investments in expansion projects, investments in new facilities, and acquisitions of new properties. For the corresponding periods of 2021, investment activities amounted to NOK 101.6 million and 151.5 million, respectively.

**Financing activities** led to a cash outflow of NOK 11.6 million for the quarter and an inflow of NOK 53.8 million for the first six months of 2022. In 2021, the company had a cash inflow of NOK 154.0 million for the second quarter and NOK 169.4 million for the first half of the year.



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KMC Properties ASA is a real estate company focused on owning industrial- and logistics properties. The company owns a diversified portfolio in the Nordics and the Netherlands. The properties have long-term lease agreements with solid counterparties, strategically located for the tenants.

Before 28 December 2020, the company's legal and commercial name was Storm Real Estate ASA (Storm). An 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 December	Completion of the agreement to combine Storm Real Estate ASA (later KMC Properties ASA) and KMC Properties AS into one entity
30 December	Storm Real Estate ASA changed its name to KMC Properties ASA and its municipality from Oslo to Trondheim

2021	EVENT
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
2 July	Agreement with Oppdal Spekemat for construction of new production facility
8 July	Long-term lease agreement with BEWI for the new packaging hub at Hitra
12 July	Acquisition of industrial property with long-term lease at Mongstad for NOK 285 million
23 August	Letter of Intent with Slakteriet Holding AS to build NOK 620 million salmon slaughterhouse facility
16 September	Private placement of NOK 300 million successfully completed
28 October	Subsequent offering completed
25 November	Acquisition of modern industrial property at Ågotnes for NOK 128 million
15 December	Acquisition of industrial property in Fredrikstad in Norway for NOK 52 million

2022	EVENT
21 January	Acquisition of herring production facility in Sweden from Klädesholmen Seafood for SEK 94 million
2 February	Acquisition of meat processing facility near Narvik for NOK 100 million
9 February	Process agreement for construction of salmon slaughterhouse facility with Slakteriet, following LOI in August 2021
2 June	Announced agreements for development of salmon slaughterhouse facility for Slakteriet, following LOI in August 2021
30 June	Agreement for transformative acquisition of NOK 2.0 billion real estate portfolio from BEWI
15 July	Acquisition of two production properties in Denmark for DKK ~151 million

## Important events in the first half of 2022

### Acquisitions

*Acquisition of herring production facility in Sweden for SEK 94 million*

On 21 January 2022, KMC Properties announced the acquisition of a herring production and cold storage facility in Rönnäng, in the Swedish country of Västra Götaland, from Klädesholmen Seafood AB for approximately SEK 93.6 million (approximately NOK 90 million).

The property included a triple-net bare house agreement with Klädesholmen Seafood with an initial lease term of 15 years and a yield-on-cost estimated at 7.5 per cent.

Klädesholmen Seafood, owned by Grøntvedt which is KMC Properties' fourth largest tenant, is a modern herring production company.

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NOK 30 million of the consideration was settled by issuance of new shares in KMC Properties to the seller at a subscription price of NOK 10.8221 per share, equal to the volume weighted average share price for trades in the company's shares on the Oslo Stock Exchange the last 30 days prior to the date of completion of the transaction. The remainder, approximately NOK 64 million was settled in cash.

### *Acquisition of meat processing facility near Narvik in Northern Norway for NOK 100 million*

On 2 February 2022, KMC Properties announced its acquisition of a modern meat processing facility, strategically located at Fagernes near Narvik in Norway, from Kubera AS for a consideration of approximately NOK 100 million.

The property came with a bare house agreement with the tenant, Kuraas AS, which is on a 6.5-year lease with the option to extend. The total consideration for the property was approximately NOK 100 million, with a yield of 7.8 per cent based on the rent for 2022.

Kuraas is a Norwegian producer and seller of meats, headquartered in Narvik.

The acquisition was completed on 10 February 2022 and was financed through a combination of bank loan and equity.

### *Entered a conditional agreement for acquisition of properties in Denmark for DKK 151 million*

On the morning of 19 May 2022, KMC Properties announced that it had received acceptance of a conditional offer for the acquisition of two industrial properties in Denmark for approximately DKK 151.1 million.

The properties are composed of a total 85 866 sqm BTA of land and 43 361 sqm BTA of buildings, with further development potential.

The properties come with a triple-net bare house agreement with the two tenants, KpK Døre og Vindue A/S and Outline Vinduer A/S, with an initial lease of 10 years and an option to extend. Total consideration for the two properties is approximately DKK 151.1 million, with a gross yield of 7.85 per cent.

The tenants are part of the listed company Inwido, a leading European provider of customised solutions for windows and doors, with net sales of SEK 7.7 billion in 2021.

The transaction is subject to customary closing conditions and is expected to be completed in the third quarter of 2022.

### *Agreement for transformative acquisition of NOK 2.0 billion real estate portfolio from BEWI*

On 30 June 2022, KMC Properties announced that the company, through a wholly owned subsidiary, entered an agreement with BEWI ASA for the acquisition of up to 24 properties and one land plot with a gross asset value of up to approximately NOK 2.0 billion.

In connection with the transaction, long term triple net rental agreements, averaging an initial lease of 16.5 years, will be entered into for the properties.

The 24 properties and one land plot included in the transaction are composed of a total 244 415 sqm gross area (BTA) of buildings and 999 714 sqm BTA of land, with a gross yield of 6.31 per cent. 19 of the properties are currently owned by Jackson, which BEWI is in the process of acquiring, hence, completion of the transaction is subject to closing of BEWI's acquisition of Jackson.

KMC Properties is obligated to acquire the Norwegian and Swedish properties comprised by the agreement valued to approximately NOK 970 million, including 12 properties and one land plot, with a gross yield of 6.31 per cent. KMC Properties expects the acquisition of these properties to happen shortly after BEWI has completed its acquisition of Jackson, which BEWI has communicated is expected to happen in the third quarter of 2022. A due diligence of the properties is currently ongoing.

Further, the company has an exclusive right to acquire the remaining part of the portfolio, including properties in Germany, Belgium, Poland, Finland, and Denmark, within twelve months from today. KMC Properties intends to utilize the exclusive right.

KMC Properties will finance the transaction by a combination of new equity, drawings on existing loan facilities, new committed loans, and cash on balance sheet and from operations. Accordingly, the company is contemplating a private placement of new shares to be conducted in the third quarter of 2022 to raise gross proceeds in the amount of NOK 350 million, subject to prevailing market conditions.

The private placement is fully underwritten by a group of investors including BEWI Invest AS and HAAS AS at a minimum subscription price of NOK 8 per share. BEWI Invest, the company's largest shareholder, will at least be allocated a percentage of the new shares equal to its holding. The underwriters will receive a 4 per cent underwriting commission based on the sum of the respective underwriter's commitment. KMC Properties obligation to pay the underwriting commission will be settled by issuance of new shares at the same price as the other shares in the private placement.

### **Ongoing development projects**

#### *Progress to new conditional agreement with Slakteriet for development of salmon slaughterhouse facility*

On 2 June 2022, KMC Properties announced that it had entered a conditional share purchase agreement (SPA) and a conditional lease agreement with Slakteriet for development of the salmon slaughterhouse facility, as previously announced in stock exchange announcement of 23 August 2021 (LOI) and the update of 9 February 2022.

The agreements include the acquisition of the land plot and preliminary works for approximately NOK 41.3 million. Further,

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the parties have entered a triple-net bare house lease agreement for the slaughterhouse facility with an initial term of 20 years, with an option for the tenant to extend for 4 times 5 years. The agreements are subject to customary closing conditions and financing.

The development project is progressing according to plan and is expected to be completed during the first half of 2024. Estimated total investment has been updated from NOK 620 million to NOK 682 million, still with a yield-on-cost of 6.75 per cent.

Established in 1989, Slakteriet is one of Norway's biggest fish slaughter companies, with major facilities in Florø and Brekke.

### *Conditional long-term lease agreement with BEWI for new packaging hub at Jøsnøya*

In March 2021, KMC Properties entered a letter of intent (LOI) with BEWI ASA for development of a new packaging facility on Jøsnøya, Hitra, on the west coast of Central Norway. In July 2021, the company announced that it had entered a conditional long-term lease agreement for the property with BEWI with an initial term of 15 years, with an option for BEWI to extend the lease term two times by five year each.

The project commenced in May 2022 and BEWI has entered a long-term supply agreement for delivery of fish boxes from the new facility to the listed seafood company Mowi, the world's largest producer of Atlantic salmon.

Completion of the development is expected in the second half of 2023.

### *Agreement with Oppdal Spekemat for construction of a new production facility*

On 2 July 2021, KMC Properties entered an agreement with Oppdal Spekemat AS for construction of a new production facility at Oppdal, in Trøndelag county in central Norway.

The agreement stipulates that KMC Properties acquires a plot from Oppdal Spekemat and finances and builds the new production facility. When completed, the facility will be leased to Oppdal Spekemat on a triple-net bare-house agreement, with an initial lease term of 15 years, with the option of an extension. The initial lease term is irrevocable.

The construction cost is estimated to be approximately NOK 85 million, and the yield-on-cost is set on 7.5 per cent.

The development project is progressing according to plan, with expected completion in the third quarter of 2022.

### **Impacts from Russia's invasion of Ukraine**

Since KMC Properties was established through the combination with Storm Real Estate, the company has had an intention to divest the property in Russia, as it does not fit the company's investment strategy.

Early in the first half of 2022, prior to Russia's invasion of

Ukraine, the company initiated a sale of the office building in Moscow. As a result, the building and related operations were re-classified as held for sale in the Q1 report, as explained above. Due to the effects of Russia's invasion of Ukraine, the value of the property was written-down by NOK 52.7 million in Q1 2022.

Sanctions imposed on Russia following the invasion, has significantly increased the risks related to KMC Properties' operations in Russia. Since the invasion, the company has, with assistance from Baker McKenzie in Russia, performed a sanction control on its current tenants in Russia without any significant findings. In addition, KMC Properties is monitoring the changing regulatory requirements with assistance from legal and financial consultants in Norway and Russia.

On 30 June 2022, the property in Russia was valued at NOK 135.8 million. The valuation is unchanged in RUB from 31 March, hence the increase in value in NOK is due to translation adjustments.

### **Share information**

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

The company has a total of 284 643 649 issued and outstanding shares as of 15 August 2022.

For a continuously updated overview of the company's largest shareholders, see the Investor section at the company's homepage: [www.kmcp.no](http://www.kmcp.no)

During the first half of 2022, the KMC Properties' share was traded between NOK 7.80 and NOK 11.10 per share, with a closing price of NOK 8.12 on 30 June 2022.

### **Significant risks and uncertainties**

KMC Properties' risks and risk management are described in the group's annual report for 2021.

For the second half of 2022, KMC Properties' most significant risks and uncertainties relate to construction risk related to development projects. At the end of the first half of 2022, the company had three ongoing development projects, as described above, whereas one is expected to be completed in the third quarter this year.

Although KMC Properties is well experienced in executing on development projects, there is always a risk related to construction projects. The risk is mitigated as KMC Properties always enters turnkey contracts with suppliers, and thus the company considers the risk to be limited.

Further, the company is in the process of divesting its office building in Russia. The significant geopolitical risks related to Russia is affecting the sale process. Currently, the office building is valued at approximately RUB 700 million, down from approximately RUB 1 200 million at year-end 2021. In addition, there are significant risks related to the final currency

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conversion to NOK, and whether a potential buyer is able to transfer the amount to KMC Properties' bank account in Norway. For more details, see note 7 below.

The significant increase in inflation worldwide and the central banks reaction to this has resulted in increased interest rates. This is affecting KMC Properties' financial expenses and may affect the valuation of the portfolio. However, KMC Properties has a 54 per cent hedging ratio and is operating in a high yield segment, hence the company has solid foundation for handling this risk.

The economic uncertainty worldwide may affect KMC Properties' tenant's ability to pay their rent. However, the company

has a 100 per cent occupancy rate and very solid tenants, thus the company considers the risk to be limited.

## Subsequent events

### KMC Properties signs agreement for acquisition of two production properties in Denmark

On 15 July 2022, with reference to stock exchange notice of 19 May 2022 regarding KMC Properties receiving acceptance of a conditional offer for the acquisition of two industrial properties in Denmark for approximately DKK 151.1 million, the company announced that it had signed an agreement.

## Outlook

KMC Properties continues to execute on its growth strategy. The company has announced three acquisitions year to date, including four production properties, in addition to a transformative agreement with the listed company BEWI for the purchase of a real estate portfolio of up to NOK 2 billion with long lease agreements. All acquisitions are in line with the company's investment strategy, focusing on properties and property portfolios in Northern Europe within foodstuff facilities and light industry, in collaboration with current and new tenants.

In the first half of 2022, KMC Properties has completed and committed investments in current portfolio (capex) of NOK 48 million with a yield on cost of approximately 7.5 per cent and

in greenfield projects of NOK 180 million with a yield on cost of approximately 7.1 per cent. The company has completed acquisitions of approximately NOK 190 million, with gross yield of 7.6 per cent. In addition, KMC Properties is actively pursuing specific acquisitions in 2022 valued at approximately NOK 1,365 million with weighted average gross yield of 6.6 per cent, which includes the Norwegian and Swedish properties in the transformative agreement with BEWI.

Following the recent acquisitions and the transformative agreement with BEWI, KMC Properties is very well positioned to reach NOK 8 billion in GAV by the end of 2024, one year ahead of the previous growth plan.

## Responsibility statement

We declare that, to the best of our knowledge, the half year financial statements for the period 1 January to 30 June 2022 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group's assets, liabilities, financial position, and overall results.

We further declare that, to the best of our knowledge, the half-year report provides a true and fair view of important events that have taken place during the accounting period and their impact on the half-year financial statements, as well as the most important risks and uncertainties facing the business in the forthcoming accounting period.

Trondheim, Norway, 15 August 2022  
The board of directors and CEO – KMC Properties ASA

**Pål Aglen**  
*Chair*

**Morten Eivindsson Astrup**  
*Director*

**Nini Høegh Nergaard**  
*Director*

**Anna Musiej Aanensen**  
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<i>Amounts in NOK thousand</i>	<i>Note</i>	<b>Q2 2022</b> Unaudited	Q2 2021 Unaudited	<b>H1 2022</b> Unaudited	H1 2021 Unaudited	2021 Audited
Rental income	5	<b>64 656</b>	48 981	<b>127 354</b>	97 225	204 976
<b>Total income</b>		<b>64 656</b>	48 981	<b>127 354</b>	97 225	204 976
Property related expenses	5	<b>267</b>	(54)	<b>1 293</b>	2 216	2 545
Salary expenses		<b>4 911</b>	3 882	<b>11 646</b>	6 207	20 567
Other operating expenses		<b>4 219</b>	12 507	<b>10 817</b>	34 368	43 477
<b>Total operating expenses</b>		<b>9 397</b>	16 335	<b>23 756</b>	42 791	66 589
<b>Operating profit (loss) before fair value adjustments</b>		<b>55 259</b>	32 646	<b>103 597</b>	54 434	138 388
Change in fair value adjustments on investment property	3	<b>8 330</b>	36 952	<b>5 420</b>	102 025	317 331
<b>Total operating profit (loss)</b>		<b>63 590</b>	69 598	<b>109 017</b>	156 459	455 719
Fair value change of financial instruments	6	<b>6 412</b>	(14 874)	<b>100 117</b>	26 849	63 812
Net currency exchange differences		<b>58 766</b>	-	<b>32 821</b>	(38 305)	(47 027)
Financial income		<b>738</b>	12 648	<b>1 518</b>	12 704	6 553
Financial expenses	4	<b>33 132</b>	25 578	<b>63 845</b>	41 921	99 243
<b>Net financial income (expense)</b>		<b>32 784</b>	(27 804)	<b>70 612</b>	(40 673)	(75 905)
<b>Earnings before tax (EBT)</b>		<b>96 374</b>	41 794	<b>179 629</b>	115 786	379 814
Tax expense		<b>23 547</b>	12 592	<b>43 013</b>	28 445	76 880
<b>Profit from continued operations</b>		<b>72 827</b>	29 202	<b>136 615</b>	87 341	302 934
Profit from discontinued operations	7	<b>2 175</b>	1 709	<b>(49 527)</b>	4 178	1 914
Profit for the period		<b>75 002</b>	30 911	<b>87 088</b>	91 519	304 847
<b>Other comprehensive Income:</b>						
Items that may be reclassified to profit or loss:						
Other comprehensive income (translation reserves)		<b>63 620</b>	24 810	<b>38 074</b>	(35 893)	(23 818)
Tax on comprehensive income		-	-	-	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>63 620</b>	24 810	<b>38 074</b>	(35 893)	(23 818)
<b>Total comprehensive income for the period</b>		<b>138 622</b>	55 721	<b>125 162</b>	55 626	281 029
<b>Profit attributable to:</b>						
Equity holders of the company		<b>75 002</b>	30 911	<b>87 088</b>	91 519	304 847
Non-controlling interest		-	-	-	-	-
<b>Total comprehensive income attributable to:</b>						
Equity holders of the company		<b>138 622</b>	55 721	<b>125 162</b>	55 626	281 029
Non-controlling interest		-	-	-	-	-

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

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<i>Amounts in NOK thousand</i>	<i>Note</i>	<b>30.06.2022</b> unaudited	30.06.2021 unaudited	31.12.2021 audited
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investment properties	3	<b>4 129 308</b>	3 307 386	4 001 593
Financial derivatives	6	<b>161 908</b>	35 883	67 721
Other long-term assets	6	<b>4 897</b>	-	5 042
<b>Total non-current assets</b>		<b>4 296 113</b>	3 343 373	4 074 355
<b>Current assets</b>				
Trade receivables	6	<b>8 005</b>	10 974	24 458
Other receivables, prepaid expenses, and tax	6	<b>7 804</b>	36 097	26 869
Cash and cash equivalents	6	<b>136 331</b>	147 285	207 512
Assets held for sale	7	<b>151 367</b>	-	-
<b>Total current assets</b>		<b>303 506</b>	194 653	258 839
<b>Total assets</b>		<b>4 599 619</b>	3 538 026	4 333 194
<b>Equity</b>				
Share capital		<b>56 929</b>	48 349	56 374
Share premium		<b>1 225 469</b>	898 795	1 196 023
<b>Sum paid-in equity</b>		<b>1 282 398</b>	947 144	1 252 398
<b>Retained earnings and translation reserves</b>				
Translation reserves		<b>4 197</b>	(45 952)	(33 877)
Retained earnings		<b>704 568</b>	424 626	617 479
Sum retained earnings and translation reserves		<b>708 765</b>	378 674	583 601
<b>Total equity</b>		<b>1 991 163</b>	1 325 818	1 835 999
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		<b>165 855</b>	78 214	132 002
Interest bearing debt	4, 6	<b>2 336 224</b>	1 867 025	2 275 035
Other long-term Liabilities	6	<b>21 251</b>	31 416	29 279
<b>Total non-current liabilities</b>		<b>2 523 330</b>	1 976 655	2 436 317
<b>Current liabilities</b>				
Short-term interest bearing debt	4, 6	<b>28 577</b>	172 500	-
Trade payables	6	<b>23 502</b>	22 838	23 608
Current tax liabilities	6	<b>3 560</b>	3 957	2 906
Other current liabilities	6	<b>18 032</b>	36 257	34 364
Liabilities held for sale	7	<b>11 455</b>	-	-
<b>Total current liabilities</b>		<b>85 126</b>	235 553	60 878
<b>Total liabilities</b>		<b>2 608 456</b>	2 212 208	2 497 195
<b>Total equity and liabilities</b>		<b>4 599 619</b>	3 538 026	4 333 194

Trondheim, Norway, 15 August 2022  
The board of directors and CEO – KMC Properties ASA

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<i>Amounts in NOK thousand</i>	Share capital	Share premium	Translation reserves	Retained earnings	<b>Total equity</b>
Total equity at 31.12.2020	48 153	892 397	(10 059)	312 631	<b>1 243 122</b>
Issue of Shares	8 221	318 173	-	-	<b>326 394</b>
Transaction cost issue of shares	-	(14 547)	-	-	<b>(14 547)</b>
Profit /(loss) for the period	-	-	-	304 847	<b>304 847</b>
Other comprehensive income (translation reserves)	-	-	(23 818)	-	<b>(23 818)</b>
<b>Total equity at 31.12.2021</b>	<b>56 374</b>	<b>1 196 023</b>	<b>(33 877)</b>	<b>617 478</b>	<b>1 835 599</b>
Issue of Shares	554	29 446	-	-	<b>30 000</b>
Transaction cost issue of shares	-	-	-	-	<b>-</b>
Profit /(loss) for the period	-	-	-	87 088	<b>87 088</b>
Other comprehensive income (translation reserves)	-	-	38 074	-	<b>38 074</b>
<b>Total equity at 30.06.2022</b>	<b>56 929</b>	<b>1 225 469</b>	<b>4 197</b>	<b>704 568</b>	<b>1 991 163</b>

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## Consolidated statement of cash flows

<i>Amounts in NOK thousand</i>	Note	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
<b>Cash flows from operating activities</b>						
Earnings before tax		96 374	41 794	179 629	115 786	379 814
Depreciation of tangible assets		5	307	5	613	308
Fair value adjustment of investment properties	3	(8 330)	(36 952)	(5 420)	(102 025)	(317 331)
Financial items		(32 784)	27 804	(70 612)	40 673	75 905
<b>Change in working capital:</b>						
- change in trade and other receivables		(3 882)	18 054	35 664	24 257	20 001
- change in trade and other payables, excl. corporate tax		6 650	(47 744)	(19 494)	(73 757)	(78 689)
Taxes paid		(4 614)	(131)	(4 613)	(1 275)	(2 326)
<b>Net cash flow from operating activities</b>		<b>53 419</b>	<b>3 132</b>	<b>115 158</b>	<b>4 272</b>	<b>77 682</b>
<b>Cash flows from investing activities</b>						
Acquisition of businesses, net of cash acquired		-	-	-	-	-
Purchase of investment properties		-	(101 777)	(188 213)	(151 505)	(520 082)
Capital expenditure on investment properties		(30 716)	-	(52 918)	-	(140 064)
Interest received		1 437	134	1 437	-	-
<b>Net cash flow from investment activities</b>		<b>(29 279)</b>	<b>(101 643)</b>	<b>(239 694)</b>	<b>(151 505)</b>	<b>(660 146)</b>
<b>Cash flows from financing activities</b>						
Capital increase from issue of shares		-	-	30 000	6 594	326 394
Proceeds interest bearing debt	4	-	36 293	65 000	34 680	439 480
Repayment interest bearing debt	4	(4 852)	-	(6 811)	-	(2 790)
New short-term interest bearing debt		28 577	145 000	28 577	172 500	-
Change in other long-term debt		(6 617)	-	(8 028)	4 773	2 636
Transaction fees paid and other financial costs		(897)	-	(897)	(2 270)	(14 547)
Interest paid		(27 762)	(27 325)	(54 000)	(46 875)	(86 504)
<b>Net cash flow from financing activities</b>		<b>(11 551)</b>	<b>153 968</b>	<b>53 841</b>	<b>169 402</b>	<b>664 669</b>
Effects of exchange rate changes on cash and cash equivalents		(616)	360	(487)	-	191
<b>Net change in cash and cash equivalents</b>		<b>11 974</b>	<b>55 818</b>	<b>(71 181)</b>	<b>22 170</b>	<b>82 396</b>
Cash and cash equivalents at beginning of period		124 357	91 468	207 512	125 116	125 116
<b>Cash and cash equivalents at end of period</b>		<b>136 331</b>	<b>147 285</b>	<b>136 331</b>	<b>147 285</b>	<b>207 512</b>

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### Note 01 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.

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

For more information, including company related risks, please see the annual report for 2021.

### Note 02 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 2021.

subsidary owning the company's office building in Moscow. The investment in Russia is consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5 as of 30 June 2022. Comparative figures are changed accordingly.

In the first half of 2022 the group decided to exit the Russian market and initiated an active process to locate a buyer for its Russian

The financial reporting covers KMC Properties ASA and subsidiaries. The interim financial statements have not been audited.

### Note 03 Investment properties

The valuation of the properties on 30 June 2022 has been performed by the independent expert valuer, Cushman & Wakefield.

<i>Amounts in NOK million</i>	<b>Q2 2022</b>	Q2 2021	H1 2022	H1 2021	2021
<b>Opening balance</b>	<b>4 028</b>	3 090	4 002	3 090	3 090
Classified as held for sale	-	-	(143)	-	-
Purchase of investment properties	-	72	188	72	520
Upgrades of investment properties	<b>31</b>	80	53	80	140
Fair value adjustments	<b>8</b>	37	5	102	310
Translation adjustment	<b>63</b>	29	24	(36)	(58)
<b>Value at period end</b>	<b>4 129</b>	3 307	4 129	3 307	4 002

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, on

30 June 2022, 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	(55)	60
Discount rate	+/- 0.25 per cent points	(87)	88
Operating costs	+/- 10 per cent	(11)	11
Market rent	+/- 10 per cent	187	(187)
Average rental growth	+/- 0.5 percentages points next 10 years	143	(138)

The calculations have been performed by Cushman & Wakefield in connection the valuations at 30 June 2022.

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## Note 04 Interest bearing debt

### Bond loan:

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	2021
<b>Opening balance</b>	<b>1 850</b>	1 850	1 850
Net change in debt	-	-	-
<b>Interest-bearing debt at period end</b>	<b>1 850</b>	1 850	1 850
Capitalised borrowing cost	(9)	(15)	(12)
<b>Carrying amount interest-bearing debt*</b>	<b>1 841</b>	1 835	1 838
Fair value of interest bearing debt, excess value/(reduced value) for the group in relation to book value*	(52)	27	43

\* The fair value presented above is the excess value given by Nordic Bond Pricing AS.

### Bank loans:

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	2021
<b>Opening balance</b>	<b>500</b>	-	-
Net change in debt	(5)	32	437
<b>Interest-bearing debt at period end</b>	<b>495</b>	32	437
Capitalised borrowing cost	-	-	-
<b>Carrying amount interest-bearing debt at period end</b>	<b>495</b>	32	437
Additional bank loan obtained before report date	-	294	-
<b>Bank loan at report date</b>	<b>495</b>	326	437

### Construction loan bank:

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	2021
<b>Opening balance</b>	<b>-</b>	-	-
Net change in debt	29	-	-
<b>Interest-bearing debt as at period end</b>	<b>29</b>	-	-
Capitalised borrowing cost	-	-	-
<b>Carrying amount interest-bearing debt</b>	<b>29</b>	-	-

### Revolving credit facility:

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	2021
<b>Opening balance</b>	<b>-</b>	-	-
Net change in debt	-	173	-
<b>Interest-bearing debt as at period end</b>	<b>-</b>	173	-
Capitalised borrowing cost	-	-	-
<b>Carrying amount interest-bearing debt</b>	<b>-</b>	-	-

### Interest-bearing debt at period end:

	NOK million	Weighted average current interest	Weighted average interest terms	Weighted average amortisation plan bank loans (years)	Weighted average years to final maturity	In compliance with covenants?
Bond loan	1 850	5.93%	3 months NIBOR+4.25%	None	1.4	Yes
Bank loan	495	4.17%	3 months NIBOR+2.5%	22.7	6.2	Yes
Construction loan	29	4.68%	3 months NIBOR+3%	None	N/A	Yes
Revolving credit facility	-	3.93%	3 months NIBOR+2.25%	N/A	N/A	Yes
<b>Total</b>	<b>2 373</b>	<b>5.55%</b>			<b>2.4</b>	<b>Yes</b>

1) 3 months Nibor is set to 1.68%.

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### Security bond loan:

Amounts in NOK million	H1 2022	H1 2021	2021
Pledged property portfolio	3 029.1	2 943.3	2 943.3
Disposal Account	40.7	-	-
<b>Opening balance security<sup>1)</sup></b>	<b>3 069.8</b>	<b>2 943.3</b>	<b>2 943.3</b>
Investments in pledged property portfolio	11.3	80.0	110.9
Sale of assets in pledged property portfolio	-	-	(133.3)
Inflow Disposal Account	-	-	133.3
Outflow Disposal Account	-	-	(92.6)
Fair value and translation adjustments pledged property portfolio <sup>2)</sup>	15.2	60.9	108.2
<b>Value security end of period</b>	<b>3 096.3</b>	<b>3 084.1</b>	<b>3 069.8</b>

1) The bond is secured by, in addition to mortgages over the properties, share charges over the shares of the guarantors, pledges over bank accounts, Norwegian floating charges over trade receivables, and certain other floating charges / enterprise mortgages in Finland, Denmark and Sweden.

2) In accordance with valuation from Cushman & Wakefield at 30 June 2022.

The bond terms governing the bond issue, require that all funds received from sale of pledged properties shall be paid into a bank account blocked and pledged in favour of the bond holders (the "Disposal Account"). Funds from the Disposal Account may be used to finance development of properties in the bond security package. Hence, in accordance with the bond terms, KMC Properties ASA sold KMC Havnegata 16 AS from KMC Properties AS to KMC Properties II Norway AS for NOK 133.3 million, on 2 July

2021. The purchase was done using standard terms, and the price was based on Cushman and Wakefield's valuation of the property on 15 June 2021. The acquisition was partly financed through a bank loan of NOK 86 million. The purchase price was paid to the Disposal Account. Since then, Nordic Trustee has released NOK 92.6 million from the Disposal Account to finance the investments in the pledged property portfolio.

## Note 05 Tenancy agreements

The group mainly enters into long-term lease agreements with solid counterparties, for properties that are strategically located for the tenants. Most lease contracts are "triple-net bare house lease agreements". Lease payments of the contracts include CPI increases.

### Net operating income (NOI) from properties:

Amounts in NOK million	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Rental Income Norway	41.8	26.5	82.7	53.9	121.7
Rental Income Sweden	8.8	6.7	16.6	13.7	28.2
Rental Income Denmark	6.1	5.1	12.2	11.1	23.7
Rental Income Holland	6.8	9.5	13.5	16.2	26.8
Rental Income Finland	1.2	1.2	2.3	2.3	4.6
<b>Total rental income</b>	<b>64.7</b>	<b>49.0</b>	<b>127.4</b>	<b>97.2</b>	<b>205.0</b>
Property related costs	(0.3)	0.1	(1.3)	(2.2)	(2.5)
<b>NOI from properties</b>	<b>64.4</b>	<b>49.0</b>	<b>126.1</b>	<b>95.0</b>	<b>202.4</b>

### Summary of significant contracts

There were no significant investments or acquisitions with related parties in the first half of 2022, but a substantial part of rental income is from rental contracts with related parties.

Amounts in NOK million	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
BEWI & subsidiaries	25.2	23.9	50.2	49.7	93.9
Insula & subsidiaries	12.8	12.0	25.6	24.0	47.5
Grøntvedt & subsidiaries	7.8	6.4	14.7	12.4	24.0
PSW Technology	7.8	-	15.6	-	10.8
Other	11.0	6.7	21.3	11.1	28.8
<b>Total</b>	<b>64.7</b>	<b>49.0</b>	<b>127.4</b>	<b>97.2</b>	<b>205.0</b>

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## Note 06 Financial instruments

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.

<i>Amounts in NOK million</i>	Amortised cost 30.06.2022	Fair value through profit or loss 30.06.2022	<b>Total 30.06.2022</b>	31.12.2021
<b>Financial assets</b>				
Cash and cash equivalents	136.3	-	<b>136.3</b>	207.5
Land plot lease agreements (financial asset)	-	-	-	-
Currency and interest swaps (long-term)	-	161.9	<b>161.9</b>	67.7
Trade receivables (non-interest bearing)	8.0	-	<b>8.0</b>	24.5
Other receivables	12.4	-	<b>12.4</b>	14.2
<b>Total financial assets</b>	<b>156.8</b>	<b>161.9</b>	<b>318.7</b>	<b>314.0</b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	2 364.8	-	<b>2 364.8</b>	2 275.0
Land plot lease agreements (financial liability)	18.3	-	<b>18.3</b>	19.5
Other financial liabilities	-	-	-	9.4
Trade payables (non-interest bearing)	23.5	-	<b>23.5</b>	23.6
Other current liabilities (non-interest bearing)	21.6	-	<b>21.6</b>	38.0
<b>Total financial liabilities</b>	<b>2 428.2</b>	<b>-</b>	<b>2 428.2</b>	<b>2 365.5</b>
<b>Net financial assets and liabilities</b>	<b>(2 271.5)</b>	<b>161.9</b>	<b>(2 109.6)</b>	<b>(2 051.5)</b>

### Interest bearing loans

<i>Amounts in NOK million</i>	30.06.2022	31.12.2021
Bond	<b>1 850.0</b>	1 850.0
Bank loan	<b>494.9</b>	436.7
Construction loan (short-term)	<b>28.6</b>	-
RCF (short-term)	-	-
<b>Total interest-bearing loans</b>	<b>2 373.5</b>	<b>2 286.7</b>
<b>Hedged amount (fixed interest)</b>	<b>1 275.0</b>	<b>1 240.0</b>
Hedge ratio	<b>54%</b>	54%

### Swap agreements at period end

Swap agreement	Currency amount (million)	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest & currency	NOK 335	23.12.2020	11.12.2023	EUR/NOK = 10.630	EURIBOR = -0.51%
Interest & currency	NOK 240	23.12.2020	11.12.2023	SEK/NOK = 1.050	STIBOR = 0.017%
Interest & currency	NOK 165	23.12.2020	11.12.2023	DKK/NOK = 1.428	DANISH IBOR = -0.505%
Interest	NOK 500	13.07.2021	31.12.2030	Not applicable	NIBOR = 1.5175%
Interest	EUR 32	11.12.2023	13.12.2027	Not applicable	EURIBOR = -0.03%
Interest	SEK 120	11.12.2023	13.12.2027	Not applicable	STIBOR = 0,686%
Interest	DKK 120	11.12.2023	13.12.2027	Not applicable	DANISH IBOR = 0.215%
Interest	NOK 35	10.02.2022	10.02.2027	Not applicable	NIBOR = 2.305%

The table below shows an analysis of fair values of financial instruments in the Statement of Financial Position at 30.06.2022, 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.

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### Financial assets measured at fair value:

Amounts in NOK million	Level 1	Level 2	Level 3	Sum
Currency and interest swaps	-	161.9	-	161.9
<b>Sum financial assets measured at fair value</b>	-	161.9	-	161.9

### Note 07 Discontinued operation

The office building in Moscow was valued at approximately RUB 700 million at the end of June 2022, down from approximately RUB 1,200 million at the end of 2021. The valuation method is the same as previous periods, however, experience from the current sale process is also taken into consideration. The value in RUB is unchanged since last quarter, however the RUB/NOK has increased significantly during Q2 2022, from RUB/NOK = 0.1076 on 31 March 2022 to RUB/NOK = 0.1933 on 30 June 2022, hence

the value of the office building in NOK has changed from NOK 75.4 million in Q1 to NOK 135.8 million in Q2.

The current sale process is affected by the significant geopolitical risks related to Russia. The sale price will likely be in RUB and there are significant risks related to the final currency translation to NOK, and whether a potential buyer is able to transfer the amount to KMC Properties' bank account in Norway.

### Discontinued operation

Amounts in NOK thousand	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Total income	6 510	4 695	11 022	9 564	21 169
Total operating expenses	4 356	2 777	7 318	5 147	11 714
<b>Operating profit (loss) before fair value adjustments</b>	<b>2 154</b>	1 918	<b>3 704</b>	4 417	9 455
Change in fair value adjustments on investment property	425	-	(52 702)	-	(7 184)
<b>Total operating profit (loss)</b>	<b>2 579</b>	1 918	<b>(48 998)</b>	4 417	2 271
Net financial income (expense)	62	44	97	42	186
<b>Earnings before tax (EBT)</b>	<b>2 641</b>	1 962	<b>(48 901)</b>	4 459	2 457
Tax expense	466	253	626	281	543
<b>Profit from discontinued operation</b>	<b>2 175</b>	1 709	<b>(49 527)</b>	4 178	1 914
Cash flow from operating activities	2 817	1 889	4 996	4 126	7 983
Cash flow from investing activities	110	29	(12)	47	227
Cash flow from financing activities	(1 343)	-	(1 857)	(1 144)	(8 756)
<b>Net change in cash and cash equivalents</b>	<b>1 584</b>	1 918	<b>3 127</b>	3 029	(546)

### Assets and liabilities of disposal group classified as held for sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation at 30 June 2022.

### Assets classified as held for sale

Amounts in NOK thousand	30.06.2022	31.03.2022
Investment property	135 767	75 363
Other long-term assets	35	28
Trade receivables	3 356	2 226
Other receivables, prepaid expenses, and tax	4 324	2 798
Cash and cash equivalents	7 885	3 288
<b>Total assets of disposal group held for sale</b>	<b>151 367</b>	83 703

### Liabilities directly associated with assets classified as held for sale

Amounts in NOK thousand	30.06.2022	31.03.2022
Other long-term liabilities	313	512
Trade payables	129	51
Other current liabilities	11 013	6 108
<b>Total liabilities of disposal group held for sale</b>	<b>11 455</b>	6 671

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## Note 08 Related party transactions

The tenants BEWI and Insula are regarded as related parties by their ownership in KMC Properties ASA through BEWI Invest AS and Kverva Industrier AS. Reference is made to note 5 Tenancy agreements for detailed information.

KMC Properties ASA has in the first half of 2022 purchased services for NOK 1.2 million from BEWI related companies, mainly cost of interim hiring of employees and office rent.

## 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)

<i>Amounts in NOK million</i>	30.06.2022	30.06.2021	31.12.2021
Total equity	1 991	1 326	1 836
Deferred tax liabilities	166	78	132
<b>Net asset value (NAV)</b>	<b>2 157</b>	<b>1 404</b>	<b>1 968</b>

### Debt ratio – group net LTV

<i>Amounts in NOK million</i>	30.06.2022	30.06.2021	31.12.2021
Interest bearing debt (bond, nominal value)	1 850	1 850	1 850
Bank loan	495	32	437
Loans from credit institutions (Construction loan and RCF)	29	173	-
Cash and cash equivalents	(136)	(147)	(208)
Mark-to-market hedge adjustment	(162)	(36)	(68)
<b>Net interest-bearing debt</b>	<b>2 075</b>	<b>1 872</b>	<b>2 012</b>
Investment property (market value)	4 129	3 307	4 002
<b>Group Net LTV</b>	<b>50.3%</b>	<b>56.6%</b>	<b>50.3%</b>

### Net income from property management

<i>Amounts in NOK million</i>	Q2 2022	Q2 2021	H1 2022	H1 2021
Operating profit (loss) before fair value adjustments	55.3	32.6	103.6	54.4
Net realised financials	(27.1)	(19.9)	(52.5)	(39.6)
<b>Net income from property management</b>	<b>28.2</b>	<b>12.7</b>	<b>51.1</b>	<b>14.8</b>

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<b>Bonds, or the bond issue</b>	NOK 1 850 million senior secured bond with 3 years tenor issued on 11 December 2020
<b>Cushman &amp; Wakefield</b>	Cushman & Wakefield Realkapital, Kronprinsesse Märthas plass 1, 0125 Oslo, Norway,
<b>Gross Rental Income (GRI)</b>	Equals total income
<b>Independent valuer</b>	Cushman & Wakefield
<b>Loan-To-Value (LTV)</b>	Total net nominal value of interest-bearing debt divided by the total market value of the property portfolio.
<b>Market value of portfolio</b>	The market value of all properties owned by the parent company and subsidiaries.
<b>Net Asset Value, adjusted (NAV)</b>	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
<b>NOK</b>	The Norwegian Krone, the official currency of Norway
<b>Occupancy rate (%)</b>	Leased lettable area (sqm) / Total lettable area (sqm)
<b>OPEX</b>	Operating expense, measured by total operating expenses – salary expenses
<b>SG&amp;A</b>	Selling, general & administrative expenses, calculated as salary expenses
<b>Property related expenses</b>	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
<b>SWAP</b>	A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time
<b>WAULT</b>	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.

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