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## Comments from the CEO

In the third quarter of 2022, KMC Properties focused on continuous execution of growth projects in line with our strategy and targets. So far this year, we have completed acquisition of five production properties and announced a transformative property transaction with our tenant BEWI.

Rental income for the third quarter this year ended at NOK 65.7 million, up from NOK 52.7 million for the same quarter last year, and from NOK 64.7 million for the previous quarter. The increase compared to the comparable quarter last year is explained by the additional income from new investment properties. For the first nine months this year, our rental income amounted to NOK 193.1 million, up from NOK 149.9 million for the same period last year.

On the last day of the second quarter, we announced a transformative property transaction with BEWI, including up to 24 properties and one land plot with a gross asset value of up to NOK 2 billion. The portfolio is attractive to us, fitting fully with our investment strategy of solid tenants and long lease agreements. Prior to announcing the agreement, as well as throughout the third quarter, we have worked to complete a technical and legal due diligence of the properties included in the first tranche of the transaction, including the properties in Norway and Sweden. We expect to close this part of the transaction shortly, providing us with a strengthened market position and a new platform for accelerated value creation.

In addition to the BEWI transaction, we completed our acquisition of two production properties in Denmark for DKK 151 million in the quarter, as well as an industrial property in Ålesund on the west coast of Norway for NOK 52 million.

At the end of the third quarter this year, our investment properties were valued at NOK 4 410 million, up from NOK 4 129 million at the end of the previous period and from 4 002 million at the end of 2021. For the period, the increase relates to purchase of new investment properties by NOK 214 million, upgrades of existing properties by NOK 32 million, fair value adjustments of close to negative NOK 2 million, while translation adjustments contribute with NOK 37 million of the increase.

As communicated in the first quarter, we have decided to discontinue our operations in Russia and sell our office building



in Moscow. We have accepted a bid for the property, valuing the building at USD 9 million, and we expect to be able to complete the divestment before the end of this year.

Our development projects continued to show good progress this quarter, including the development of the new packaging hub for BEWI at Jøsnøya, the production facility for Oppdal Spekemat which was completed in October, and the development of the salmon slaughterhouse facility for Slakteriet.

Currently, most markets are characterised by high uncertainty, following the geopolitical tensions and the significant increase in inflation and interest rates across the world. Although this affects KMC Properties' financial expenses through the increased interest rates, we are pleased with the results we deliver and the outlook ahead. In challenging times, we benefit from our firm investment strategy – focusing of solid tenants, long lease agreements and strategic locations. Also, 95 per cent of the company's lease agreements include 100 per cent CPI adjustments, which means we can expect an increased rental income following adjustments.

Summing up, we are pleased with our achievements so far this year. Our key priority the next months is still to secure completion of the BEWI transaction and make sure the properties are well integrated into our portfolio, 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.

Trondheim, 26 October 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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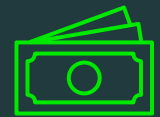
# Highlights\*

## Third quarter of 2022

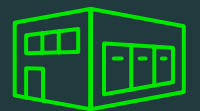
- Income of NOK 65.7 million (52.7 million) for the third quarter of 2022
- Net income from property management of NOK 27.7 million (19.8 million)
- Invested NOK ~31.7 million in development of existing properties
- Acquisition of two properties in Denmark for DKK ~151 million
- Acquisition of industrial property for NOK 52 million outside Ålesund on the west coast of Norway

## Subsequent events

- Progress on process to sell office building in Moscow



Net yield  
**6.5%**



Portfolio value  
**~4.4bn**



Wault (years)  
**~9.8**



Group net LTV  
**~51.2%**

\* 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 September 2022. Comparative figures, including key figures, are changed accordingly.

| <i>Amounts in NOK million except percentage</i>       | <b>Q3 2022</b>     | Q2 2022     | Q1 2022     | Q4 2021     | Q3 2021     |
|---|--------------------|-------------|-------------|-------------|-------------|
| Rental income   | <b>65.7</b>        | 64.7        | 62.7        | 55.1        | 52.7        |
| Change period-on-period                               | <b>2%</b>          | 3%          | 14%         | 5%          | -           |
| Net operating income (NOI)                            | <b>64.9</b>        | 64.4        | 61.7        | 54.7        | 52.7        |
| Change period-on-period                               | <b>1%</b>          | 4%          | 13%         | 4%          | -           |
| Net income from property management <sup>1)</sup>     | <b>27.7</b>        | 28.2        | 22.9        | 21.5        | 19.8        |
| Change period-on-period                               | <b>(2%)</b>        | 23%         | 7%          | 9%          | -           |
| Profit before tax from continued operations           | <b>80.9</b>        | 96.4        | 83.3        | 144.1       | 120.0       |
| Change period-on-period                               | <b>(16%)</b>       | 16%         | (42%)       | 20%         | -           |
| Profit from discontinued operations                   | <b>(31.6)</b>      | 2.2         | (51.7)      | (3.9)       | 1.7         |
| Change period-on-period                               | <b>(1551%)</b>     | (104%)      | 1211%       | (335%)      | -           |
| Profit after tax                                      | <b>45.6</b>        | 75.0        | 12.1        | 114.3       | 99.1        |
| Change period-on-period                               | <b>(39%)</b>       | 521%        | (89%)       | 15%         | -           |
| Group property portfolio value                        | <b>4 410</b>       | 4 129       | 4 028       | 4 002       | 3 705       |
| Net nominal interest bearing debt <sup>1)</sup>       | <b>2 259</b>       | 2 075       | 2 066       | 2 012       | 1 860       |
| Group net loan to value (%) <sup>1)</sup>             | <b>51.2%</b>       | 50.3%       | 51.3%       | 50.3%       | 50.2%       |
| Net asset value adjusted <sup>2)</sup>                | <b>2 202</b>       | 2 157       | 2 003       | 1 967       | 1 824       |
| Interest coverage ratio <sup>1)</sup>                 | <b>2.1x</b>        | 2.1x        | 2.0x        | 1.8x        | -           |
| Number of shares                                      | <b>284 643 649</b> | 284 643 649 | 284 643 649 | 281 871 544 | 279 246 544 |
| Number of properties <sup>2)</sup>                    | <b>49</b>          | 46          | 46          | 44          | 40          |
| Property net yield                                    | <b>6.5%</b>        | 6.4%        | 6.4%        | 6.4%        | 6.1%        |
| WAULT (years)   | <b>9.8</b>         | 10          | 10.1        | 10          | 10.6        |
| Occupancy rate (%)                                    | <b>100.0%</b>      | 100.0%      | 100.0%      | 100.0%      | 98.8%       |
| <i>All amounts in NOK per share except percentage</i> | <b>Q3 2022</b>     | Q2 2022     | Q1 2022     | Q4 2021     | Q3 2021     |
| Net income from property management per share         | <b>0.10</b>        | 0.10        | 0.08        | 0.08        | 0.07        |
| Change period-on-period                               | <b>(2%)</b>        | 23%         | 5%          | 8%          | -           |
| Profit after tax per share                            | <b>0.16</b>        | 0.26        | 0.04        | 0.41        | 0.35        |
| Change period-on-period                               | <b>(39%)</b>       | 521%        | (90%)       | 14%         | -           |
| Net asset value adjusted pr share                     | <b>7.74</b>        | 7.58        | 7.04        | 6.98        | 6.53        |
| Change period-on-period                               | <b>2%</b>          | 8%          | 1%          | 7%          | -           |
| Share price end of period <sup>3)</sup>               | <b>7.09</b>        | 8.26        | 10.62       | 10.70       | 8.22        |
| Change period-on-period                               | <b>(14%)</b>       | (22%)       | (1%)        | 30%         | -           |
| Share price <sup>3)</sup> / NAV                       | <b>0.92</b>        | 1.09        | 1.51        | 1.53        | 1.26        |
| Change period-on-period                               | <b>(16%)</b>       | (28%)       | (2%)        | 22%         | -           |

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)

| <i>Amounts in NOK million</i>              | <i>Annual run rate <sup>1)</sup></i> |
|--|--------------------------------------|
| Gross rental income                        | 290.1                                |
| Property related expenses                  | (4.2)                                |
| <b>Net operating income</b>                | <b>285.9</b>                         |
| OPEX <sup>2)</sup>                         | (34.1)                               |
| <b>EBITDA</b>                              | <b>251.8</b>                         |
| Realised financial expenses <sup>3)</sup>  | (136.5)                              |
| <b>Net income from property management</b> | <b>115.3</b>                         |

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 and 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       | 64.7        |
| Income from new investments         | 2.1         |
| Agio/disagio                        | (0.0)       |
| Other                               | (1.1)       |
| <b>Rental income current period</b> | <b>65.7</b> |

Rental income for the third quarter of 2022 amounted to NOK 65.7 million, up from NOK 52.7 million for the comparable period in 2021. The change of approximately NOK 1.0 million from the contractual rental income for the previous period is specified in the table above. Additional income from new investments was lower than expected (minus approximately NOK 1.5 million) due to postponed and cancelled upgrade/capex projects in the current portfolio. "Other" is a rental income reduction related to the completed greenfield project at Senja. The reduction is agreed with the tenant due to postponed delivery of the project in the fourth quarter of 2021.

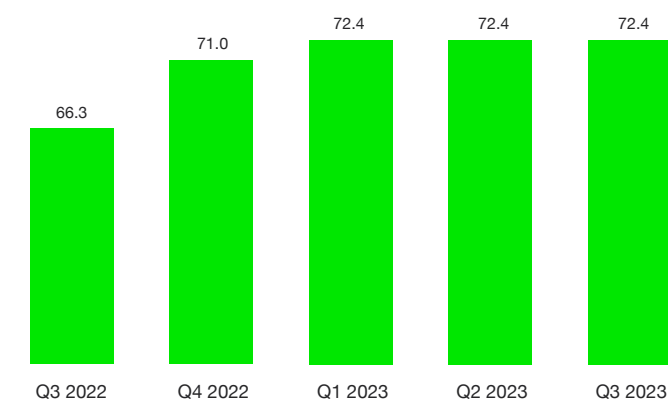
Due to the decision to sell the office building in Moscow, the rental income from Russia (NOK 11.1 million for the third quarter of 2022 and NOK 22.1 for the first three quarters of 2022) is presented under "Profit from discontinued operations".

KMC Properties has invested a total of NOK 45.7 million in upgrades at its property at Leknes. Currently, the company is in the final phase of deciding the rental increase for the tenant related to the upgrades. Until the rental increase is set, KMC

Properties invoices the tenant approximately NOK 0.66 million per quarter. The income is accounted as a financial income.

Contractual rental income development based on final agreements as of period end (includes NOK 0.66 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 64.9 million for the second quarter compared to NOK 52.7 for the comparable period of 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 4.2 million for the third quarter last year. The company has continued to strengthen its organisation during 2022 through three new employees so far this year, reducing the need for hired labour.

**Other operating expenses** came in at NOK 4.5 million for the third quarter this year, compared to NOK 4.8 million last year. Transaction costs, mainly legal and other advisory fees related to investment and financing activities, amounted to NOK 1.0 million for the third quarter of 2022.

## Net financials

| <i>Amounts in NOK million</i>         | Q3 2022       | Q3 2021       | YTD 2022      | YTD 2021      |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Realised financial income             | 0.8           | 0.3           | 2.2           | 0.3           |
| Interest expenses <sup>1)</sup>       | (28.7)        | (24.3)        | (82.7)        | (63.9)        |
| <b>Net realised financials</b>        | <b>(27.9)</b> | <b>(24.0)</b> | <b>(80.4)</b> | <b>(63.6)</b> |
| Change in value financial instruments | 15.5          | 4.4           | 109.4         | 31.2          |
| Other unrealised financials           | 20.4          | (6.1)         | 49.7          | (34.0)        |
| <b>Net financials</b>                 | <b>8.0</b>    | <b>(25.7)</b> | <b>78.6</b>   | <b>(66.4)</b> |

*1) Includes interest income from financial derivatives. Does not include amortisation of capitalised borrowing cost.*

**Net realised financials** came in at a negative NOK 27.9 million for the quarter, compared to a negative NOK 24.0 million last year. The cost increase relates to higher interest-bearing debt and higher interest rates.

NOK 0.66 million of the financial income for the third 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 27.7 million for the quarter, up from NOK 19.8 million for the corresponding period last year.

**Tax expense** was NOK 3.7 million this quarter, compared to NOK 22.6 million for the third quarter of 2021.

| <i>Amounts in NOK million</i>   | Q3 2022    | Q3 2021    | YTD 2022    | YTD 2021    |
|---------------------------------|------------|------------|-------------|-------------|
| Administrative costs            | 3.5        | 2.8        | 11.6        | 9.5         |
| Transaction costs               | 1.0        | 2.0        | 3.7         | 29.7        |
| <b>Other operating expenses</b> | <b>4.5</b> | <b>4.8</b> | <b>15.3</b> | <b>39.2</b> |

**Total operating profit before changes in value** ended at NOK 55.5 million for the third quarter of 2022, compared to NOK 43.8 million for the third quarter of 2021.

For the first three quarters of 2022, the tax expense amounted to NOK 46.8 million. Of this, NOK 9.4 million is tax payable and the remaining NOK 37.5 million is change in deferred tax. For the same period last year, the tax expense was NOK 51.0 million.

**Profit after tax** was NOK 45.6 million for the third quarter of 2022 compared to NOK 99.1 million for the third quarter of 2021.

**Comprehensive income** came in at NOK 32.9 million for the third quarter this year compared to NOK 129.4 million for the same quarter last year.

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## Financial position and cash flow

### Property portfolio

| <i>Amounts in NOK million</i>                                      | Q3 2022        | YTD 2022 |
|--|----------------|----------|
| <b>Opening balance</b>   | <b>4 129.3</b> | 4 001.6  |
| Classified as held for sale  | -              | (142.6)  |
| Purchase of investment properties                                  | <b>213.6</b>   | 401.8    |
| Upgrades of investment properties                                  | <b>31.7</b>    | 84.6     |
| Fair value adjustments   | <b>17.4</b>    | 22.8     |
| Translation adjustment   | <b>37.3</b>    | 61.6     |
| <b>Value at period end before adjustment of right-of-use asset</b> | <b>4 429.2</b> | 4 429.9  |
| Adjustment of right-of-use asset                                   | <b>(19.0)</b>  | (19.6)   |
| <b>Value at period end</b>   | <b>4 410.3</b> | 4 410.3  |

The portfolio is valued by Cushman & Wakefield quarterly. For the third quarter of 2022, the total change in value for the company's investment properties amounted to NOK 280.9 million.

Expansion projects, investments in new facilities, and acquisitions amounted to a total of NOK 245.3 million in the quarter.

In addition, fair value adjustments contributed with negative NOK 1.6 million for the quarter. In addition, fair value adjustments contributed with negative NOK 1.6 million for the quarter. Unrealized value changes were positively affected by new acquisitions, deferred tax deductions in connection with acquisitions and expected increased CPI adjustments to 2023 rents, while a slightly higher required rate of return had a negative effect.

Adjustment of right-of-use asset according to IFRS 16 amounted to NOK 19.0 million which in total gives the NOK 17.4 million change in fair value adjustments in the statement of comprehensive income.

IFRS 16 requires the lease liability and the right-of-use investment property to be presented on a gross basis on the balance sheet. To achieve this presentation, IAS 40 requires the amount of the recognised lease liability, calculated in accordance with IFRS 16, to be added back to the amount determined under the net valuation model, to arrive at the carrying amount of the investment property under the fair value model. This correction is made in the third quarter and the right-of-use asset is presented on its own accounting line.

Translation adjustments contributed with NOK 37.3 million for the quarter and NOK 61.6 for the first three quarters of 2022.

**Other assets** consist primarily of interest rate and currency rate swap agreements of NOK 178.3 million, other non-current assets of NOK 4.9 million, trade receivables of NOK 0.6 million, other receivables and other current assets of NOK 10.3 million, assets held for sale at 110.0 million as well as NOK 106.8 million in cash.

**Total non-current liabilities** amounted to NOK 2 717.3 million at the end of the quarter, up from NOK 2 436.3 million at the end of 2021. The liabilities consist of interest-bearing debt of NOK 2 501.9 million, deferred tax liabilities of NOK 177.7 million, land lease liabilities of NOK 17.6 million and other non-current liabilities of NOK 20.3 million.

**Total current liabilities** amounted to NOK 106.6 million on 30 September 2022, up from NOK 60.9 million at the end of 2021, consisting of short-term interest-bearing debt (construction loan) of 35.3, trade payables of NOK 33.2 million, taxes of NOK 6.8 million, other current liabilities of NOK 24.1 million and liabilities held for sale 11.2 MNOK.

**Total equity** was NOK 2 024.1 million on 30 September 2022, representing an equity ratio of 41.8 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 71.0 million for the third quarter, compared to NOK 46.4 million for the same quarter last year.

**Investment activities** generated a cash outflow of NOK 244.5 million for the quarter due to investments in expansion projects, investments in new facilities, and acquisitions of new properties. For the corresponding period of 2021, investment activities amounted to NOK 295.6 million.

**Financing activities** led to a cash inflow of NOK 143.8 million for the quarter due to increase in interest bearing debt. In 2021, the company had a cash inflow of NOK 379.0 million for the third quarter.



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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 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       |   |
| 30 June      | Announced agreements for development of salmon slaughterhouse facility for Slakteriet, following LOI in August 2021       |
| 15 July      | 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  |
| 20 September | Acquisition of industrial property outside Ålesund in Norway for NOK 52 million   |

### Important events in the third quarter of 2022 *Acquisition of industrial property for NOK 52 million outside Ålesund*

On 20 September 2022, KMC Properties announced that it had signed an agreement for the acquisition of an industrial property outside Ålesund on the west coast of Norway for approximately NOK 52 million.

The tenant is Cflow Fish Handling AS (Cflow), a provider of solutions and services for fish handling to wellboats, fishing vessels, delousing and other related services.

The property is composed of a total 13 743 sqm BTA of land and a 3 679 sqm BTA building, which were upgraded in a period to 2006. In addition, the property comes with a quay-area including an 85-metres long deep-water quay of 1 140 sqm.

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The property comes with a triple-net bare house agreement with the tenant Cflow including a rental agreement of 14 years and a gross yield of 8.65 per cent.

The transaction was completed on 29 September 2022.

### **Acquisition of two production properties in Denmark for DKK 151 million**

On 15 July 2022, KMC Properties announced that it had entered an agreement to acquire two production properties in Denmark for DKK 151 million with a gross yield of 7.85 per cent. The acquisition was first announced on 19 May 2022.

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.

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 was closed on 15 August 2022.

### **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, had 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.

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 was owned by Jackson Holding AS, a company which BEWI completed its acquisition of on 19 October 2022.

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.

A technical and legal due diligence of these properties has been completed during the third quarter and the company expects to complete this part of the transaction shortly.

Upon completion, long term triple net rental agreements, averaging an initial lease of 16.5 years, will be entered into for the properties.

Further, KMC Properties has an exclusive right to acquire the remaining part of the portfolio, including, but not limited to properties in Belgium, Finland, and Denmark, within twelve

months from the agreement was entered. This option is considered to have no material intrinsic value and is therefore not recognized as a financial asset in the consolidated statement of financial position.

As previously communicated, 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 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. For further details, please refer to the stock exchange notice of 30 June 2022.

### **Development of salmon slaughterhouse facility for Slakteriet**

In June 2022, KMC Properties 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.

Further, 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 is NOK 682 million, with a yield-on-cost of 6.75 per cent.

### **Development of a new packaging hub at Jøsnøya for BEWI**

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 parties entered a conditional long-term lease agreement for the property 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.

### **Construction of a new production facility for Oppdal Spekemat**

In July 2021, KMC Properties entered an agreement with Oppdal Spekemat AS for construction of a new production

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facility at Oppdal, in Trøndelag county in central Norway.

The project was completed in October 2022 and Oppdal Spekemat is expected to commence operations at the facility in November 2022, from which a triple-net bare-house agreement, with an initial lease term of 15 years, will start running.

The construction cost is estimated at approximately NOK 85 million with a yield-on-cost of 7.5 per cent.

### 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 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 during the first quarter this year.

The value of the property has been written down during the first nine months of the year due to the effects of Russia's invasion of Ukraine, from NOK 142.5 million on 31 December 2021 to NOK 92.0 million on 30. September 2022.

### Other impacts

The significant increase in inflation worldwide and the central bank's 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 50 per cent hedging ratio and is operating in a high yield segment, hence the company has solid foundation for handling this risk. Also, 95 per cent of the company's lease agreements include 100 per cent KPI adjustments, leading to expected increase in the rental income.

### 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 26 October 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 third quarter of 2022, the KMC Properties' share was traded between NOK 7.00 and NOK 8.40 per share, with a closing price of NOK 7.10 on 30 September 2022.

The significant increase in inflation worldwide and the central bank's 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. Also, 95 per cent of the company's lease agreements include 100 per cent KPI adjustments, leading to expected increase in the rental income.

Further, the company is in the process of divesting its office building in Russia. The process is progressing well, and the company believes the sale will be concluded during the fourth quarter of 2022. However, the significant geopolitical tensions related to Russia pose a risk to the process.

For more details, see note 7 below.

### Subsequent events

#### **Progress for sale of office building in Moscow**

As previously communicated, and mentioned above, KMC Properties is in the process of divesting its office building in Russia.

After a thorough bidding process, KMC Properties has accepted a bid valuing the property at USD 9 million. The company expects the transaction to be completed by the end of the year. However, there is a risk that the sales process will be negatively affected by the significant geopolitical risk in Russia.



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During the first nine months of 2022, KMC Properties has acquired five industrial properties and entered a transformative agreement with BEWI. The company has grown the value of its investment portfolio from approximately NOK 4.0 billion to NOK 4.4 billion, while at the same time re-classified its office building in Moscow as held for sale.

KMC Properties remains committed to its investment strategy, focusing on properties in Northern Europe with solid tenants in selected industries. In the current challenging macroeconomic climate, with high inflation and increasing interest rates, the company's portfolio of robust tenants provides comfort. Although the higher interest rates will impact the com-

pany's financial expenses, CPI adjustments will improve the rental income, and the growth from committed investments is expected to increase the overall EBITDA yield, utilising the current OPEX-base on a larger portfolio.

The company's key priority the next months is completion of the acquisition of the Norwegian and Swedish properties in the BEWI portfolio, and at the same time further develop the pipeline of M&A opportunities. The board of directors considers KMC Properties to be well positioned to tackle the challenging macro environment and reach the company's target of NOK 8 billion in GAV by the end of 2024.

Trondheim, Norway, 26 October 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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**Stig Wærnes**  
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*Chief executive officer*

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## Consolidated statement of comprehensive income

| Amounts in NOK thousand                                  | Note | Q3                | Q3                | YTD               | YTD               | 2021<br>Audited |
|--|------|-------------------|-------------------|-------------------|-------------------|-----------------|
|  |      | 2022<br>Unaudited | 2021<br>Unaudited | 2022<br>Unaudited | 2021<br>Unaudited |                 |
| Rental income  | 5    | 65 707            | 52 659            | 193 060           | 149 884           | 204 976         |
| Property related expenses                                | 5    | (825)             | 46                | (2 118)           | (2 170)           | (2 545)         |
| <b>Net operating income</b>                              |      | <b>64 882</b>     | 52 705            | <b>190 942</b>    | 147 714           | 202 431         |
| Salary expenses  |      | (4 883)           | (4 147)           | (16 529)          | (10 354)          | (20 567)        |
| Other operating expenses                                 |      | (4 470)           | (4 806)           | (15 288)          | (39 174)          | (43 477)        |
| <b>Operating profit before changes in value</b>          |      | <b>55 529</b>     | 43 752            | <b>159 126</b>    | 98 186            | 138 388         |
| Changes in value of investment properties                | 3    | 17 422            | 101 891           | 22 842            | 203 916           | 317 331         |
| <b>Operating profit</b>                                  |      | <b>72 951</b>     | 145 643           | <b>181 968</b>    | 302 102           | 455 719         |
| Changes in value of financial instruments                | 6    | 17 695            | 4 414             | 117 812           | 31 263            | 63 812          |
| Net currency exchange differences                        |      | 23 385            | (924)             | 56 206            | (26 765)          | (47 027)        |
| Financial income   |      | 787               | -                 | 2 224             | 240               | 6 553           |
| Financial expenses                                       |      | (33 899)          | (29 168)          | (97 662)          | (71 089)          | (99 243)        |
| <b>Net financials</b>                                    |      | <b>7 969</b>      | (25 678)          | <b>78 580</b>     | (66 351)          | (75 905)        |
| <b>Profit before tax</b>                                 |      | <b>80 919</b>     | 119 965           | <b>260 548</b>    | 235 751           | 379 814         |
| Tax expense  |      | (3 739)           | (22 588)          | (46 753)          | (51 033)          | (76 880)        |
| <b>Profit from continued operations</b>                  |      | <b>77 180</b>     | 97 377            | <b>213 795</b>    | 184 718           | 302 934         |
| Profit from discontinued operations                      | 7    | (31 576)          | 1 681             | (81 102)          | 5 859             | 1 914           |
| <b>Profit</b>  |      | <b>45 604</b>     | 99 058            | <b>132 693</b>    | 190 577           | 304 847         |
| <b>Other Comprehensive Income</b>                        |      |                   |                   |                   |                   |                 |
| <i>Items that may be reclassified to profit or loss:</i> |      |                   |                   |                   |                   |                 |
| Translation differences for foreign operations           |      | (12 671)          | 30 381            | 25 403            | (5 512)           | (23 818)        |
| <b>Comprehensive income</b>                              |      | <b>32 933</b>     | 129 439           | <b>158 096</b>    | 185 065           | 281 029         |
| <b>Profit attributable to:</b>                           |      |                   |                   |                   |                   |                 |
| Equity holders of the company                            |      | 45 604            | 99 058            | 132 693           | 190 577           | 304 847         |
| Non-controlling interest                                 |      | -                 | -                 | -                 | -                 | -               |
| <b>Total comprehensive income attributable to:</b>       |      |                   |                   |                   |                   |                 |
| Equity holders of the company                            |      | 32 933            | 129 439           | 158 096           | 185 065           | 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>30.09.2022</b><br>unaudited | 30.09.2021<br>unaudited | 31.12.2021<br>audited |
|--|-------------|--------------------------------|-------------------------|-----------------------|
| <b>ASSETS</b>                              |             |                                |                         |                       |
| <b>Non-current assets</b>                  |             |                                |                         |                       |
| Investment properties                      | 3           | <b>4 410 256</b>               | 3 688 562               | 3 982 467             |
| Site leaseholds, right-of-use assets       |             | <b>17 472</b>                  | 16 507                  | 19 126                |
| Financial derivatives                      | 6           | <b>178 334</b>                 | 39 054                  | 67 721                |
| Other non-current assets                   | 6           | <b>14 277</b>                  | 5 038                   | 5 042                 |
| <b>Total non-current assets</b>            |             | <b>4 620 339</b>               | 3 749 219               | 4 074 355             |
| <b>Current assets</b>                      |             |                                |                         |                       |
| Trade receivables                          | 6           | <b>576</b>                     | 14 774                  | 24 458                |
| Other receivables and other current assets | 6           | <b>10 323</b>                  | 33 789                  | 26 869                |
| Cash and cash equivalents                  | 6           | <b>106 759</b>                 | 276 080                 | 207 512               |
| Assets held for sale                       | 7           | <b>110 002</b>                 | -                       | -                     |
| <b>Total current assets</b>                |             | <b>227 660</b>                 | 324 643                 | 258 839               |
| <b>Total assets</b>                        |             | <b>4 848 000</b>               | 4 073 862               | 4 333 194             |
| <b>EQUITY AND LIABILITIES</b>              |             |                                |                         |                       |
| <b>Equity</b>                              |             |                                |                         |                       |
| Share capital                              |             | <b>56 929</b>                  | 55 849                  | 56 374                |
| Share premium                              |             | <b>1 225 469</b>               | 1 177 195               | 1 196 023             |
| Translation differences                    |             | <b>(8 474)</b>                 | (15 571)                | (33 877)              |
| Retained earnings                          |             | <b>750 172</b>                 | 503 235                 | 617 479               |
| <b>Total equity</b>                        |             | <b>2 024 096</b>               | 1 720 709               | 1 835 999             |
| <b>Non-current liabilities</b>             |             |                                |                         |                       |
| Deferred tax liabilities                   |             | <b>177 688</b>                 | 103 633                 | 132 002               |
| Interest bearing debt                      | 4, 6        | <b>2 501 861</b>               | 2 161 793               | 2 275 035             |
| Lease liabilities                          |             | <b>17 529</b>                  | 16 507                  | 19 126                |
| Other non-current liabilities              | 6           | <b>20 261</b>                  | 8 582                   | 10 153                |
| <b>Total non-current liabilities</b>       |             | <b>2 717 340</b>               | 2 290 516               | 2 436 317             |
| <b>Current liabilities</b>                 |             |                                |                         |                       |
| Current interest bearing debt              | 4, 6        | <b>35 330</b>                  | -                       | -                     |
| Trade payables                             | 6           | <b>33 213</b>                  | 19 593                  | 23 608                |
| Current tax liabilities                    | 6           | <b>2 694</b>                   | 6 646                   | 2 906                 |
| Other current liabilities                  | 6           | <b>24 134</b>                  | 36 398                  | 34 364                |
| Liabilities held for sale                  | 7           | <b>11 194</b>                  | -                       | -                     |
| <b>Total current liabilities</b>           |             | <b>106 564</b>                 | 62 638                  | 60 878                |
| <b>Total liabilities</b>                   |             | <b>2 823 904</b>               | 2 353 153               | 2 497 195             |
| <b>Total equity and liabilities</b>        |             | <b>4 848 000</b>               | 4 073 862               | 4 333 194             |

Trondheim, Norway, 26 October 2022  
The board of directors and CEO – KMC Properties ASA

**Pål Aglen**  
*Chair*

**Morten Eivindsson Astrup**  
*Director*

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## Consolidated statement of changes in equity

| <i>Amounts in NOK thousand</i>                    | Share capital | Share premium    | Translation reserves | Retained earnings | Total equity     |
|---|---------------|------------------|----------------------|-------------------|------------------|
| 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>1 835 999</b> |
| Issue of Shares                                   | 554           | 29 446           | -                    | -                 | <b>30 000</b>    |
| Transaction cost issue of shares                  | -             | -                | -                    | -                 | <b>-</b>         |
| Profit /(loss) for the period                     | -             | -                | -                    | 132 693           | <b>132 693</b>   |
| Other comprehensive income (translation reserves) | -             | -                | 25 403               | -                 | <b>25 403</b>    |
| <b>Total equity at 30.09.2022</b>                 | <b>56 929</b> | <b>1 225 469</b> | <b>(8 474)</b>       | <b>750 172</b>    | <b>2 024 096</b> |

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| <i>Amounts in NOK thousand</i>                                       | <i>Note</i> | <b>Q3<br/>2022</b> | Q3<br>2021 | YTD<br>2022 | YTD<br>2021 | 2021      |
|--|-------------|--------------------|------------|-------------|-------------|-----------|
| <b>Cash flow from operating activities</b>                           |             |                    |            |             |             |           |
| Earning before tax   |             | <b>80 919</b>      | 119 965    | 260 548     | 235 751     | 379 814   |
| Depreciation of tangible assets                                      |             | <b>128</b>         | 387        | 133         | 1 000       | 308       |
| Fair value adjustment of investment properties                       | 3           | <b>(17 422)</b>    | (101 891)  | (22 842)    | (203 916)   | (317 331) |
| Financial items  |             | <b>(7 969)</b>     | 25 678     | (78 580)    | 66 351      | 75 905    |
| <b>Change in working capital:</b>                                    |             |                    |            |             |             |           |
| - change in trade and other receivables                              |             | <b>(2 842)</b>     | (1 109)    | 32 821      | 23 147      | 20 001    |
| - change in trade and other payables, excl. corporate tax            |             | <b>19 664</b>      | 8 738      | (626)       | (65 019)    | (78 689)  |
| Taxes paid   |             | <b>(1 492)</b>     | (5 376)    | (6 105)     | (6 651)     | (2 326)   |
| <b>Net cash flow from operating activities</b>                       |             | <b>70 987</b>      | 46 392     | 185 349     | 50 664      | 77 682    |
| <b>Acquisition of businesses, net of cash acquired</b>               |             |                    |            |             |             |           |
| Acquisition of businesses, net of cash acquired                      |             | -                  | (442 446)  | -           | (442 446)   | -         |
| Purchase of investment properties                                    |             | <b>(213 560)</b>   | 146 502    | (401 772)   | (5 003)     | (520 082) |
| Capital expenditure on investment properties                         |             | <b>(31 699)</b>    | 300        | (84 617)    | 300         | (140 064) |
| Interest received  |             | <b>787</b>         | -          | 2 224       | -           | -         |
| <b>Net cash flow from investment activities</b>                      |             | <b>(244 472)</b>   | (295 644)  | (484 165)   | (447 149)   | (660 146) |
| <b>Cash flows from financing activities</b>                          |             |                    |            |             |             |           |
| Capital increase from issue of shares                                |             | -                  | 300 000    | 30 000      | 306 594     | 326 394   |
| Proceeds interest bearing debt                                       | 4           | <b>173 489</b>     | 290 268    | 238 489     | 324 948     | 439 480   |
| Repayment interest bearing debt                                      | 4           | <b>(4 852)</b>     | -          | (11 663)    | -           | (2 790)   |
| New current interest bearing debt                                    |             | <b>6 753</b>       | (172 500)  | 35 330      | -           | -         |
| Change in other non-current debt                                     |             | <b>(2 875)</b>     | (6 326)    | (10 108)    | (1 553)     | 2 636     |
| Transaction fees paid and other financial costs                      |             | <b>(58)</b>        | (15 058)   | (955)       | (17 328)    | (14 547)  |
| Interest paid  |             | <b>(28 656)</b>    | (17 424)   | (82 656)    | (64 299)    | (86 504)  |
| <b>Net cash flow from financing activities</b>                       |             | <b>143 800</b>     | 378 960    | 198 436     | 548 362     | 664 669   |
| <b>Effects of exchange rate changes on cash and cash equivalents</b> |             |                    |            |             |             |           |
| Effects of exchange rate changes on cash and cash equivalents        |             | <b>114</b>         | (913)      | (373)       | (913)       | 191       |
| <b>Net change in cash and cash equivalents</b>                       |             | <b>(29 571)</b>    | 128 795    | (100 753)   | 150 964     | 82 396    |
| Cash and cash equivalents at beginning of period                     |             | <b>136 331</b>     | 147 286    | 207 512     | 125 116     | 125 116   |
| <b>Cash and cash equivalents at end of period</b>                    |             | <b>106 759</b>     | 276 080    | 106 759     | 276 080     | 207 512   |

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

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## Selected notes to the interim financial statements

### 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. 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.

Russian subsidiary owning the company's office building in Moscow. The investment in Russia is consequently presented as a discontinued operation and the associated assets and liabilities presented as held for sale in accordance with IFRS 5 as of 30 September 2022. Comparative figures are changed accordingly. The financial reporting covers KMC Properties ASA and subsidiaries. The interim financial statements have not been audited.

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

### Note 03 Investment properties

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

| <i>Amounts in NOK million</i>                                      | Q3<br>2022     | Q3<br>2021 | YTD<br>2022 | YTD<br>2021 | 2021    |
|--|----------------|------------|-------------|-------------|---------|
| <b>Opening balance</b>   | <b>4 129.3</b> | 3 307.4    | 4 001.6     | 3 089.8     | 3 089.8 |
| Classified as held for sale  | -              | -          | (142.6)     | -           | -       |
| Purchase of investment properties                                  | <b>213.6</b>   | 290.9      | 401.8       | 362.4       | 520.1   |
| Upgrades of investment properties                                  | <b>31.7</b>    | -          | 84.6        | 80.0        | 140.1   |
| Fair value adjustments   | <b>17.4</b>    | 101.9      | 22.8        | 203.9       | 310.1   |
| Translation adjustment   | <b>37.3</b>    | 4.8        | 61.6        | (31.0)      | (58.5)  |
| <b>Value at period end before adjustment of right-of-use asset</b> | <b>4 429.2</b> | 3 705.0    | 4 429.9     | 3 705.1     | 4 001.6 |
| Adjustment of right-of-use asset                                   | <b>(19.0)</b>  | (16.4)     | (19.6)      | (16.5)      | (19.1)  |
| <b>Value at period end</b>   | <b>4 410.3</b> | 3 688.6    | 4 410.3     | 3 688.6     | 3 982.5 |

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 September 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)             | 58               |
| Discount rate         | +/- 0,25 per cent points                 | (95)             | 89               |
| Operating costs       | +/- 10 per cent                          | (11)             | 11               |
| Market rent           | +/- 10 per cent                          | 200              | (200)            |
| Average rental growth | +/- 0,5 percentages points next 10 years | 150              | (145)            |

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



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## Note 04 Interest bearing debt

### Bond loan:

| <i>Amounts in NOK million</i>  | 30.09.2022   | 30.09.2021 | 31.12.2021 |
|--|--------------|------------|------------|
| <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   | (7)          | (13)       | (12)       |
| <b>Carrying amount interest-bearing debt*</b>  | <b>1 843</b> | 1 837      | 1 838      |
| Fair value of interest bearing debt, excess value/(reduced value) for the group in relation to book value* | (52)         | 27         | 43         |

\* Fair value of interest bearing debt, excess value/(reduced value) for the group in relation to book value.

### Bank loans:

| <i>Amounts in NOK million</i>                              | 30.09.2022 | 30.09.2021 | 31.12.2021 |
|--|------------|------------|------------|
| <b>Opening balance</b>                                     | <b>495</b> | 32         | -          |
| Net change in debt   | <b>164</b> | 293        | 437        |
| <b>Interest-bearing debt at period end</b>                 | <b>659</b> | 325        | 437        |
| Capitalised borrowing cost                                 | -          | -          | -          |
| <b>Carrying amount interest-bearing debt at period end</b> | <b>659</b> | 325        | 437        |
| Additional bank loan obtained before report date           | -          | -          | -          |
| <b>Bank loan at report date</b>                            | <b>659</b> | 325        | 437        |

### Construction loan:

| <i>Amounts in NOK million</i>                 | 30.09.2022 | 30.09.2021 | 31.12.2021 |
|---|------------|------------|------------|
| <b>Opening balance</b>                        | <b>29</b>  | -          | -          |
| Net change in debt                            | <b>6</b>   | -          | -          |
| <b>Interest-bearing debt as at period end</b> | <b>35</b>  | -          | -          |
| Capitalised borrowing cost                    | -          | -          | -          |
| <b>Carrying amount interest-bearing debt</b>  | <b>35</b>  | -          | -          |

### Revolving credit facility:

| <i>Amounts in NOK million</i>                 | 30.09.2022 | 30.09.2021 | 31.12.2021 |
|---|------------|------------|------------|
| <b>Opening balance</b>                        | -          | 173        | -          |
| Net change in debt                            | -          | (173)      | -          |
| <b>Interest-bearing debt as at period end</b> | -          | -          | -          |
| Capitalised borrowing cost                    | -          | -          | -          |
| <b>Carrying amount interest-bearing debt</b>  | -          | -          | -          |

### Interest-bearing debt at period end:

|  | NOK million  | Weighted average current interest <sup>1)</sup> | 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        | 7.04%   | 3 months NIBOR+4,25%            | None  | 1.2                                      | Yes                           |
| Bank loan                              | 659          | 5.09%   | 3 months NIBOR+2,30%            | 22.7  | 5.4                                      | Yes                           |
| Construction loan                      | 34           | 5.79%   | 3 months NIBOR+3,00%            | None  | N/A                                      | Yes                           |
| Revolving credit facility              | -            | 5.04%   | 3 months NIBOR+2,25%            | N/A   | N/A                                      | Yes                           |
| <b>Total</b>                           | <b>2 543</b> | <b>6.52%</b>                                    | <b>N/A</b>                      |   | <b>-</b>                                 | <b>Yes</b>                    |
| Swap agreements <sup>2)</sup>          |              | (1.17%)   |                                 |   |  |                               |
| <b>Total including swap agreements</b> |              | <b>5.35%</b>                                    |                                 |   |  |                               |

1) 3 months Nibor is set to 2.79% according to the latest determined interest rate on the bond loan.

2) See note 6.

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### Security bond loan:

| <i>Amounts in NOK million</i>   | YTD 2022       | YTD 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                                       | 165.7          | 93.0           | 110.9          |
| Sale of assets in pledged property portfolio                                    | (127.3)        | (133.3)        | (133.3)        |
| Inflow Disposal Account   | 127.3          | 133.3          | 133.3          |
| Outflow Disposal Account  | (152.9)        | (63.3)         | (92.6)         |
| Fair value and translation adjustments pledged property portfolio <sup>2)</sup> | 6.6            | 61.1           | 108.2          |
| <b>Value security end of period</b>   | <b>3089.3</b>  | <b>3 034.1</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 September 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 Kongsvinger AS, KMC Balsfjord AS and KMC Kvenild AS from KMC Properties AS to KMC Properties IV Norway AS for NOK 127.3 million, on 15 August 2022. The pur-

chase was done using standard terms, and the price was based on Cushman and Wakefield's valuation of the property on 30 June 2022. The purchase price was paid to the Disposal Account and used to buy the two property companies KMC Farsø A/S and KMC Nykøbing Mors A/S for NOK 138.2 million. Additionally Nordic Trustee has released NOK 14.7 million from the Disposal Account to finance the investments in existing properties 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:

| <i>Amounts in NOK million</i> | Q3 2022     | Q3 2021     | YTD 2022     | YTD 2021     | 2021         |
|-------------------------------|-------------|-------------|--------------|--------------|--------------|
| Rental Income Norway          | 40.8        | 32.8        | 123.5        | 86.7         | 121.7        |
| Rental Income Sweden          | 8.7         | 6.3         | 25.3         | 20.0         | 28.2         |
| Rental Income Denmark         | 8.2         | 6.7         | 20.4         | 17.8         | 23.7         |
| Rental Income Holland         | 6.8         | 3.9         | 20.3         | 20.1         | 26.8         |
| Rental Income Finland         | 1.2         | 3.0         | 3.5          | 5.3          | 4.6          |
| <b>Total Rental income</b>    | <b>65.7</b> | <b>52.7</b> | <b>193.1</b> | <b>149.9</b> | <b>205.0</b> |
| Property related costs        | (0.8)       | 0.0         | (2.1)        | (2.2)        | (2.5)        |
| <b>NOI from properties</b>    | <b>64.9</b> | <b>52.7</b> | <b>190.9</b> | <b>147.8</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.

| <i>Amounts in NOK million</i> | Q3 2022     | Q3 2021     | YTD 2022     | YTD 2021     | 2021         |
|-------------------------------|-------------|-------------|--------------|--------------|--------------|
| BEWI & subsidiaries           | 24.7        | 23.0        | 74.8         | 72.5         | 93.9         |
| Insula & subsidiaries         | 12.9        | 11.8        | 38.5         | 35.8         | 47.5         |
| Grøntvedt & subsidiaries      | 7.8         | 5.9         | 22.5         | 18.8         | 24.0         |
| PSW Technology                | 7.8         | 4.7         | 23.4         | 4.7          | 10.8         |
| Other                         | 12.6        | 7.3         | 33.8         | 18.2         | 28.8         |
| <b>Total</b>                  | <b>65.7</b> | <b>52.7</b> | <b>193.1</b> | <b>149.9</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<br>cost<br>30.09.2022 | Fair value through<br>profit or loss<br>30.09.2022 | <b>Total<br/>30.09.2022</b> | 31.12.2021       |
|--|---------------------------------|--|-----------------------------|------------------|
| <b>Financial assets</b>                          |                                 |  |                             |                  |
| Cash and cash equivalents                        | 106.8                           | -  | <b>106.8</b>                | 207.5            |
| Land plot lease agreements (financial asset)     | 17.5                            | -  | <b>17.5</b>                 | -                |
| Currency and interest swaps (long-term)          | -                               | 178.3  | <b>178.3</b>                | 67.7             |
| Trade receivables (non-interest bearing)         | 0.6                             | -  | <b>0.6</b>                  | 24.5             |
| Other receivables                                | 14.8                            | -  | <b>14.8</b>                 | 14.2             |
| <b>Total financial assets</b>                    | <b>139.6</b>                    | <b>178.3</b>                                       | <b>318.0</b>                | <b>314.0</b>     |
| <b>Financial liabilities</b>                     |                                 |  |                             |                  |
| Interest-bearing loans and borrowings            | 2 537.2                         | -  | <b>2 537.2</b>              | 2 275.0          |
| Land plot lease agreements (financial liability) | 17.5                            | -  | <b>17.5</b>                 | 19.1             |
| Other financial liabilities                      | 17.3                            | -  | <b>17.3</b>                 | 9.4              |
| Trade payables (non-interest bearing)            | 33.2                            | -  | <b>33.2</b>                 | 23.6             |
| Other current liabilities (non-interest bearing) | 32.6                            | -  | <b>32.6</b>                 | 38.0             |
| <b>Total financial liabilities</b>               | <b>2 637.8</b>                  | <b>-</b>   | <b>2 637.8</b>              | <b>2 365.1</b>   |
| <b>Net financial assets and liabilities</b>      | <b>(2 498.2)</b>                | <b>178.3</b>                                       | <b>(2 319.9)</b>            | <b>(2 051.1)</b> |

### Interest bearing loans

| <i>Amounts in NOK million</i>         | 30.09.2022     | 31.12.2021     |
|---------------------------------------|----------------|----------------|
| Bond                                  | <b>1 850.0</b> | 1 850.0        |
| Bank loan                             | <b>659.0</b>   | 436.7          |
| Construction loan (short-term)        | <b>35.3</b>    | -              |
| RCF (short-term)                      | -              | -              |
| <b>Total interest-bearing loans</b>   | <b>2 544.3</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>50%</b>     | 54%            |

### Swap agreements at period end

| Swap agreement      | Currency<br>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 30.09.2022, 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:

| <i>Amounts in NOK million</i>                      | Level 1 | Level 2 | Level 3 | Sum          |
|--|---------|---------|---------|--------------|
| Currency and interest swaps                        | -       | 178.3   | -       | <b>178.3</b> |
| <b>Sum financial assets measured at fair value</b> | -       | 178.3   | -       | <b>178.3</b> |

### Note 07 Discontinued operation

In the first half of 2022 the company decided to exit the Russian market and initiated a sale of its Russian subsidiary owning the company's office building in Moscow. The investment in Russia 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 September 2022. Sanctions imposed on the operations in Russia may lead to further impairment of the group's assets in Russia.

The office building in Moscow was valued at approximately NOK 92.0 million at the end of September 2022, down from approximately NOK 142.5 million at the end of 2021. The valuation is based on results from the current sales process. After a thorough bidding process, KMC Properties has accepted a bid valuing the property at USD 9 million. The company expects the transaction to be completed by the end of the year. However, there is a risk that the sales process will be negatively affected by the significant geopolitical risk in Russia.

### Discontinued operation

| <i>Amounts in NOK thousand</i>                               | Q3 2022         | Q3 2021 | YTD 2022        | YTD 2021 | 2021     |
|--|-----------------|---------|-----------------|----------|----------|
| Total income   | <b>11 111</b>   | 4 695   | <b>22 133</b>   | 14 582   | 21 169   |
| Total operating expenses                                     | <b>(7 467)</b>  | (2 777) | <b>(14 784)</b> | (7 736)  | (11 714) |
| <b>Operating profit (loss) before fair value adjustments</b> | <b>3 644</b>    | 1 918   | <b>7 349</b>    | 6 846    | 9 455    |
| Change in fair value adjustments on investment property      | <b>(35 405)</b> | -       | <b>(88 107)</b> | -        | (7 184)  |
| <b>Total operating profit (loss)</b>                         | <b>(31 761)</b> | 1 918   | <b>(80 758)</b> | 6 846    | 2 271    |
| Net financial income (expense)                               | <b>156</b>      | 44      | <b>253</b>      | 42       | 186      |
| <b>Earnings before tax (EBT)</b>                             | <b>(31 605)</b> | 1 962   | <b>(80 505)</b> | 6 888    | 2 457    |
| Tax expense  | <b>(29)</b>     | (253)   | <b>597</b>      | (281)    | (543)    |
| <b>Profit from discontinued operation</b>                    | <b>(31 634)</b> | 1 709   | <b>(79 908)</b> | 6 607    | 1 914    |
| Cash flow from operating activities                          | <b>3 654</b>    | 1 889   | <b>8 650</b>    | 4 126    | 7 983    |
| Cash flow from investing activities                          | <b>86</b>       | 29      | <b>74</b>       | 47       | 227      |
| Cash flow from financing activities                          | <b>(632)</b>    | -       | <b>(2 489)</b>  | (1 144)  | (8 756)  |
| <b>Net change in cash and cash equivalents</b>               | <b>3 108</b>    | 1 918   | <b>6 235</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 September 2022.

### Assets classified as held for sale

| <i>Amounts in NOK thousand</i>                      | 30.09.2022     | 30.06.2022 | 31.03.2022 |
|---|----------------|------------|------------|
| Investment property                                 | <b>92 027</b>  | 135 767    | 75 363     |
| Other long-term assets                              | <b>29</b>      | 35         | 28         |
| Trade receivables                                   | <b>3 367</b>   | 3 356      | 2 226      |
| Other receivables, prepaid expenses, and tax        | <b>4 944</b>   | 4 324      | 2 798      |
| Cash and cash equivalents                           | <b>9 635</b>   | 7 885      | 3 288      |
| <b>Total assets of disposal group held for sale</b> | <b>110 002</b> | 151 367    | 83 703     |

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

| <i>Amounts in NOK thousand</i>                           | 30.09.2022    | 30.06.2022 | 31.03.2022 |
|--|---------------|------------|------------|
| Other long-term liabilities                              | <b>300</b>    | 313        | 512        |
| Trade payables   | <b>123</b>    | 129        | 51         |
| Other current liabilities                                | <b>10 771</b> | 11 013     | 6 108      |
| <b>Total liabilities of disposal group held for sale</b> | <b>11 194</b> | 11 455     | 6 671      |



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The tenant 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 three quarters of 2022 purchased services for NOK 1.7 million from BEWI related companies, mainly cost of interim hiring of employees (NOK 0.6 million) and office rent (NOK 1.1 million) which is an entirely forwarded cost.

## 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> | 30.09.2022   | 30.09.2021   | 31.12.2021   |
|-------------------------------|--------------|--------------|--------------|
| Total equity                  | 2 024        | 1 721        | 1 836        |
| Deferred tax liabilities      | 178          | 104          | 132          |
| <b>Net asset value (NAV)</b>  | <b>2 202</b> | <b>1 824</b> | <b>1 968</b> |

### Debt ratio – group net LTV

| <i>Amounts in NOK million</i>                              | 30.09.2022   | 30.09.2021   | 31.12.2021   |
|--|--------------|--------------|--------------|
| Interest Bearing Debt (Bond, nominal value)                | 1 850        | 1 850        | 1 850        |
| Bank loan  | 659          | 325          | 437          |
| Loans from Credit Institutions (Construction loan and RCF) | 35           | -            | -            |
| Cash and cash equivalents                                  | (107)        | (276)        | (208)        |
| Mark-to-market hedge adjustment                            | (178)        | (39)         | (68)         |
| <b>Net Interest-Bearing Debt</b>                           | <b>2 259</b> | <b>1 860</b> | <b>2 012</b> |
| Investment Property (Market Value)                         | 4 410        | 3 705        | 4 002        |
| <b>Group Net LTV</b>                                       | <b>51.2%</b> | <b>50.2%</b> | <b>50.3%</b> |

### Net income from property management

| <i>Amounts in NOK million</i>                         | Q3 2022     | Q3 2021     | YTD Q3 2022 | YTD Q3 2021  |
|---|-------------|-------------|-------------|--------------|
| Operating profit (loss) before fair value adjustments | 55.5        | 43.8        | 159.1       | 54.4         |
| Net realised financials                               | (27.9)      | (24.0)      | (80.4)      | (63.6)       |
| <b>Net income from property management</b>            | <b>27.7</b> | <b>19.8</b> | <b>78.7</b> | <b>(9.2)</b> |

### EBITDA

| <i>Amounts in NOK million</i>            | Q3 2022     | Q3 2021     | YTD Q3 2022  | YTD Q3 2021 |
|--|-------------|-------------|--------------|-------------|
| Operating profit before changes in value | 55.5        | 43.8        | 159.1        | 98.2        |
| Depreciation                             | 0.1         | 0.4         | 0.1          | 1.0         |
| <b>EBITDA</b>                            | <b>55.7</b> | <b>44.1</b> | <b>159.3</b> | <b>99.2</b> |

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## Interest Cover Ratio (ICR)

| <i>Amounts in NOK million</i>         | <b>12 M - Q3 2022</b> | 12M - Q2 2022 | 12M - Q1 2022 | 12M - Q4 2021 |
|---------------------------------------|-----------------------|---------------|---------------|---------------|
| LTM EBITDA excl fair value adjustment | 210                   | 197           | 173           | 147           |
| Net Interest Cost                     | 99                    | 95            | 88            | 82            |
| ICR excl fair value adjustment        | 2.1x                  | 2.1x          | 2.0x          | 1.8x          |
| Covenant                              | 1.5x                  | 1.5x          | 1.5x          | 1.5x          |
| <b>Headroom</b>                       | 0.6x                  | 0.6x          | 0.5x          | 0.3x          |

According to the Bond terms KMC Properties ASA shall ensure that the Group maintains an Interest Cover Ratio of not less than 1.5x.

## Definitions

|  |  |
|--|--|
| <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>Interest Cover Ratio (ICR)</b>      | The ratio of EBITDA to Net Interest Cost   |
| <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 – depreciation   |
| <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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