

## Interim Financial Report// Half Year 2018



Company:

Park Street Nordicom A/S

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Board of Directors:

Andrew John Essex La Trobe, Chairman

Pradeep Pattem

Ohene Aku Kwapong

Lars-Andreas Nilsen

Anita Nassar

Management:

CEO Pradeep Pattem

Head of Finance David Casado

Auditor:

PriceWaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Main activity:

Park Street Nordicom is a fully integrated European real estate investment and asset management company with offices in Copenhagen and London.

It owns and manages a large portfolio of commercial properties located mainly in the Copenhagen area and Jutland.

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## Directors' report

### Result in the period 1 January – 30 June 2018

Park Street Nordicom result analysis primarily uses the term EBVAT (earnings before value adjustments and tax) to measure the Group's operating results.

In the 1st half of 2018, Park Street Nordicom achieved EBVAT of DKK 41.4 million (1st half of 2017: DKK 2.1 million), which is in line with management expectations for the period.

The EBVAT achieved in the 1st half of 2018 is DKK 39.3 million higher than the corresponding amount achieved in the 1st half of 2017. The improvement is primarily driven by the reduction of financial expenses because of overall debt reduction and lower margins from the refinancing activities. These changes were a consequence of restructuring concluded on the 27 of February 2018 with a share capital increase and debt conversion into equity.

The Group's equity as at 30th June 2018 was positive at DKK 734.9 million, compared to DKK 554.9 million as at 31 December 2017. The improvement in the Group's equity is due to the profit for the period and, as stated in the note 32 of the Annual Report 2017, the share capital and share premium increase of DKK 142.69 million. This increase consisted in a cash injection of DKK 50 million and a debt conversion into equity of DKK 92.69 million performed by the largest shareholder, Park Street NordAc Sarl.

### Expectations for 2018

Park Street Nordicom expectations for EBVAT (earnings before value adjustments and tax) at year-end 2018 is DKK 80 - 85 million, before the inclusion of profits generated in the sale of a property (in August 2018) and revaluation of investment properties due to the selective redevelopments that the Group is performing.

Park Street Nordicom is focussed on efficient management of its property portfolio and in exploring opportunities for significant value enhancement through asset management, design, redevelopment and technology deployment across its current and prospective future portfolio of assets.

### The general real estate market in context of Park Street Nordicom Portfolio

The real estate market in Denmark is well supported by a sustained economic growth, public sector investments and increasing foreign capital. The opening of student housing property developed by Danica, expected opening of metro in summer if 2019 and further several small projects in the vicinity of our assets in Nørrebro is an exciting development for our core assets in the area and support our strategy to focus redevelopment potential for the area in conjunction with long term strategic partners. The real estate market globally is embracing shift towards design, technology and service led approach to developing and managing space. This is particularly the case in sectors like specialized student housing and co-working areas. Park Street Nordicom's strategy for its portfolio is to leverage the design and technology skills for creating higher quality space for our prospective partners and tenants. Significant majority of the current portfolio is sustainably occupied and is cash generating, and there remain opportunities in several assets to create significant further value, with additional capital investments.

Park Street Nordicom is implementing several steps towards operational improvements and the strategic partnership with ISS to consolidate the building maintenance and caretaking for our portfolio is a major step towards it. The Group's focus for the future will be on further vacancy reductions and selectively establishing redevelopment opportunities.

The operation of the Group's properties in the first half of 2018 was generally as expected, with the vacancy rate (calculated by rental value) for the Group's investment properties without significant variations from the end of the year 2017. Significant portion of this vacancy is concentrated on potential redevelopment projects in Taastrup, Odense, and within storage assets in Næstved. Significant steps are being taken on the redevelopment project in Taastrup towards generating a future increase in the property value and Net Operating Income.

### **Property buy and sales**

In the 1st half of 2018, Park Street Nordicom sold the following properties and plots:

- Halfdans Vænge, Næstved (3 plots)

In addition to the above sales, Park Street Nordicom has made the following contracts of sale with handover to the buyers after end of June 2018:

- Commercial property sold in Hillerød.

Park Street Nordicom acquired the following property:

- Commercial property acquired in Ringsted

In addition to the above purchase, Park Street Nordicom has made the following buying contracts with handover after end of June 2018:

- Residential unit in Østerbro, Copenhagen.

### **Organisation and Annual General meeting held on April 19<sup>th</sup> 2018**

The Board of Directors of Park Street Nordicom consists of Andrew La Trobe, Pradeep Patten, Ohene Aku Kwabong, Anita Nassar and Lars-Andreas Nilsen.

The number of employees of Park Street Nordicom has increased from 24 by the end of 2017 to 26 in June 2018.

At the Annual general meeting of Park Street Nordicom A/S held on 19th April 2018, all proposals by the Board of Directors were approved.

Reference is also made to the distributed minutes of the ordinary general meeting on 19th April 2018, please refer to:

<http://www.psnas.com/index.php/generalforsamling/>

## Consolidated financial review

### PROFIT FOR 1<sup>st</sup> HALF OF 2018

As mentioned in the Director's report the EB VAT in the first half of 2018 is DKK 41.4 million (1<sup>st</sup> half of 2017: DKK 2.1 million). The improvement is primarily due to the reduction of financial expenses from reduced financial debt and lower cost of financing concluded with the recapitalisation of the company in February 2018 and slight increase in the Gross Profit together with a reduction of the overhead costs.

Park Street Nordicom's profit is DKK 37.2 million for the 1<sup>st</sup> half of 2018 compared to DKK 52.6 million in the 1<sup>st</sup> half of 2017. In the first half of 2017 one off adjustments generated a profit of DKK 55.4 million due to the cancellation of debt and disposal of subsidiaries linked to the restructuring process. No special items or fair value adjustments have been recorded in the first half of 2018.

The gross profit in the 1<sup>st</sup> half of 2018 is DKK 70.2 million (1<sup>st</sup> half of 2017: DKK 63.4 million), equivalent to an increase of DKK 6.8 million. The increase in gross profit is primarily due to the rent increase in 2018 due to renegotiation of lease contracts in the second half of 2017 and 2018. The gross profit is also positively affected by a reduction of the operating expenses as the maintenance costs have been lower and more efficient property management.

The Group's overheads were DKK 13.2 million in the 1<sup>st</sup> half of 2018 against DKK 15.1 million in the 1<sup>st</sup> half of 2017. The positive effect of the decrease in salary expenses (DKK 5.4 million) has been partially compensated by the increase in external advisor costs (DKK 4.1 million). Additionally, fixed assets depreciation has slightly decreased compared to the first half of 2017.

Financial expenses were DKK 15.6 million in the 1<sup>st</sup> half of 2018 compared to DKK 47.6 million, equivalent to a decrease of DKK 32.0 million as the debt to credit institutions was reduced and refinanced in the third quarter of 2017.

### BALANCE SHEET AS AT 30 JUNE 2018

Park Street Nordicom's balance sheet total as at 30 June 2018 was DKK 2,501.3 million, an increase of DKK 12.5 million on the balance sheet total compared to 31 December 2017. No significant changes have taken place on the assets side with a small increase on receivables and cash and short term deposits.

Group's equity at 30 June 2018 was positive by DKK 734.9 million against DKK 554.9 million as at December 31, 2017. The improvement in the Group's equity is due to the share capital increase and share premium increase of DKK 142.69 million as stated in the Director's report and the profit generated in the 1<sup>st</sup> half of 2018.

Liabilities to credit institutions were DKK 1,607.9 million as at 30 June 2018 (31 December 2017: DKK 1,783.3 million), consisting of DKK 1,477.6 million (92%) for non-current liabilities and DKK 130.3 million (9%) for current liabilities. In the 1<sup>st</sup> half of 2018, financial liabilities were reduced by DKK 175.4 million (net) because of debt conversions and ordinary repayments.

### CASH FLOWS FOR THE 1<sup>st</sup> HALF OF 2018

Cash flows from operating activities for the 1<sup>st</sup> half of 2018 were DKK 40.4 million (1<sup>st</sup> half of 2017: DKK 5.3 million), equivalent to an increase of DKK 35.1 million in relation to the same period last year. The increase is due primarily to lower financial expenses (decrease of DKK 27.6 million) and higher EBIT in the 1<sup>st</sup> half of 2018 (increase of DKK 8.6 million).

Cash flows from investing activities for the 1<sup>st</sup> half of 2018 were DKK 48.0 million (1<sup>st</sup> half of 2017: DKK 30.9 million). Cash flows from investing activities were positively affected by the cash injection in the share capital of DKK 50.0 million in the 1<sup>st</sup> half of 2018. The positive effect in the 1<sup>st</sup> half of 2017 was caused by the sale of investment properties initiated in 2016 (no sales of investment properties recorded in 2018). The effect on cash flow for the period of improvements to properties, etc. was DKK -0.8 million (1<sup>st</sup> half of 2017: DKK -5.7 million).

Cash flows from financing activities for the 1st half of 2018 were DKK -82.6 million (1st half of 2017: DKK -97.0 million) and were due to repayments of loans for both ordinary amortization and full repayments.

The Group's liquid assets amounted to DKK 25.8 million as at 30 June 2018 against DKK 19.9 million as at 31 December 2017.

### **Uncertainty in connection with recognition and measurement**

In connection with the submission of the interim report, management make a number of estimates and assessments regarding the carrying amount of assets and liabilities, including:

- Fair value of investment properties,
- Fair value of domicile properties,
- Impairment test on domicile properties,
- Classification of properties,
- Deferred tax assets and tax liabilities

Where estimates are concerned, there is uncertainty in relation to the stated factors and items. It may be necessary to change previous estimates on account of changes in the factors on which the estimates were based. Reference is made to note 1 to the consolidated financial statements in the Annual report for 2017 for further details on these assessments, estimates and associated uncertainties. New and changed assessments and estimates in the 1st half of 2018 are discussed in note 1 to the interim report.

### **Risk factors**

As mentioned in the Annual report for 2017, the financial management of the Group is geared towards optimising the term structure of liabilities in line with the Group's operations and minimizing the Group's financial risk exposure. It is part of the Group's policy not to conduct speculative transactions by active use of financial instruments, except to manage the financial risks inherent to the Group's core activities.

For further details of the Group's risks and risk management, see the company's Annual report for 2017 ('Risk factors' section on pages 10-11).

### **Expectations and other statements about the future**

As stated in the Director's Report with the completion of the restructuring plan as planned Park Street Nordicom expectations for EB VAT (earnings before value adjustments and tax) at year-end 2018 is DKK 80 - 85 million, before the inclusion of profits generated in the sale of a property (in August 2018) and revaluation of investment properties due to the selective redevelopments that the Group is performing. These expectations are in line with the ones published in the Annual report for 2017.

## Consolidated key figures and financial ratios

Key figures			
Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
<b>Income statement</b>			
Rental income	71,649	68,899	139,075
Total net sales	85,375	82,026	167,657
Gross profit	70,150	63,391	132,106
Operating Profit (EBIT)	56,993	48,296	99,299
Profit from primary operations	56,993	50,094	392,800
Financial items	-15,603	-46,225	-73,397
Earnings before value adjustments and tax (EBVAT)	41,390	2,071	25,902
Profit for the period	37,221	52,654	360,137
<b>Statement of financial position</b>			
Investment properties	2,257,359	1,922,227	2,255,395
Investments in property, plant and equipment	1,964	5,824	11,702
Balance sheet total	2,501,271	2,134,629	2,488,782
Interest-bearing debt	1,607,961	2,048,593	1,783,271
Total equity	734,856	19,592	554,947
<b>Statement of cash flows</b>			
Cash flows from operations	40,402	5,255	32,377
Cash flows from investment	48,036	30,886	24,893
Cash flows from financing	-82,622	-97,043	-116,556
<b>Other disclosures</b>			
Non-current liabilities as a proportion of total liabilities (%)	89.2	58.7	60.3
Share capital	67,513	12,028	42,853
Share price, end of period (DKK)	6.90	5.75	5.8
Share price change in points	1.10	4.45	4.5
Number of employees in the Group (average)	26	17	24
<b>Financial ratios</b>			
	1st half of 2018	1st half of 2017	Full year 2017
Return on property portfolio (% p.a.)	7.5	5.7	5.5
Average loan rate (% p.a.)	1.8	4.4	3.7
Return margin on property portfolio (% p.a.)	5.7	1.4	1.8
Return on equity (%)	10.1%	N/A	64.9%
Equity ratio (%)	29.4%	0.9%	22.3%
Net asset value per share, end of period (DKK)	10.9	1.6	13.0
Earnings per share (DKK), end of period (DKK)	0.6	4.4	8.4
Price/net asset value, end of period	0.6	3.6	0.4
Cash flow per share (DKK)	1.2	0.4	1.9

The above financial ratios are calculated in accordance with the definitions in CFA Society Denmark's 'Recommendations & Financial Ratios 2015'. Reference is made to note 33 to the consolidated financial statements in the Annual report for 2017.



## Statement by Board of Directors and Management

The Board of Directors and management have today discussed and adopted the interim report for the period 1 January - 30 June 2018 for Park Street Nordicom A/S.

The interim financial statements, which have not been audited or reviewed by the company's auditor, were submitted in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and Danish disclosure requirements for interim reports for listed companies.

In our opinion, the interim financial statements provide a true and fair view of the Group's assets, liabilities and financial position as at 30 June 2018 and of the profit from the Group's activities and cash flows for the period 1 January - 30 June 2018.

It is also our opinion that the directors' report contains a true and fair account of the development of the Group's activities and financial conditions, the profit for the period and the Group's financial position as a whole, and a description of the significant risks and uncertainty factors that the Group faces.

Copenhagen, 29 August 2018

### Management

Pradeep Pattem  
CEO

### Board of Directors

Andrew John Essex La Trobe  
Chairman

Pradeep Pattem

Ohene Aku Kwabong

Anita Nassar

Lars-Andreas Nilsen

## Income statement

Note	Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
3	Net sales	85,375	82,026	167,657
4	Operating expenses	-15,225	-18,635	-35,551
	<b>Gross profit</b>	<b>70,150</b>	<b>63,391</b>	<b>132,106</b>
	Employee benefit expenses	-5,767	-11,173	-21,847
	Other external expenses	-6,849	-2,680	-8,465
	Depreciation, amortisation and impairment	-541	-1,242	-2,495
	<b>Operating profit (EBIT)</b>	<b>56,993</b>	<b>48,296</b>	<b>99,299</b>
	Financial income	0	1,376	1,486
5	Financial expenses	-15,603	-47,601	-74,883
	<b>Earnings before value adjustments (EBVAT)</b>	<b>41,390</b>	<b>2,071</b>	<b>25,902</b>
6	Adjustment to fair value, net	0	1,798	366,898
	Gains realised on the sale of investment properties	0	0	0
	<b>Earnings before special items</b>	<b>41,390</b>	<b>3,869</b>	<b>392,800</b>
7	Special items	0	55,412	55,629
	<b>Profit before tax</b>	<b>41,390</b>	<b>59,281</b>	<b>448,429</b>
8	Tax on profit for the period	-4,168	-6,627	-88,292
	<b>Profit for the period</b>	<b>37,221</b>	<b>52,654</b>	<b>360,137</b>
	<b>Distributed as follows</b>			
	Parent's shareholders	37,221	52,654	360,137
	<b>Profit for the period</b>	<b>37,221</b>	<b>52,654</b>	<b>360,137</b>
	<b>Earnings per share</b>	<b>1.10</b>	<b>4.42</b>	<b>8.43</b>
	<b>Diluted earnings per share</b>	<b>1.10</b>	<b>4.42</b>	<b>8.43</b>

## Statement of comprehensive income

Note	Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
	<b>Profit for the period</b>	<b>37,221</b>	<b>52,654</b>	<b>360,137</b>
	<b>Other comprehensive income:</b>			
	<i>Items that cannot be reclassified to the income statement:</i>			
	Fair value adjustment of headquarters properties	0	0	33,096
	Tax on fair value adjustment of headquarters properties	0	0	-7,281
	<b>Other comprehensive income after tax</b>	<b>0</b>	<b>0</b>	<b>25,815</b>
	<b>Comprehensive income for the period</b>	<b>37,221</b>	<b>52,654</b>	<b>385,952</b>
	<b>Distributed as follows</b>			
	Parent's shareholders	37,221	52,654	385,952
	<b>Comprehensive income for the period</b>	<b>37,221</b>	<b>52,654</b>	<b>385,952</b>

## Statement of financial position

Note	Amounts in DKK 1000s	30 June 2018	30 June 2017	31 December 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Property, plant and equipment</b>				
	Domiciles	180,923	148,608	180,923
9	Investment properties	2,257,359	1,922,227	2,255,395
	Machinery and equipment	2,371	2,992	2,912
		<b>2,440,653</b>	<b>2,073,827</b>	<b>2,439,230</b>
<b>Financial assets</b>				
	Deferred tax assets	0	2,203	0
	Deposits	192	61	227
		<b>192</b>	<b>2,264</b>	<b>227</b>
	<b>Total non-current assets</b>	<b>2,440,845</b>	<b>2,076,091</b>	<b>2,439,457</b>
<b>Current assets</b>				
	Mortgages and instruments of debt	8,752	8,944	8,881
	Project holdings	1,628	3,901	2,370
	Receivables	20,091	25,913	15,315
	Prepaid expenses and accrued income	4,185	1,443	2,806
	Cash and short-term deposits	25,769	18,337	19,953
	<b>Total current assets</b>	<b>60,426</b>	<b>58,538</b>	<b>49,325</b>
	<b>Total assets</b>	<b>2,501,271</b>	<b>2,134,629</b>	<b>2,488,782</b>

## Statement of financial position

Note	Amounts in DKK 1000s	30 June 2018	30 June 2017	31 December 2017
<b>LIABILITIES</b>				
<b>Equity</b>				
	Share capital	67,513	12,028	42,853
	Foreign currency reserve	0	146	0
	Revaluation reserve	44,147	19,742	44,147
	Share Premium	289,260	0	171,232
	Accumulated profit	333,936	-12,324	296,715
10	<b>Total equity</b>	<b>734,856</b>	<b>19,592</b>	<b>554,947</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
	Deferred tax	88,172	0	88,187
12	Credit institutions	1,477,654	1,225,213	1,501,353
	Deposits	10,591	15,369	10,646
		<b>1,576,418</b>	<b>1,240,582</b>	<b>1,600,186</b>
<b>Current liabilities</b>				
	Provisions for liabilities	2,000	2,085	2,000
12	Credit institutions	130,306	823,380	281,918
	Trade and other payables	5,386	3,800	4,375
	Income tax payable	6,427	4,596	3,152
	Deposits	30,139	25,739	29,999
	Other liabilities	15,739	14,855	12,205
		<b>189,997</b>	<b>874,455</b>	<b>333,649</b>
	<b>Total liabilities</b>	<b>1,766,415</b>	<b>2,115,037</b>	<b>1,933,835</b>
	<b>Total equity and liabilities</b>	<b>2,501,271</b>	<b>2,134,629</b>	<b>2,488,782</b>

## Statement of equity

Amounts in DKK 1000s	Share capital	Foreign currency reserve	Revaluation reserve	Accumulated profit	Share Premium	Equity Total
<b>Statement of equity for 1st half of 2018</b>						
Equity as at 1 January 2018	42,853	0	44,147	296,715	171,232	554,947
<b>Comprehensive income for the period</b>						
Profit for the period	0	0	0	37,221	0	37,221
<b>Comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,221</b>	<b>0</b>	<b>37,221</b>
<b>Transactions with owners</b>						
Cash injection by existing shareholders	8,641	0	0	0	41,359	50,000
Liabilities with financial institutions converted into Equity	16,019	0	0	0	76,669	92,688
<b>Total transactions with owners</b>	<b>24,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>118,028</b>	<b>142,688</b>
<b>Other adjustments</b>						
Depreciation of revalued value of domiciles	0	0	0	0	0	0
<b>Total other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity as at 30 June 2018</b>	<b>67,513</b>	<b>0</b>	<b>44,147</b>	<b>333,936</b>	<b>289,260</b>	<b>734,856</b>
<b>Statement of equity for 1st half of 2017</b>						
Equity as at 1 January 2017	12,028	146	19,894	-65,130	0	-33,062
<b>Comprehensive income for the period</b>						
Profit for the period	0	0	0	52,654	0	52,654
<b>Comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52,654</b>	<b>0</b>	<b>52,654</b>
<b>Other adjustments</b>						
Depreciation of revalued value of domiciles	0	0	-152	152	0	0
<b>Total other adjustments</b>	<b>0</b>	<b>0</b>	<b>-152</b>	<b>152</b>	<b>0</b>	<b>0</b>
<b>Equity as at 30 June 2017</b>	<b>12,028</b>	<b>146</b>	<b>19,742</b>	<b>-12,324</b>	<b>0</b>	<b>19,592</b>

## Statement of cash flows

Note	Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
	<b>Operating profit (EBIT)</b>	<b>56,993</b>	<b>48,296</b>	<b>99,299</b>
	Adjustment for illiquid operating items, etc.	541	-917	2,920
	Change in project holdings, net	742	-85	1,446
	Change in other operating capital	-1,362	-202	-1,304
	<b>Cash flows concerning primary operations</b>	<b>56,913</b>	<b>47,092</b>	<b>102,361</b>
	Financial income received	0	1,376	196
	Financial expenses paid	-15,603	-43,213	-70,180
	Paid Corporate Tax	-908	0	0
	<b>Total cash flow from operating activities</b>	<b>40,402</b>	<b>5,255</b>	<b>32,377</b>
	<b>Cash flow from investing activities</b>			
	Improvements to investment properties	-839	-5,686	-11,171
	Sales of investment properties	0	36,710	36,587
	Purchases of other property, plant and equipment	-1,125	-138	-531
	Share capital increase (cash injection)	50,000	0	0
	Sale of fixed assets	0	0	8
	<b>Total cash flow from investing activities</b>	<b>48,036</b>	<b>30,886</b>	<b>24,893</b>
	<b>Cash flow from financing activities</b>			
	Proceeds from assumption of liabilities to credit institutions	0	0	1,743
	Repayment of liabilities to credit institutions	-82,622	-97,043	-118,299
	<b>Total cash flow from financing activities</b>	<b>-82,622</b>	<b>-97,043</b>	<b>-116,556</b>
	<b>Total cash flow for the period</b>	<b>5,816</b>	<b>-60,902</b>	<b>-59,286</b>
	Liquid assets as at 1 January	19,953	79,239	79,239
	<b>Liquid assets at the end of the period</b>	<b>25,769</b>	<b>18,337</b>	<b>19,953</b>
	<b>Liquid assets at the end of the period</b>			
	Cash and short term deposit	25,769	18,337	19,953
	Liquid assets held for sale	0	0	0
	<b>Liquid assets at the end of the period</b>	<b>25,769</b>	<b>18,337</b>	<b>19,953</b>

## Notes

### Note 1 - Accounting policies, accounting estimates and risks, etc.

#### Accounting policies

The interim report was submitted in accordance with IAS 34 'Interim Financial Reporting', as adopted by the EU, and Danish disclosure requirements for interim reports for listed companies. No interim financial statements were prepared for the Parent. The interim report is presented in Danish kroner (DKK), which is the functional currency of the Parent.

Apart from the below, the accounting policies are unchanged in relation to the Annual report for 2017. Reference is made to note 33 to the consolidated financial statements in Park Street Nordicom's Annual report for 2017 for a full description of the accounting policies used.

#### Changes to accounting policies

Park Street Nordicom has implemented the IFRS standards and interpretative contributions that enter into force for 2018. None of these affected recognition and measurement in 2018.

#### Accounting assessments and estimates

No significant new accounting assessments or changes to accounting estimates have been made in the interim report for the 1st half of 2018 in relation to the Annual report for 2017. For a description of significant accounting assessments and estimates, see note 1 to the consolidated financial statements in the Annual report for 2017.

### Note 2 - Seasons

As in previous years, the Group's activities were not affected by seasonal or cyclical fluctuations in the interim period.

### Note 3 - Net sales

	1st half of 2018	1st half of 2017	Full year 2017
<b>Amounts in DKK 1000s</b>			
Rental income	71,649	68,899	139,075
Sales of other services	11,067	10,290	22,645
Total sales of services	82,716	79,189	161,720
Sales totals, project holdings	1,164	1,716	3,816
Interest income, mortgages and instruments of debt	333	347	518
Sales of goods	1,162	774	1,603
	<b>85,375</b>	<b>82,026</b>	<b>167,657</b>



## Note 4 - Operating expenses

Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
Operating expenses, investment properties	8,477	11,408	20,175
Cost and expenses for projects sold	688	2,031	3,687
Operating expenses, other services	4,884	4,949	11,112
Cost of goods sold	1,176	247	577
	<b>15,225</b>	<b>18,635</b>	<b>35,551</b>

## Note 5 - Financial expenses

Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
Interest expenses, liabilities to credit institutions measured at fair value	0	45,558	60,140
Interest expenses, liabilities to credit institutions measured at amortized cost	15,511	0	8,577
Amortization of convertible bond	0	587	881
Other interest costs and fees	92	1,456	5,285
	<b>15,603</b>	<b>47,601</b>	<b>74,883</b>

## Note 6 - Adjustment to fair value, net

Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
Fair value adjustment, investment properties	0	5,081	332,764
Fair value adjustment, mortgage debt and bank debt	0	-3,283	34,134
	<b>0</b>	<b>1,798</b>	<b>366,898</b>

## Note 7 – Special items

Amounts in DKK 1000s	1st half of 2018	1st half of 2017	Full year 2017
Disposal of associated subsidiaries	0	9,304	27,172
Cancellation of debt	0	48,510	33,642
Cost for restructuring	0	-2,402	-5,185
	<b>0</b>	<b>55,412</b>	<b>55,629</b>

## Note 8 - Tax

The tax expense recognised in the income statement for the accounting period was calculated based on the net profit before tax and an estimated effective tax rate for the Group for 2018. The estimated effective tax rate for 2018 is 10.0% as there are significant losses carried forward from previous years.

## Note 9 - Investment properties

	30 June 2018	30 June 2017	31 December 2017
<b>Amounts in DKK 1000s</b>			
Book value as at 1 January	2,255,395	1,911,467	1,911,467
Expenses paid for improvements	839	5,679	11,164
Additions	1,125	0	0
Adjustment to fair value, net	0	5,081	332,764
<b>Total book value</b>	<b>2,257,359</b>	<b>1,922,227</b>	<b>2,255,395</b>

A commercial property has been acquired in January 2018 in Ringsted.

## Note 10 – Share Capital

	30 June 2018	30 June 2017	31 December 2017
<b>Amounts in DKK 1000s</b>			
Share capital opening period	42,853	12,028	12,028
Share capital increase	24,660	0	30,825
<b>Share capital closing period</b>	<b>67,513</b>	<b>12,028</b>	<b>42,853</b>

The share capital consists of 67,513,372 shares of DKK 1 (31 December 2017: 42,852,689 shares of DKK 1). No shares have special rights. The shares are fully paid.

As stated in the Nasdaq announcement of 27th of February 2018, the board of directors of Park Street Nordicom A/S decided to exercise its authorisation granted at the annual general meeting held on 27 April 2017 to complete a direct capital increase by cash injection at market price against issuance of class B share capital as well as direct capital increase at market price through debt conversion against the issuance of class B share capital.

The total cash injection is DKK 50 Million while the nominal amount of debt is DKK 92.69 Million. The new class B shares subscription has been made at a market price of 5.786. Thus, the total capital increase has total amount of DKK 142.69 Million class B shares.

Park Street NordAc Sarl, a controlled group of Park Street Asset Management Ltd. subscribed to all the new class B shares in connection with the capital increase.

After the subscription of the new class B shares Park Street Asset Management Ltd. and Park Street NordAc Sarl will own 100% of the nominal class B share capital and 55.89% of the nominal class A share capital and a total of 92.14% (and a corresponding percentage of the votes) of the total nominal share capital of the Company.

## Note 11 - Contingent liabilities and assets

There have been no significant changes in contingent liabilities or assets since the Annual report for 2017, to which reference is made.

## Note 12 – Credit Institutions

The evolution of the long and short term liabilities with credit institutions is specified as follows:

Amounts in DKK 1000s	2018
Non-current financial liabilities with credit institutions	1,501,353
Current financial liabilities with credit institutions	281,918
<b>Financial liabilities with credit institutions at 1 January, 2018</b>	<b>1,783,271</b>
Repayment of liabilities to credit institutions	-82,622
Mortgage and bank debt converted into equity	-92,689
<b>Financial liabilities with credit institutions at 30 June, 2018</b>	<b>1,607,961</b>
Non-current financial liabilities with credit institutions	1,477,654
Current financial liabilities with credit institutions	130,306
<b>Total financial liabilities with credit institutions at 30 June, 2018</b>	<b>1,607,961</b>

After the restructuring that took place in the last quarter of 2017 the Group's mortgage debt and bank debt is classified as amortized cost while previously this debt was classified as fair value through profit and loss based on quoted market prices for the underlying bonds adjusted for an estimate of changes in the Group's own credit rating.

Fair value of the loan measured at amortized cost amount to DKK 1,604,413. Fair Value has been determined as the present value of the contractual cash flows discounted at a rate reflecting the current borrowing rate.

The Group's financial assets and liabilities measured at fair value are classified on the following 3 levels in the fair value hierarchy:

- Level 1: Based on listed prices (non-adjusted) on active markets for identical assets or liabilities.
- Level 2: Based on inputs other than listed prices that are observable for the asset or liability, either direct (as prices) or indirect (derived from prices).
- Level 3: Based on data that is not observable in the market.

Fair value hierarchy:

Amounts in DKK 1000s	Book value (fair value)	Level 1	Level 2	Level 3
<b>30 June 2018</b>				
Mortgages and instruments of debt	8,752	0	8,752	0
<b>Total financial assets</b>	<b>8,752</b>	<b>0</b>	<b>8,752</b>	<b>0</b>
Credit institutions	3,548	0	0	3,548
<b>Total financial liabilities</b>	<b>3,548</b>	<b>0</b>	<b>0</b>	<b>3,548</b>
<b>30 June 2017</b>				
Mortgages and instruments of debt	8,944	0	8,944	0
<b>Total financial assets</b>	<b>8,944</b>	<b>0</b>	<b>8,944</b>	<b>0</b>
Credit institutions	1,996,499	0	1,809,765	186,734
<b>Total financial liabilities</b>	<b>1,996,499</b>	<b>0</b>	<b>1,809,765</b>	<b>186,734</b>

It is the Group's policy to recognise transfers between the different levels from the time at which an event or change in circumstances entails a change in the classifications. No transfers were made between levels 1 and 2 in the accounting period.

When calculating the fair value of the Group's liabilities in accordance with level 3 of the fair value hierarchy, a correction is made for the Group's own credit rating, taking into account the legal status of the liabilities, and the security in the assets measured at fair value. Consequently, no direct assumptions of discount factors, etc. are included when measuring liabilities to credit institutions in accordance with level 3 of the fair value hierarchy.

## Note 13 – Subsequent Events

Park Street Nordicom has refinanced a bank facility agreement of 87 million DKK which was expiring by the end of June 2018. The new facility agreement of 100 million DKK has a maturity of one year and with a further extension option an additional year.

On August 1<sup>st</sup>, 2018 Park Street Nordicom has sold a retail asset located in Hillerød. The sale of the asset has generated a profit not considered in the Budget published for 2018. A residential unit has been acquired with effective takeover date of November 1, 2018 in the Østerbro neighbourhood in Copenhagen.

With effective date as of September 1<sup>st</sup> the Group has acquired 100% of the shares of the architect company Phoam Studio ApS, which is a significant positive step towards the Park Street Nordicom's strategy for creating value across its portfolio of assets leveraging design and technology.

No other circumstances have occurred, from the balance sheet date and up to the date of submission of this interim report that have a significant influence on the assessment of the interim report.