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Interim report

2021

Second quarter and first half

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Letter from the CEO

During the second quarter and into the third quarter this year, we have had very good progress on our growth initiatives, including announcement of a total of three development projects and four acquisitions. This follows the integration of the companies acquired towards the end of 2020, as well as a strengthening of our organisation early this year, providing us with a solid foundation to successfully execute on an attractive portfolio of opportunities.

Recently, we announced entering a Letter of Intent with Slakteriet to build a slaughterhouse facility estimated at NOK 620 million kroner. This was the third greenfield development agreement announced in 2021, of which the last two are with new tenants, enabling us to further diversify our customer portfolio in line with our strategy. Slakteriet is a well-established company, and thus another solid counterparty to us.

Early July, we entered an agreement with Oppdal Spekemat for construction of a new production facility at an investment cost of approximately NOK 80 million. Oppdal Spekemat is a Norwegian producer and seller of traditional cured meats and related products established in 2009, with a solid market position in Norway, including the brands Grillstad and Spis.

Finally, since the announcement of the letter of intent with our largest tenant BEWI in March, for development of a packaging hub at Jøsnøya, this project has had good progress. We have entered a conditional long-term lease agreement for the property, as well as an agreement for the pre-project phase. This adds to our existing construction project with BEWI at Senja, which is soon to be completed.

As mentioned in the report for the first quarter, we acquired two industrial properties in the second quarter. Since then, we have acquired a large industrial property at Mongstad for NOK 285 million. Like the rest of our portfolio, this property includes a long-term lease agreement with a solid tenant. In addition, the strong environmental profile of this



facility, combined with the additional development potential of the property area, carried a lot of weight in our investment decision for this property.

KMC Properties portfolio is partly a result of several acquisitions during 2020, and now also a number of acquisitions and development projects initiated this year. This sums up to a diversified portfolio of close to 45 logistics- and industrial properties, in addition to an office building in Moscow. I am very pleased with our progress, and we look forward to announcing further investment projects in line with our strategy during the next few months. All our projects have similar key characteristics as we have today: Strategic locations, long lease agreements and solid counterparts.

KMC Properties has a well-experienced organisation, a solid financial position, and a strong property portfolio. This, combined with a continuously strong pipeline of exciting investment opportunities, make us confident that we will deliver on our strategic target of a NOK 8 billion real estate portfolio by the end of 2025.

Trondheim, 25 August 2021



Liv Malvik
Chief executive officer
KMC Properties ASA

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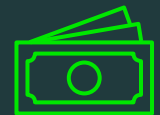
- Income of NOK 53.7 million for the second quarter of 2021
- Net income from property management of NOK 14.7 million
- Acquisition of industrial property in Denmark ~NOK 28.0 million
- Acquisition of industrial property near Molde in Norway ~NOK 43.5 million
- Invested ~NOK 30.3 million in development of existing properties

Highlights for the first half of 2021

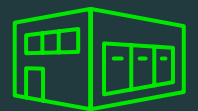
- Income of NOK 106.8 million for the first half of 2021
- Net income from property management of NOK 19.2 million
- Invested ~NOK 151.5 million in new properties and development of existing properties
- Net value changes to property portfolio of NOK 217.6 million

Subsequent events

- Conditional offer accepted for production facility in Denmark for DKK 75 million
- Letter of Intent with Slakteriet Holding AS to build a NOK 620 million slaughterhouse facility
- Agreement with Oppdal Spekemat for construction of new production facility
- Long-term lease agreement with BEWI for new packaging hub at Jøsnøya
- Acquisition of industrial property with long-term lease at Mongstad for NOK 285 million
- Refinancing of Havnegata 16 with a bank loan (see note 5)



Net yield
6.1%



Portfolio value
~3.3bn



Wault (years)
~10.6



Group net LTV
~56.6%

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Amounts in NOK million	Q2 2021	Q1 2021	1H 2021	2020
Rental income	53.7	53.1	106.8	51.8
Change from previous period	1%	N/A ¹	N/A ¹	N/A ¹
Net operating income (NOI)	51.7	48.9	100.6	49.0
Change from previous period	6%	N/A ¹	N/A ¹	N/A ¹
Net income from property management ²	14.7 ²	4.6 ²	19.2 ²	8.3
Change from previous period	220%	N/A ¹	N/A ¹	N/A ¹
Profit before tax	43.8	76.5	120.2	406.9
Change from previous period	(43%)	N/A ¹	N/A ¹	N/A ¹
Profit after tax	30.9	60.6	91.5	312.6
Change from previous period	(49%)	N/A ¹	N/A ¹	N/A ¹
Group property portfolio value (NOK million)	3 307	3 094	3 307	3 090
Net nominal interest bearing debt ²	1 873	1 745	1 873	1 717
Group net loan to value (%) ²	56.6	56.4	56.6	55.6
Net asset value adjusted (NOK million)	1 403	1 297	1 403	1 293
WAULT (years) ³	10.6	10.7	10.6	10.7
Occupancy rate (%)	98.8	98.7	98.8	98.7

1) Not applicable - The current business was established in December 2020.

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

3) Does not include property in Moscow which has mostly spot contracts.

Amounts in NOK million	Annual run rate ¹
Gross rental income	246.3
Property related expenses	(12.7)
Net operating income	233.6
SG&A expenses ²	(25.0)
EBITDA	208.6
Realised financial expenses ³	(93.1)
Net income from property management	115.5

1) Based on final agreements as of 25 August 2021.

2) Does not include transaction costs.

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

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

As described in the annual report for 2020, the transaction is accounted for as a reverse takeover with KMC Properties AS being identified as the accounting acquirer. Thus, consolidated financial statements have been prepared as if KMC Properties ASA is a continuation of KMC Properties AS.

As a result of KMC Properties AS being the accounting acquirer, the reported figures in the consolidated statement of comprehensive income for 2020 includes only the figures for KMC Properties AS. Financials for Grøntvedt Næringsbygg AS, Pesca Property AS, former Storm Real Estate ASA and the four properties in the Netherlands are not included in the consolidated figures for 2020, as these companies were

formally acquired during the last days of December 2020, and the related financials for these few days were considered immaterial.

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

The consolidated statement of financial position as of 31 December 2020 include all assets and liabilities in the companies acquired in 2020.

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Change in rental income from Q1 2021 to Q2 2021

NOK million	Q1 2021 – Q2 2020
Rental income previous period	53.1
Acquisitions	0.5
Change in vacancy (Russia)	(0.2)
Agio/disagio	(0.4)
Other	0.7
Rental income current period	53.7

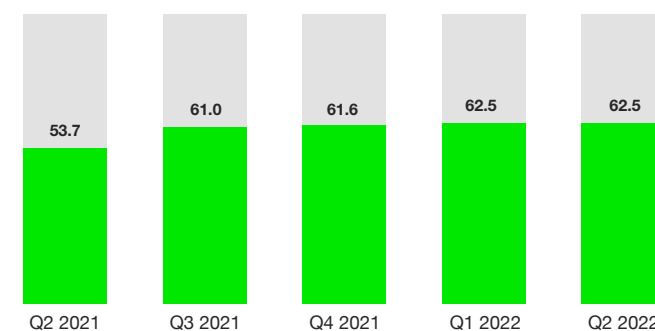
Rental income for the second quarter of 2021 amounted to NOK 53.7 million. The change of approximately NOK 0.6 million from the previous period is specified in the table above. "Other" is a correction of previous invoicing.

For the first half of 2021, total rental income was NOK 106.8 million.

Contracted rental income development

(based on final agreements as of 25 August 2021)

In NOK million



Net operating income

Since most of the group's lease agreements are triple net bare house agreements, direct property costs are relatively low. Hence net operating income amounted to NOK 51.7 million and NOK 100.6 million for the second quarter and first half of 2021 respectively.

Employee benefit and salary expenses amounted to NOK 4.6 million for the second quarter of 2021, and NOK 7.3 million for the first half of 2021. The company has significantly strengthened its organisation during the first six months of 2021.

Other operating expenses were NOK 12.2 million for the second quarter, and NOK 33.8 million for the first six months of the year. The high administrative costs in the first quarter (NOK 4.1 million) related to high audit costs related to the complex transactions in the fourth quarter of 2020, as well as costs relating to the restructuring of the group. Please see the comments concerning the transactions in 2020 above. The transaction costs are mainly legal and consultant costs relating to investment and financing activities.

NOK million	Q2 2021	1H 2021
Administrative costs	2.0	6.1
Transaction costs	10.2	27.7
Other operating expenses	12.2	33.8

Total operating profit amounted to NOK 34.6 million for the second quarter and NOK 58.9 million for the first half of 2021.

Net financials

NOK million	Q2 2021	1H 2021
Realised financial income	0.0	0.0
Interest expenses	(19.9)	(39.6)
Net realised financials	(19.9)	(39.6)
Change in value financial instruments	(14.9)	26.8
Other unrealised financial income	12.8	12.8
Other unrealised financial expenses	(5.8)	(40.7)
Net financials	(27.8)	(40.6)

Net income from property management (see definition under "Alternative Performance Measures") increased from NOK 4.6 million for the first quarter to NOK 14.7 million for the second quarter of 2021, primarily due to reduced transaction costs in the second quarter.

Net profit was NOK 30.9 million for the quarter and NOK 91.5 million for the first half of 2021.

Total comprehensive income came in at NOK 55.7 million for the second quarter and NOK 55.6 million for the first half of the year.

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Property portfolio

NOK million

Opening balance (01.01.2021)	3 089.8
Additions	151.5
Fair value adjustments in the period	102.0
Translation adjustments	(35.9)
Value at period end (30.06.2021)	3 307.4

The portfolio is valued by Cushman & Wakefield quarterly. Total change in value in the first half of 2021 amounted to NOK 217.6 million, due to expansion projects, investments in new facilities, acquisitions of new properties of NOK 151.5 million, fair value adjustments of NOK 102.0 million, and translation adjustments of NOK -35.9 million.

Other assets as of 30 June 2021 consists primarily of interest rate and currency rate swap agreements of NOK 35.0 million, trade receivables at NOK 11.0 million, prepaid expenses, VAT receivables, tax receivables, and other current receivables at NOK 36.1 million, as well as NOK 147.3 million in cash.

Total non-current liabilities amounted to NOK 1 976.7 million at the end of June this year, up from NOK 1 909.0 million at the end of 2020. The liabilities consist mainly of interest-bearing debt of NOK 1 867.0 million, see table below, deferred tax liabilities of NOK 78.2 million, and land lease liabilities of NOK 17.4 million.

Interest bearing debt as of 25 August 2021:

	NOK million*	Weighted average current interest	Weighted average interest terms	Weighted average amortisation plan (years)	Weighted average years to final Maturity	In compliance with covenants?
Bond loan	1 850.0	4.47%	3 months NIBOR + 4.25%	None	2.3	Yes
Bank loan	326.0	2.9%	3 months NIBOR + 2.5%	20.5	7.7	Yes
Revolving credit facility	172.5	2.61%	3 months NIBOR + 2.25%	0.3	0.3	Yes

Total current liabilities amounted to NOK 235.6 million and consisted mainly of utilisation of the revolving credit facility of NOK 172.5 million, trade payables of NOK 22.8 million, taxes of NOK 8 million and prepaid rent of NOK 20.0 million).

Total equity was NOK 1 325.8 million on 30 June 2021, representing an equity ratio of 37.5 per cent, compared to NOK 1 243.1 million at the end of 2020, equalling an equity ratio of 37.7 per cent.

Consolidated cash flow

Operating activities generated a cash inflow of NOK 3.1 million in the second quarter and NOK 4.3 million in the first half of the year. The low cash flow from operations is due to working capital movements.

Investing activities generated a cash outflow of NOK 101.8 million in the second quarter and NOK 151.5 million in the first half of 2021, due to investments in expansion projects, investments in new facilities and acquisitions of new properties.

Financing activities led to a cash inflow of NOK 169.4 million for the first six months of 2021 due to increase in interest bearing debt and the repair equity issue in the first quarter this year.

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KMC Properties ASA is a real estate company focused on owning industrial- and logistics properties. As of 25 August 2021, the company owned a diversified portfolio of more than 40 properties in the Nordics and the Netherlands. The properties have long-term lease agreements with solid counterparties, strategically located for the tenants. In addition, the company owns an office building in Moscow, Russia.

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 January	KMC Properties AS was incorporated, but did not have operational activities until 26 May 2020
Between 26 May and 30 September	Between 26 May 2020 and 30 September 2020, KMC AS acquired several subsidiaries which in turn owned properties
16 November	KMC Properties AS enters into a conditional agreement to purchase all the shares in Pesca Property AS
17 November	KMC Properties AS enters into a conditional agreement to form a combined entity with Storm Real Estate ASA (later KMC Properties ASA)
27 November	Storm Real Estate ASA (later KMC Properties ASA) successfully completed the placement of a NOK 1 850 million senior secured bond with 3 years tenor
14 December	Storm Real Estate ASA (later KMC Properties ASA) successfully completed the NOK 300 million private placement at NOK 7 per share
18 December	Extraordinary general meeting held in Storm Real Estate ASA (later KMC Properties ASA) where resolutions in connection to the transaction with KMC Properties AS and related financing activities were adopted
20 December	Swedbank's loan to Storm Real Estate ASA (later KMC Properties ASA) was purchased by the ten largest shareholders in the company (as of 17 November 2020).
	Completion of the agreement to combine Storm Real Estate ASA (later KMC Properties ASA) and KMC Properties AS into one entity, after the final condition for the agreement (purchase of the Swedbank loan) was fulfilled. This completion fulfilled the final condition for the purchase of all the shares in Pesca Properties AS, see item above
22 December	Commencement of the offer period in the mandatory offer (Both EBE Eiendom AS and Kverva Industrier AS triggered a mandatory offer when they both acquired more than 40% of the shares in Storm Real Estate ASA (later KMC Properties ASA)).
	Liv Malvik was appointed as new CEO of Storm Real Estate ASA (later KMC Properties ASA)
23 December	The NOK 1 850 million senior secured bond was released from escrow account. Same day, Storm Real Estate ASA (later KMC Properties ASA) received NOK 300 million from the private placement. Use of proceeds were refinancing of the previous debt in KMC Properties AS and Pesca Property AS, purchase of four properties in the Netherlands from BEWi ASA, and purchase of Grøntvedt Næringseiendom AS
30 December	Storm Real Estate ASA changed its name to KMC Properties ASA and its municipality from Oslo to Trondheim
23 August	Letter of Intent with Slakteriet to build a NOK 620 million salmon slaughterhouse facility
25 August	Conditional offer accepted by Limo Labels on label production facility in Denmark for DKK 73 million
2021	EVENT
19 January	End of offer period in the mandatory offer, see item above
19 February	Completion of subsequent offering related to the NOK 300 million private placement
3 March	Letter of intent with BEWI for development of packaging hub at Hitra
13 April	Acquisition of industrial property in Denmark
27 May	Acquisition of industrial property outside Molde in Norway
27 May	Appointment of Kristoffer Holmen as CFO
2 July	Agreement with Oppdal Spekemat for construction of new production facility
8 July	Long-term lease agreement with BEWI for new packaging hub at Jøsnøya, Hitra
12 July	Acquisition of industrial property with long-term lease at Mongstad for NOK 285 million
23 August	Letter of Intent with Slakteriet to build a NOK 620 million salmon slaughterhouse facility
25 August	Conditional offer accepted by Limo Labels on label production facility in Denmark for DKK 75 million

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Important events in the first half of 2021

Organisation

During the first half of 2021, KMC Properties significantly strengthened its organisation to prepare for growth.

Kristoffer Formo was appointed Head of M&A. Formo has more than 20 years' experience from the finance and real estate business.

Kristoffer Holmen was appointed CFO of the company, effective from 1 June 2021. Holmen previously held the position as CFO of Storm Capital Management, and from 2018 to 2020 as CEO/CFO of Storm Real Estate ASA.

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

Acquisitions

Industrial property in Denmark

On 13 April 2021, KMC Properties acquired an industrial property in Denmark from the company Honeycomb Cellpack A/S, providing paper-based protective packaging solutions. On the same day, KMC Properties' largest tenant, BEWI ASA, announced its acquisition of 51 per cent of Honeycomb.

A triple-net bare house lease agreement has been entered with Honeycomb with an initial lease term of 12 years, and an option to extend the lease term two times by five year each.

The industrial property includes six buildings, comprising a total gross floor area of 5 858 square meters and a plot area of 53 235 square meters.

Acquisition of property outside Molde in Norway

On 27 May 2021, KMC Properties ASA acquired an industrial property in Hustadvika, outside the city Molde on the west coast of Norway from Perfect Temperature Group AS (PTG) for a total consideration of approximately NOK 44 million.

The property includes a triple-net bare-house agreement with PTG Frionordica AS, with a lease term of 17 years at a yield of 7.1 per cent of the total investment cost.

Development projects

Greenfield project at Senja

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

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

KMC Properties has an agreement with the tenant BEWI for the construction of the facility, including a provision stating that the parties shall enter into a bare-house agreement for

a period of 15 years including an option for 15 more years, and to BTA Yield 7.5 per cent of the total investment cost. The annual rent is expected to be approximately NOK 7 million.

New packaging hub at Jøsnoya, Hitra

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

For more information on the progress of the project, see the section below under "Subsequent events".

Mandatory offer

On 20 December 2020, a transformative transaction was completed, forming a combined entity of KMC Properties AS and Storm Real Estate ASA (Storm). Several transactions were related to the agreement, and the transaction resulted in a mandatory offer obligation for each of EBE Eiendom AS and Kverva Industrier AS (previous majority owners of KMC Properties AS).

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

Subsequent offering

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

General meeting and change in Board composition

On 2 June 2021, KMC Properties held its annual general meeting. All resolutions proposed by the board were approved, including the recommendations made by the nomination committee.

Thorbjørn Pedersen was elected as new board member, replacing Børge Klungerbo.

Share information

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

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

For a continuously updated overview of the company's largest shareholders, see the Investor section at the company's homepage: www.kmcp.no

Significant risks and uncertainties

KMC Properties' risks and risk management are described in the group's annual report for 2020.

For the second half of 2021, KMC Properties' most significant risks and uncertainties relate to construction risk related to

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development projects. During the first half and into the third quarter of 2021, the company has entered agreements for three new greenfield development projects. In addition, the company is in the final stages of a greenfield development project at Senja. Although KMC Properties is well experienced in executing on development projects, there is always a risk related to construction projects. The risk is mitigated as KMC Properties always enters turnkey contracts with suppliers, and thus the company considers the risk to be limited..

Subsequent events

Agreement with Oppdal Spekemat for construction of a new production facility

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

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

The construction cost is estimated to be approximately NOK 80 million, and the yield-on-cost is set on 7.5 per cent. The agreement is conditional upon financing.

Oppdal Spekemat is a Norwegian producer and seller of traditional cured meats and related products established in 2009. The company has a solid market position in central Norway, and its products, including the brands Grilstad and Spis, are distributed across Norway. The company is owned 60 per cent by Fatland, a Norwegian slaughter- and meat expert with a turnover of close to NOK 5 billion in 2020.

Conditional long-term lease agreement with BEWI for new packaging hub at Jøsnoya

On 8 July, KMC Properties announced that it had entered a conditional long-term lease agreement for the property with BEWI and entered an agreement for the pre-project phase.

The new facility will be built and owned by KMC Properties and handed over to BEWI pursuant to a final lease agreement with an initial term of 15 years, with an option for BEWI to extend the lease term two times by five year each.

The construction cost is estimated to be above NOK 100 million, and the yield-on-cost is set on 7.5 per cent.

Completion of the development project is expected in the fourth quarter of 2022.

Acquisition of an industrial property with long-term lease at Mongstad for NOK 285 million

On 12 July, KMC Properties ASA announced its acquisition of an industrial property at Mongstad, Norway, from Ragde Eienendom AS for a total consideration of approximately NOK 285 million, with a yield of 7.7 per cent of the total investment cost.

The property comes with a triple-net bare-house agreement with the tenant, PSW Technology AS, with an initial lease term of 12 years, with the option of a ten-year extension.

PSW Technology is part of the PSW Group AS, an international provider of products, systems, and services to the energy industry, 98 per cent-owned by Hercules Private Equity Fund IV.

The property, located at Storemyra, is composed of a 10 734 m² BTA industrial plant constructed in 2019, and 62 091 m² BTA of land, strategically located at the Mongstad industrial site, on the west coast of Norway.

With its 1 200 solar panels over 3 500 m² on its roof, PSW's facility at Mongstad is the tenth largest solar cell plant in Norway. The building generates approximately 350 000 kWh per year, making PSW Group self-supplied with solar energy and able to export electricity back to the grid in the event of over-production. The strong environmental profile of PSW's plant was important for KMC Properties' investment decision.

LOI with Slakteriet Holding AS to build NOK 620 million salmon slaughterhouse facility

On 23 August 2021, KMC Properties announced the signing of a Letter of Intent (LOI) with Slakteriet Holding AS to build a new salmon slaughterhouse facility at Florø, in the Vestland county on the Norwegian western coast. The investment is estimated at NOK 620 million, with a yield-on-cost estimated between 6.75-7.1 per cent.

For more information, see the stock exchange announcement on the transaction.

Acquisition of production facility in Denmark

On 25 August, KMC Properties announced that that it had received acceptance of a conditional offer for the acquisition of the real estate company Engvej 13 ApS from Limo Labels A/S, owner of a labels production facility in Denmark, for DKK 75 million (approximately NOK 106 million).

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

In the first half of 2021, the group strengthened its organisation and focussed on integration of the entities acquired in 2020. During the second quarter and into the third quarter this year, KMC Properties has announced a total of three development projects, amounting to more than NOK 800 million, and completed three acquisitions worth approximately NOK 355 million, in addition to the recently announced acquisition in

Denmark (not yet completed). Also, the company has invested approximately NOK 125 million for lessees in current portfolio with a yield-on-cost at around 7.3 per cent.

Based on a solid financial position, a property portfolio with solid counterparts on long lease agreements, ongoing investment projects and an attractive pipeline of M&A opportunities, KMC Properties expects to continue to deliver on its growth ambitions, including potentially increasing the portfolio value to approximately NOK 4.1 billion at year-end 2021 and reach its strategic target of an NOK 8 billion-portfolio at year-end 2025.

Trondheim, Norway, 25 August 2021

The board of directors and CEO
KMC Properties ASA

Anders Dyrseth

Chair

Morten Eivindsson Astrup

Director

Nini Høegh Nergaard

Director

Anna Musiej Aanensen

Director

Stig Wærnes

Director

Marianne Bekken

Director

Thorbjørn Fjærtøft Pedersen

Director

Liv Malvik

Chief executive officer

Responsibility statement from the Board of Directors and CEO

We declare that, to the best of our knowledge, the half year financial statements for the period 1 January to 30 June 2021 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group's assets, liabilities, financial position, and overall results. We further declare that,

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

Trondheim, Norway, 25 August 2021

The board of directors and CEO
KMC Properties ASA

Anders Dyrseth

Chair

Morten Eivindsson Astrup

Director

Nini Høegh Nergaard

Director

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Director

Thorbjørn Fjærtøft Pedersen

Director

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Chief executive officer

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Consolidated statement of comprehensive income

<i>Amounts in NOK thousand</i>	Note	Q2 2021 unaudited	Q2 2020 unaudited	1H 2021 unaudited	1H 2020 unaudited	FY 2020 audited
Rental income	6	53 676	7 080	106 789	7 080	51 797
Total income		53 676	7 080	106 789	7 080	51 797
Property related expenses	6	1 975	300	6 208	300	2 821
Salary expenses		4 592	523	7 309	523	1 871
Other operating expenses		12 238	2 712	33 808	2 712	16 645
Depreciation		307	-	613	-	18
Total operating expenses		19 112	3 535	47 938	3 535	21 355
Operating profit (loss) before fair value adjustments		34 564	3 545	58 851	3 545	30 442
Gain/loss from fair value adjustments on investment property	4	36 952	23 564	102 025	23 564	404 572
Total operating profit (loss)		71 516	27 109	160 876	27 109	435 014
Changes in value of financial instruments	7	(14 874)	-	26 849	-	8 175
Financial income		12 764	-	12 838	-	3 425
Financial expenses	5	25 650	2 290	80 318	2 290	39 673
Net financial income (expense)		(27 760)	(2 290)	(40 631)	(2 290)	(28 073)
Earning before tax (EBT)		43 755	24 819	120 244	24 819	406 941
Tax expense		12 845	5 460	28 726	5 460	94 310
Profit for the period/year (Net income)		30 910	19 359	91 518	19 359	312 631
Other Comprehensive Income:						
Items that may be reclassified to profit or loss:						
Other comprehensive income (translation reserves)	4	24 810	-	(35 893)	-	(10 059)
Other comprehensive income for the period, net of tax		24 810	-	(35 893)	-	(10 059)
Total comprehensive income for the period		55 720	19 359	55 625	19 359	302 572
Profit attributable to:						
Equity holders of the company		30 910	19 359	91 518	19 359	312 631
Non-controlling interest		-	-	-	-	-
Total comprehensive income attributable to:						
Equity holders of the company		24 810	-	(35 893)	-	302 572
Non-controlling interest		-	-	-	-	-

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Consolidated statement of financial position

<i>Amounts in NOK thousand</i>	<i>Note</i>	30.06.2021 unaudited	30.06.2020 unaudited	31.12.2020 audited
ASSETS				
Non-current assets				
Investment Property	4	3 307 389	1 022 808	3 089 750
Equipment and other movables		104	125	172
Financial derivatives	7	35 883	10 833	8 021
Other long-term assets	7	-	-	35
Total non-current assets		3 343 373	1 033 766	3 098 072
Current assets				
Trade receivables	7	10 974	7 664	36 418
Other receivables, prepaid expenses, and tax	7	36 097	7 017	34 910
Other financial assets	7	296	-	154
Cash and cash equivalents	7	147 285	80 579	125 116
Total current assets		194 653	95 260	196 598
Total assets		3 538 026	1 129 026	3 294 576
Equity				
Share Capital		48 349	1 000	48 153
Share Premium		898 795	199 000	892 397
Sum paid-in equity		947 144	200 000	940 550
Retained earnings and translation reserves				
Translation reserves		(45 952)	-	(10 059)
Retained earnings		424 626	19 359	312 631
Sum retained earnings and translation reserves		378 674	19 359	302 572
Total equity		1 325 818	219 359	1 243 122
LIABILITIES				
Non-current liabilities				
Deferred tax Liabilities		78 214	6 004	49 965
Loans from credit Institutions	5, 7	1 867 025	651 220	1 832 345
Other Long-term Liabilities	7	31 416	61 925	26 643
Total non-current liabilities		1 898 441	713 145	1 908 953
Current liabilities				
Loans from credit institutions	7	172 500	-	-
Trade Payables	7	22 838	972	36 404
<i>Income tax payable</i>	7	3 957	739	5 232
Value added taxes	7	4 071	4 711	24 605
Other Current liabilities	7	32 186	184 096	76 259
Total current liabilities		235 553	190 518	142 501
Total liabilities		2 212 208	909 667	2 051 454
Total equity and liabilities		3 538 026	1 129 026	3 294 576

Trondheim, Norway, 25 August 2021
The board of directors and CEO – KMC Properties ASA

Anders Dyrseth
Chair

Morten Eivindsson Astrup
Director

Nini Høegh Nergaard
Director

Anna Musiej Aanensen
Director

Stig Wærnes
Director

Marianne Bekken
Director

Thorbjørn Fjærtøft Pedersen
Director

Liv Malvik
Chief executive officer

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>	Share capital	Share premium	Translation reserves	Retained earnings	Total equity
Issue of shares 20.01.2020		30	(9)	-	-	21
Issue of shares – liquidation		(30)	-	-	-	(30)
Issue of shares 11.06.2020		1 000	199 000	-	-	200 000
Issue of shares 30.11.2020		294	244 200	-	-	244 494
Reverse takeover		29 441	(129 961)	-	-	(100 520)
Reverse takeover (original shares SRE)		1 767	14 785	-	-	16 552
Reverse takeover (loan converted to equity)		5 365	227 693	-	-	233 059
Issue of shares (private placement 22.12.2020)		8 571	291 429	-	-	300 000
Issue of shares (Dutch transaction 23.12.2020)		1 714	58 286	-	-	60 000
Transaction cost issue of shares		-	(13 026)	-	-	(13 026)
Profit /(loss) for the period		-	-	-	312 631	312 631
Other comprehensive income (translation reserves)		-	-	(10 059)	-	(10 059)
Total equity at 31.12.2020		48 153	892 397	(10 059)	312 631	1 243 122
Issue of shares	3	196	6 398	-	-	6 594
Conversion difference		-	-	-	20 477	20 477
Profit / (loss) for the period		-	-	-	91 518	91 518
Other comprehensive income (translation reserves)		-	-	(35 893)	-	(35 893)
Total equity at 30.06.2021		48 349	898 775	(45 952)	424 626	1 325 818

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Consolidated statement of cash flows

<i>Amounts in NOK thousand</i>	<i>Note</i>	Q2 2021 unaudited	Q2 2020 unaudited	1H 2021 unaudited	1H 2020 unaudited	FY 2020 audited
Cash flows from operating activities						
Earning before tax (EBT)		43 755	24 819	120 244	24 819	406 941
Depreciation of tangible assets		307	-	613	-	18
Fair value adjustment of investment property	4	(36 952)	(23 564)	(102 025)	(23 564)	(404 572)
Financial items		27 686	-	40 631	-	22 013
Change in working capital:						
- change in trade and other receivables		18 054	(14 637)	24 257	(14 637)	(63 540)
- change in trade and other payables, excl. corporate tax		(49 588)	126 881	(78 174)	126 881	64 375
Taxes paid		(131)	-	(1 275)	-	-
Net cash flow from operating activities		3 132	113 499	4 272	113 499	25 235
Cash flows from investment activities						
Acquisition of businesses, net of cash acquired		-	(517 432)	-	(517 432)	(1 051 956)
Investments in and upgrades of investment properties	4	(101 777)	-	(151 505)	-	-
In-/Out-flows from financial investments		208	-	-	-	(189)
Interest received		(74)	-	-	-	275
Net cash flow from investment activities		(101 643)	(517 432)	(151 505)	(517 432)	(1 051 870)
Cash flows from financing activities						
Capital increase from issue of shares		-	200 000	6 594	200 000	259 993
Issue of bond	5	-	-	-	-	1 850 000
New current loans from Credit Institutions	5	145 000	286 801	172 500	286 801	-
Increase in other long-term debt		36 293	-	39 453	-	-
Settlement of debt		-	-	-	-	(923 345)
Transaction fee paid		-	-	-	-	(17 655)
Interest paid		(27 325)	(2 289)	(49 145)	(2 289)	(17 378)
Net cash flow from financing activities		153 968	484 512	169 402	484 512	1 151 615
FX movements on bank deposits		360	-	-	-	135
Net change in cash and cash equivalents		55 817	80 579	22 169	80 579	125 116
Opening balance of Cash and Cash equivalents		91 468	-	125 117	-	-
Cash and cash equivalents at period end		147 285	80 579	147 285	80 579	125 117

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Note 01 Company information

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

In December 2020 KMC Properties ASA (formerly Storm Real Estate ASA) completed the acquisition of all the issued and outstanding shares in KMC Properties AS. The transaction was

accounted for as a reversed takeover with KMC Properties AS being identified as the accounting acquirer. These consolidated financial statements have been prepared as if KMC Properties ASA is a continuation of KMC Properties AS. KMC Properties AS was incorporated 31. January 2020, and did not have operational activities until 26 May 2020. Thus, figures for Q2 2020 equals figures for YTD Q2 2020.

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

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 2020. The financial reporting covers KMC Properties ASA and subsidiaries. The interim financial statements have not been audited.

Note 03 Significant events and transactions

Organisation

During the first half of 2021, KMC Properties significantly strengthened its organisation to prepare for growth.

Acquisitions

Industrial property in Denmark

On 13 April 2021, KMC Properties acquired an industrial property in Denmark from the company Honeycomb Cellpack A/S, providing paper-based protective packaging solutions. Acquisition of property outside Molde in Norway

On 27 May 2021, KMC Properties ASA acquired an industrial property in Hustadvika, outside the city Molde on the west coast of Norway from Perfect Temperature Group AS (PTG) for a total consideration of approximately NOK 44 million.

Development projects

Greenfield project at Senja

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

New packaging hub at Jøsnoya, Hitra

On 3 March 2021, KMC Properties entered a letter of intent (LOI) with BEWI ASA for development of a new packaging facility on Jøsnoya, Hitra, on the west coast of Central Norway. On 8 July 2021, KMC Properties announced that the company had entered a conditional long-term lease agreement for the property with BEWI and entered an agreement for the pre-project phase. The new facility will be built and owned by KMC Properties and handed over to BEWI pursuant to a final lease agreement with an initial term of 15 years, with an option for BEWI to extend the lease term two times by five year each.

The construction cost is estimated to be above NOK 100 million, and the yield-on-cost is set on 7.5 per cent.

Completion of the development project is expected in the fourth quarter of 2022.

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Note 04 Investment property

The valuation of the properties at 30 June 2021 has been performed by an independent expert valuer, Cushman & Wakefield. The variables used for valuation are both company specific and market derived. Company specific variables include contractual

Amounts in NOK million	30.06.2021	2020
Opening balance	3 089.8	-
Additions	151.5	2 695.2
Fair value adjustments in period	102.0	404.6
Translation adjustment	(35.9)	(10.1)
Value at period end	3 307.4	3 089.8

The valuations are mainly based on the discounted cash flow method, which involves discounting future cash flows over a specified period using an estimated discount rate and then adding a residual value at the end of the period. Future cash flows are calculated on the basis of cash flows from signed leases, as well as future cash flows based on an expected market rent at the end of the lease terms. Both contractual and expected cash flows are included in the calculations. Fair-value assessment of investment properties, therefore, depends largely on assumptions related to market rents, discount rates, and inflation. Market rents are based on individual assessments of each property and the segmentation of different areas within the properties if relevant. To the extent that specific development potential is associated with a property, an assessment is made of whether this support or influences fair value. Updated macroeconomic assumptions for interest-rate levels, inflation expectations, and so forth are applied in the calculations. Based on an assessment

Variables	Change of variables	Value change (+)	Value change (-)
Exit yield	+/- 0.25 per cent points	(52)	57
Discount rate	+/- 0.25 per cent points	(73)	73
Operating costs	+/- 10 per cent	(6)	6
Market rent	+/- 10 per cent	167	(167)
Average rental growth	+/- 0.5 percentages points next 10 years	114	(110)

The calculations have been performed by Cushman & Wakefield in connection the valuations as of 30 June 2021.

Note 05 Loans from credit institutions

Bond loan:

Amounts in NOK million	Q2 2021	2020
Opening balance	1 850	-
Net change in debt	0	1 850
Interest-bearing debt as at period end	1 850	1 850
Capitalised borrowing cost	(15)	(18)
Carrying amount interest-bearing debt*	1 835	1 832
Fair value of interest-bearing debt, excess value/(reduced value) for the group in relation to book value*	27	6

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

rental income and expenses. Market derived variables include, inter alia, market rent rates, market discount rates and market capitalisation rates. The carrying value of the properties in the balance sheet reflects the values given a long-term perspective.

of the properties, tenants, and macroeconomic conditions at the balance sheet date, cash flows are discounted using discount rates based on individual assessments of each property.

The external valuer performs their valuations on the basis of the information they have received, and estimate future market rents, yields, inflation, and other relevant parameters. Each individual property is assessed in terms of its market position, rental income (contractual rents versus market rents) and ownership costs, with estimates being made for anticipated vacancy levels and the need for alterations and upgrades where applicable. The remaining term of the leases is also assessed for risk, along with any special clauses in the contracts. Each property is also compared with recently sold properties in the same segment (location, type of property, mix of tenants, etc).

The sensitivity of the fair-value assessment of investment properties depends to a considerable extent on assumptions related to yield, interest rates, market rents and operating costs for the properties. The table below presents examples of how changes related to each of these variables influenced property values, at 30 June 2021, assuming all other variables remained constant (amounts in NOK million). However, there are interrelationships between these variables, and it is expected that a change in one variable may influence one or more of the other variables.

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Bank loan:

<i>Amounts in NOK million</i>	30.06.2021	2020
Opening balance	0	-
Net change in debt	32	-
Interest-bearing debt as of period end	32	-
Capitalised borrowing cost	(0)	-
Carrying amount interest-bearing debt as of period end (30.06.21)	32	-
Additional bank loan obtained before report date (25.08.21)	294	-
Bank loan as of report date (25.08.21)	326	-

Revolving credit facility:

<i>Amounts in NOK million</i>	30.06.2021	2020
Opening balance	0	-
Net change in debt	172.5	-
Interest-bearing debt as at period end	172.5	-
Capitalised borrowing cost	(0)	-
Carrying amount interest-bearing debt	172.5	-

Interest bearing debt as of 25 August 2021:

	NOK million*	Weighted average current interest	Weighted average interest terms	Weighted average amortisation plan (years)	Weighted average years to final Maturity	In compliance with covenants?
Bond loan	1 850.0	4.47%	3 months NIBOR + 4.25%	None	2.3	Yes
Bank loan	326.0	2.9%	3 months NIBOR + 2.5%	20.5	7.7	Yes
Revolving credit facility	172.5	2.61%	3 months NIBOR + 2.25%	0.3	0.3	Yes

Key terms bond loan:

NOK 1 850 000 000 senior secured bond. Guarantees and security is shared with certain hedging providers and one or more revolving credit facilities and, under the terms of an intercreditor agreement, the bond issue ranks behind the relevant hedging providers and the revolving credit facilities in the payment waterfall.

Call option: Voluntary redemption of bond (i) prior to 11 June 2023 is done with a "make whole" compensation to bondholders and (ii) after 11 June 2023 until (but not including) Final Maturity is done at 101% of the nominal amount of redeemed bond.

Put option: Upon a change of control, failure to list the bond or a de-listing of the Issuer's share from Oslo Børs, exercisable at 101% of the nominal amount of the redeemed bond.

General undertakings (covenants): Customary general undertakings applicable to the Issuer and all its direct and indirect subsidiaries, including maintaining authorisations, compliance with laws, continuation of business, pari passu ranking, limitations on investments, limitations on distributions, certain financial support restrictions, restrictions on limiting subsidiaries' right to make distributions.

Additional undertakings (covenants) for KMC Properties AS:

In addition to the general undertakings set out above, there are certain covenants that only apply to KMC Properties AS and its direct and indirect subsidiaries and which, to a certain extent, "ring-fences" this part of the group. These covenants include restrictions on mergers and de-mergers, additional limitations on investments, limitations on disposals of assets and requirements for re-investing disposal proceeds, additional restrictions on incurring financial indebtedness, negative pledge, requirements as to insurances, requirements for maintenance and managements of properties and limitations on alteration of property lease agreements.

Financial covenants: The Issuer must ensure compliance with the following financial covenants (maintenance covenants), measure on the group as a whole:

- Interest cover ratio (ICR) of not less than 1.5x
- Net-loan-to-value ratio below (NLTV) 75%
- Liquidity not less than an amount equal to net interest costs for the next 6 months

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In addition (incurrence covenants):

- any distribution from the Issuer is subject to an NLTV of not less than 65% and a liquidity that is 1.5x higher than the liquidity requirement above; and
- the incurrence of certain otherwise permissible new financial indebtedness is subject to a loan-to-value ratio of 60%.
- The group was in compliance with all covenants related to its liabilities at 31 March 2021.

Security bond loan:

Amounts in NOK million	H1 2021
Pledged property portfolio	2 943.3
Disposal Account	0
Opening balance security¹	2 943.3
Investments in pledged property portfolio	80.0
Sale of assets in pledged property portfolio	0
Inflow Disposal Account	0
Outflow Disposal Account	0
Fair value adjustment pledged property portfolio ²	60.9
Value security end of period	3 084.1

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 as of 30 June 2021.

During the period the Group has entered into agreements with tenants concerning development of properties pledged in favour of the bond holders. In total NOK 80 million have been invested in the pledged property portfolio, with an average yield-on-cost of approximately 7.5%, contributing to the large fair value adjustment in the period. The investments have been financed with excess liquidity.

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 Havnegata 16 AS from KMC Properties AS to KMC Properties II Norway AS for NOK 133.3 million, on 2 July 2021. The purchase was done using standard terms and the price was based on Cushman and Wakefield's valuation of the property as of 15 June 2021. The acquisition was partly financed through a bank loan of NOK 86 million. The purchase price was paid to the Disposal Account. Since then, Nordic Trustee has released NOK 63.3 million from the Disposal Account to finance part of the NOK 80 million investment in development of pledged properties. The plan is to release the remaining amount of the investments (NOK 16.3 million) and other development investments during Q3 2021.

Note 06 Tenancy agreements

The group mainly enters into long-term lease agreements with solid counterparties, strategically located for the tenants. Except for the Gasfield property, all lease contracts are "triple-net

barehouse lease agreements". Lease payments of the contracts include CPI increases.

Net Operating Income (NOI) from Properties:

Amounts in NOK million	Q2 2021	1H 2021	2020
Rental Income (Norway)	26 479	53 872	28 551
Rental Income (Sweden)	6 749	13 736	11 684
Rental Income (Holland)	9 460	16 216	59
Rental Income (Other)	10 986	22 964	11 503
Total Rental Income	53 674	106 788	51 797
Property related costs	1 975	6 208	(2 821)
NOI from properties	51 699	100 580	48 976

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Summary of significant contracts

There were no material investments or acquisitions with related parties in Q2 2021, but a major part of rental income is from rental contracts with related parties.

<i>Amounts in NOK million</i>	Q2 2021	1H 2021	2020
Rental income from largest tenants in the period			
BEWI & subsidiaries	28 807	53 020	34 682
Insula & subsidiaries	12 005	23 996	
Kastor Invest AS & subsidiaries and related parties and jointly controlled entities	3 639	6 826	13 635
Total rental income from largest tenants in the period	44 451	83 842	48 317

Note 07 Financial instruments

Financial assets represent contractual rights for the group to receive cash or other financial assets in the future. Financial liabilities correspondingly represent contractual obligations for the group to make future payments. Financial instruments are included in several accounting lines in the group's balance sheet and income statement and are classified in different categories in accordance with their accounting treatment.

The carrying amount of financial instruments in the group's balance sheet is considered to provide a reasonable expression of their fair value, with the exception of interest-bearing debt. The fair value of interest-bearing debt is described in note 5. A specification of the group's financial instruments is presented below.

<i>Amounts in NOK million</i>	Amortised cost 30.06.2021	Fair value through profit or loss 30.06.2021	Total 30.06.2021	31.12.2020
Financial assets				
Cash and cash equivalents	147 285	-	147 285	125 116
Land plot lease agreements (financial asset)	945	-	945	945
Currency and interest swaps (long-term)	-	35 883	35 883	8 021
Currency and interest swaps (short-term)	-	296	296	154
Trade receivables (non-interest bearing)	10 974	-	10 974	36 418
Other receivables	36 097	-	36 097	34 910
Total Financial Assets	195 301	36 179	231 480	205 564
Financial liabilities				
Interest-bearing loans and borrowings	1 867 025	-	1 867 025	1 832 345
Land plot lease agreements (financial liability)	945	-	945	945
Loans from Credit Institutions (RCF)	172 500	-	172 500	-
Trade payables (non-interest bearing)	22 838	-	22 838	36 404
Other financial liabilities	31 416	-	31 416	26 643
Other current liabilities (non-interest bearing)	40 214	-	40 214	106 096
Total Financial Liabilities	2 134 938	-	2 134 938	2 002 431
Net Financial Assets and Liabilities	(1 939 637)	36 179	(1 903 458)	(1 796 867)

Interest bearing loans

<i>Amounts in thousands NOK</i>	30.06.2021	31.12.2020
Bond	1 850 000	1 850 000
Bank loan	32 000	
RCF (short-term)	172 500	
Total interest-bearing loans	2 054 500	1 850 000
Hedged amount (fixed interest)	740 000	740 000
Hedge ratio	36%	40%

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Swap agreements at period end:

Swap agreement	Currency amount (million)	Start date	Maturity date	Fixed currency rate	Fixed interest
Interest & currency	NOK 335	23.12.2020	11.12.2023	EUR/NOK = 10.630	EURIBOR = -0.51%
Interest & currency	NOK 240	23.12.2020	11.12.2023	SEK/NOK = 1.050	STIBOR = 0.017%
Interest & currency	NOK 165	23.12.2020	11.12.2023	DKK/NOK = 1.428	DANISH IBOR = -0.505%

Additional swap agreements obtained before report date (25 August 2021):

Swap agreement	Currency amount (million)	Start date	Maturity date	Fixed currency rate	Fixed interest
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%

The table below shows an analysis of fair values of financial instruments in the Statement of Financial Position at 30.6.2021, grouped by level in the fair value hierarchy:

- Level 1 - Quoted prices in active markets that the entity can access at the measurement date.
- Level 2 - Use of a model with inputs other than level 1 that are directly or indirectly observable market data.

- Level 3 - Use of a model with inputs that are not based on observable market data.

All financial derivatives are currency and interest swap agreements booked at fair value according to level 2.

Financial assets measured at fair value:

Amounts in NOK thousands	Level 1	Level 2	Level 3	Sum
Currency and interest swaps (long-term)	-	35 883	-	35 883
Currency and interest swaps (short-term)	-	296	-	296
Sum financial assets measured at fair value	-	36 180	-	36 180

Financial instruments and derivatives

The estimated fair value of the group's financial instruments is based on market prices and valuation methods as described below.

Cash and Cash equivalents

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

Interest-bearing liabilities

The group recognises interest-bearing liabilities at amortised cost. Notes to the financial statements (see note 5) provide information on the estimated fair value of interest-bearing liabilities. Bonds are valued at the market price on 30 June 2021 and bank loans at the estimated fair value where account is taken of the

estimated difference between the current margin and market conditions.

Trade Receivables/Other receivables and Trade payables/other liabilities

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

Derivatives

The fair value of financial derivatives, including currency forward exchange contracts/swaps and interest-rate swaps, is determined by the net present value of future cash flows, calculated

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using quoted interest-rate curves and exchange rates at the balance-sheet date. The technical calculations are generally performed by the group's banks. The group has checked these valuations and tested them for reasonableness.

The Group uses derivatives to manage its interest rate risk. Derivatives are initially recognized at fair value on the date on which the contract was signed, and subsequently at fair value. Gains or losses on remeasurement at fair value are recognized in the income statement. Regular payments are presented as interest and other finance expenses. Changes in the value of the derivatives are presented under "Changes in value of financial instruments".

The fair value of interest rate swaps is the estimated amount the Group would receive or pay to redeem the contracts on the balance sheet date. This amount will depend on interest rates and the contracts' remaining term to maturity. The derivatives are classified on the balance sheet as current or non-current, depending on whether they are expected to be redeemed under or over 12 months from the balance sheet date.

Note 08 Subsequent events

Agreement with Oppdal Spekemat for construction of a new production facility

On 2 July 2021, KMC Properties entered an agreement with Oppdal Spekemat AS for construction of a new production facility at Oppdal, Norway. When completed, the facility will be leased to Oppdal Spekemat on a triple-net bare-house agreement, with an initial lease term of 15 years, with the option of an extension. Construction cost is estimated to be approximately NOK 80 million, and the yield-on-cost is set on 7.5 per cent. The agreement is conditional upon financing.

Conditional long-term lease agreement with BEWI for new packaging hub

On 8 July, KMC Properties announced that it had entered a conditional long-term lease agreement for the planned new packaging hub at Jøsnoya, Hitra with BEWI with an initial term of 15 years, with an option for BEWI to extend the lease term two times by five year each. The construction cost is estimated to be above NOK 100 million, and the yield-on-cost is set on 7.5 per cent. Acquisition of an industrial property with long-term lease at Mongstad for NOK 285 million

On 12 July, KMC Properties ASA announced its acquisition of an industrial property at Mongstad, Norway, for a total consideration of approximately NOK 285 million, with a yield of 7.7 per cent of the total investment cost. The property comes with a triple-net bare-house agreement with the tenant, PSW Technology AS, with an initial lease term of 12 years, with the option of a ten-year extension.

LOI with Slakteriet Holding AS to build NOK 620 million salmon slaughterhouse facility

On 23 August 2021, KMC Properties announced the signing of a Letter of Intent (LOI) with Slakteriet Holding AS to build a new salmon slaughterhouse facility at Florø, Norway, estimated at NOK 620 million, with a yield-on-cost estimated between 6.75-7.1 per cent.

Acquisition of production facility in Denmark

On 25 August, KMC Properties announced that that it had received acceptance of a conditional offer for the acquisition of the real estate company Engvej 13 ApS from Limo Labels A/S, owner of a labels production facility in Denmark, for DKK 75 million (approximately NOK 106 million).

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)

Amounts in NOK million

	30.06.2021	2020
Total equity	1 325	1 243
Deferred tax liabilities	78	50
Net asset Value (NAV)	1 403	1 293

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Debt ratio – Group net LTV

<i>Amounts in NOK million</i>	30.06.2021	2020
Interest Bearing Debt (Bond, nominal value)	(1 850)	(1 850)
Bank loan	(32)	-
Loans from Credit Institutions (RCF)	(173)	-
Cash and cash equivalents	147	125
Mark-to-market hedge adjustment	35	8
Net Interest-Bearing Debt	1 873	1 717
Investment Property (Market Value)	3 307	3 090
Group Net LTV	56.6%	55.6%

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

Net income from property management

<i>Amounts in NOK million</i>	Q2 2021	H1 2021	2020
Operating profit (loss) before fair value adjustments	34.6	58.9	30.4
Net realised financials	(19.9)	(39.6)	(22.1)
Net income from property management	14.7	19.2	8.3

Definitions

Bonds, or the Bond Issue	The Company's placement of a NOK 1 850 million senior secured bond with 3 years tenor made on 27 November 2020
Covid-19	The outbreak of the coronavirus SARS-CoV-2
Cushman & Wakefield	Cushman & Wakefield Debenham Tie Leung Limited, registration number 997 013 263 and registered address 125 Old Brad Street, London Ec2n 1ar, Great Britain
Gross Rental Income (GRI)	Equals Total Income
Independent valuer	Cushman & Wakefield Realkapital, Kronprinsesse Märthas plass 1, 0125 Oslo, Norway
Loan-to-Value (LTV)	Total net nominal value of interest-bearing debt divided by the total market value of the property portfolio.
Market value of portfolio	The market value of all properties owned by the parent company and subsidiaries.
Net Asset Value, adjusted (NAV)	NAV from an ordinary long-term operational perspective of the business. Based on total equity in the balance sheet, adjustments are made for the carrying amount of deferred tax
NOK	The Norwegian Krone, the official currency of Norway
Occupancy rate (%)	Leased Lettable area (sqm) / Total Lettable area (sqm)
OPEX	Operating expense, measured by total operating expenses – Salary expenses
SG&A	Selling, General & Administrative Expenses, calculated as Salary expenses
Property related expenses	Property-related expenses include administrative costs related to the management of the properties as well as operating and maintenance costs.
SWAP	A swap is an agreement between two parties to exchange sequences of cash flows for a set period of time
WAULT	Weighted Average Unexpired Lease Term measured as the remaining contractual rent amounts of the current lease contracts of the investment properties of the Group, including areas that have been re-let and signed new contracts, adjusted for termination rights and excluding any renewal options, divided by Contractual rent, including renewed and signed new contracts. The Gasfield property is excluded in the calculation.

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The logo for KMC Properties, featuring the letters 'KMC' in a bold, sans-serif font, followed by three vertical bars of increasing height, and the word 'PROPERTIES' in a smaller, all-caps, sans-serif font.

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