

Interim Financial Report

Half Year 2022



Company:

Park Street A/S
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Board of Directors:

Anita Nassar, Chairman

Pradeep Patten

Ohene Aku Kwabong

Claes Peter Rading

Management:

CEO Pradeep Patten

Auditor:

PriceWaterhouseCoopers Statsautoriseret Revisionspartnerselskab

Main activity:

Park Street 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 across Denmark.

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Directors' report

Result in the period 1 January – 30 June 2022

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

EBVAT in the first half of 2022 is DKK 23.3 million as compared to DKK 33.1 million for the same period last year. Net sales were unchanged at DKK 76.9 million and the reduction in EBVAT was primarily driven by an increase in expenses associated with closing a new long term debt facility in Q4 2021.

The Group's equity as of 30 June 2022 was positive at DKK 1,079 million, against DKK 1,217 million as of 31 December 2021. The decrease is primarily due to the repurchase of treasury shares and sale of investment properties.

Property buys and sales

In the 1st half of 2022, Park Street sold the following properties:

- Sale of an Investment property Loftbrovej, Nørresundby
- Sale of an Investment property Århusvej, Randers
- Sale of an Investment property Åkirkebyvej, Rønne

Expectations for 2022

Park Street expectations for EBVAT (earnings before value adjustments and tax) at year-end 2022 is at DKK 50 - 55 million.

Park Street has made positive progress with signing of 20 new leases worth over DKK 12 million for 11,000 sqm in the first half of 2022. Several of these leases require significant capex and refurbishment works which are expected to be completed during H2 2022 and will start generating top line cashflows during the year. We have also made some progress with the strategy of reducing assets in the geographies and sectors not core to Park Street. While the sale of assets in the short term will reduce the top and bottom line of the company, our focus on investing in core assets to reduce vacancies and improve the properties should in the medium term generate significantly improved quality of revenues and profitability. Park Street is expected to spend over DKK 55 million over H2 towards improvements / conversions of properties to support higher leasing activities. Furthermore, Park Street will continue to sell assets which are not core to its long-term strategy, while investing in the core portfolio, primarily Pulse Living (our Youth Housing platform) and Spark Offices (our Managed Office Space platform) in key cities with sustainable growth potential.

The range for EBVAT expectations is refined to a lower range of DKK 50 to DKK 55 million compared to an earlier guidance of DKK 60 million. The change is in view of the lower number of assets, due to sales, and a longer lead time for the new leases to be operational in view of significant refurbishment works for the new leases.

Park Street is making good progress with Pulse Nørrebro project which is expected to be operational by the summer of 2023 and is also taking steps towards initiating Pulse Tåstrup project later this year.

Organisation and Annual General meeting held on April 25th 2022.

The Board of Directors of Park Street consists of Pradeep Patten, Ohene Aku Kwapong, Anita Nassar and Claes Peter Rading.

The number of employees of Park Street is 26 at the end of 2021 and 29 at the end of June 2022.

At the Annual general meeting of Park Street A/S held on 25 April 2022, all proposals by the Board of Directors were approved. Reference is also made to the distributed minutes of the ordinary general meeting on 25 April 2022, please refer to:

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

Consolidated financial review

PROFIT FOR THE 1st HALF OF 2022

As mentioned in the Director's report the EBVAT in the first half of 2022 is DKK 23.3 million (1st half of 2021: DKK 33.1 million). Despite selling 3 properties, Net sales were unchanged at DKK 76.9 million as compared to the 1st half of 2021. This was made possible due to achieving higher income on existing properties by reducing the vacancy and increasing revenue from the hotel in Ballerup. The reduction in EBVAT was primarily driven by an increase in financial expenses (+DKK 5.3 million), operating expenses (+DKK 2.9 million) and other external expenses (+DKK 2.3 million). The company had closed a new long term debt facility of DKK 619 million in Q4 2021 which resulted in higher interest payments and associated one off external legal and advisory expenses.

Park Street's Profit for the Period (after tax and valuation adjustments) is DKK 22.1 million for the 1st half of 2022 (1st half of 2021: DKK 82.8 million). This is equivalent to a 0.77 earnings per share. The investment properties valuations adjustment for the year was DKK 2.6 million (compared to DKK 51.4 million in H1 2021). These adjustments reflect an increase of DKK 7.9 million across 9 properties where new leases have been signed and reduction of valuation of DKK 5.3 million across 15 properties. The valuation review was primarily focused on the properties where specific changes have occurred on leases – new leases signed or termination of existing leases. Market based assumptions were used around rents, capex and capitalization rates to determine the fair value adjustment of these properties.

BALANCE SHEET AS OF 30 JUNE 2022

Park Street's balance sheet total as of 30 June 2022 was DKK 2,808 million, a decrease of DKK 212.7 million on the balance sheet total compared to 31st December 2021. The decrease were the sale of investment properties and use of cash to repurchase company shares. As highlighted in H1 2022, the company initiated a new share buyback and cancellation program for Class A and Class B shares.

Group's equity as of 30 June 2022 was positive at DKK 1,079 million. Net asset value increased to 18.9 per share as compared to 17.1 per share in the 1st half of 2021.

Liabilities to credit institutions were DKK 1,439 million as at 30 June 2022 (31 December 2021: DKK 1,509 million). A significant proportion of the total liabilities are non-current at 91.9%. The company continues to maintain a healthy equity ratio of 38.4%.

CASH FLOWS FOR THE 1st HALF OF 2022

Cash flows from operating activities for the 1st half of 2022 were DKK 16.8 million (1st half of 2021: DKK 36.2 million). The decrease is due to higher financial expenses and other external expenses associated with a new debt facility in Q4 2021.

Cash flows from investing activities for the 1st half of 2022 were DKK 115.2 million (1st half of 2021: DKK -14.5 million). They were significantly higher as compared to last year due to DKK 153 million sale of investment properties and an offset of DKK 38 million spent on improvements to investment properties across the portfolio.

Cash flows from financing activities for the 1st half of 2022 were DKK -260.4 million (1st half of 2021: DKK -26.9 million). This was primarily driven by a DKK 159.9 million share buyback and DKK 109.9m repayment of liabilities to credit institutions.

The Group's liquid assets amounted to DKK 39.4 million as of 30 June 2022.

Uncertainty in connection with recognition and measurement

In connection with the submission of the interim report, management makes several 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 2021 for further details on these assessments, estimates and associated uncertainties. New and changed assessments and estimates in the 1st half of 2022 are discussed in note 1 to the interim report.

Risk factors

As mentioned in the Annual report for 2021, 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 2021 ('Risk factors' section).

Consolidated key figures and financial ratios

Key figures			
	1st half of 2022	1st half of 2021	Full year 2021
Amounts in DKK 1000s			
Income statement			
Rental income	59,971	61,760	124,328
Total net sales	76,919	76,970	158,264
Gross profit	53,603	56,611	117,418
Profit from primary operations	25,211	86,011	187,225
Financial items	-15,511	-10,152	-25,881
Earnings before value adjustments and tax (EBVAT)	23,308	33,099	56,867
Profit for the period	22,139	82,853	145,459
Statement of financial position			
Investment properties	2,501,697	2,530,012	2,615,015
Investments in property, plant and equipment	38,043	21,071	25,803
Balance sheet total	2,808,045	2,785,563	3,020,749
Interest-bearing debt	1,439,555	1,378,075	1,509,471
Total equity	1,079,279	1,154,774	1,217,038
Statement of cash flows			
Cash flows from operations	16,807	36,276	57,999
Cash flows from investment	115,221	-14,571	-17,777
Cash flows from financing	-260,423	-26,974	104,447
Other disclosures			
Non-current liabilities as a proportion of total liabilities (%)	91.9	93.5	95.7
Share capital	57,175	67,513	67,513
Share price, end of period (DKK)	14.70	14.25	14.10
Share price change in points	0.60	4.25	4.10
Number of employees in the Group (average)	29	35	26
Financial ratios			
	1st half of 2022	1st half of 2020	Full year 2021
Return on property portfolio (% p.a.)	4.0	4.4	4.3
Average loan rate (% p.a.)	2.1	1.4	1.8
Return margin on property portfolio (% p.a.)	1.9	2.9	2.9
Return on equity (%)	4.1%	14.3%	11.95%
Equity ratio (%)	38.4%	41.5%	40.3%
Net asset value per share, end of period (DKK)	18.9	17.1	18.06
Earnings per share (DKK), end of period (DKK)	0.8	2.5	2.2
Price/net asset value, end of period	0.8	0.8	0.8
Cash flow per share (DKK)	0.6	1.1	0.9

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 2021.

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 2022 for Park Street 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 of 30 June 2022 and of the profit from the Group's activities and cash flows for the period 1 January - 30 June 2022.

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, and a description of the significant risks and uncertainty factors that the Group faces.

Copenhagen, 26 August 2022

Management

Pradeep Patten
CEO

Board of Directors

Anita Nassar
Chairman

Pradeep Patten

Ohene Aku Kwabong

Claes Peter Rading

Income statement

Note	Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
3	Net sales	76,919	76,970	158,264
4	Operating expenses	-23,316	-20,359	-40,846
	Gross profit	53,603	56,611	117,418
	Employee benefit expenses	-8,469	-9,150	-17,808
	Other external expenses	-5,243	-2,942	-12,532
	Depreciation, amortisation and impairment	-1,072	-1,268	-4,330
	Operating profit (EBIT)	38,819	43,251	82,748
	Financial income	0	0	0
5	Financial expenses	-15,511	-10,152	-25,881
	Earnings before value adjustments (EBVAT)	23,308	33,099	56,866
6	Adjustment to fair value, net	2,638	51,441	128,887
7	Gains realised on the sale of investment properties	-736	1,472	1,472
	Profit before tax	25,211	86,011	187,225
8	Tax on profit for the period	-3,072	-3,158	-41,767
	Profit for the period	22,139	82,853	145,459
	Distributed as follows			
	Parent's shareholders	22,139	82,853	145,459
	Profit for the period	22,139	82,853	145,459
	Earnings per share	0.77	2.46	2.19
	Diluted earnings per share	0.77	2.46	2.19

Statement of comprehensive income

Note	Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
	Profit for the period	22,139	82,853	145,459
	Other comprehensive income:			
	<i>Items that cannot be reclassified to the income statement:</i>			
	Fair value adjustment of headquarters properties	0	0	-503
	Tax on fair value adjustment of headquarters properties	0	0	111
	Other comprehensive income after tax	0	0	-392
	Comprehensive income for the period	22,139	82,853	145,066
	Distributed as follows			
	Parent's shareholders	22,139	82,853	145,066
	Comprehensive income for the period	22,139	82,853	145,066

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2022	30 June 2021	31 December 2021
ASSETS				
Non-current assets				
Intangible assets				
	Software	987	2,768	1,865
		987	2,768	1,865
Property, plant and equipment				
	Domiciles	194,000	196,298	194,000
9	Investment properties	2,501,697	2,530,012	2,615,015
	Machinery and equipment	372	628	490
		2,696,069	2,726,938	2,809,506
Financial assets				
	Investment in associates	2,029	2,029	2,029
	Deferred tax assets	0	0	0
	Deposits	186	212	186
		2,115	2,241	2,215
	Total non-current assets	2,699,271	2,731,947	2,813,585
Current assets				
	Mortgages and instruments of debt	7,586	7,838	7,671
	Project holdings	0	0	0
	Receivables	51,009	19,684	23,973
	Income tax receivable	5,866	4,831	5,038
	Prepaid expenses and accrued income	4,888	3,381	2,662
	Cash and short-term deposits	39,425	17,882	167,820
	Total current assets	108,774	53,616	207,163
	Total assets	2,808,045	2,785,563	3,020,749

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2022	30 June 2021	31 December 2021
LIABILITIES				
Equity				
	Share capital	57,175	67,513	67,513
	Revaluation reserve	-3,774	55,107	52,920
	Share Premium	289,260	289,260	289,260
	Accumulated profit	736,618	742,894	807,345
10	Total equity	1,079,279	1,154,774	1,217,038
Liabilities				
Non-current liabilities				
	Deferred tax	232,087	191,733	232,087
12	Credit institutions	1,348,306	1,326,850	1,488,364
	Deposits	7,554	6,937	5,163
		1,587,947	1,525,520	1,725,614
Current liabilities				
	Provisions for liabilities	400	400	400
12	Credit institutions	91,249	51,225	21,107
	Trade and other payables	5,424	11,786	7,718
	Income tax payable	4,329	7,707	1,267
	Deposits	28,451	27,639	33,367
	Other liabilities	10,966	6,511	14,238
		140,821	105,269	78,097
	Total liabilities	1,728,767	1,630,789	1,803,711
	Total equity and liabilities	2,808,045	2,785,563	3,020,749

Statement of equity

Amounts in DKK 1000s	Share capital	Revaluation reserve	Accumulated profit	Share Premium	Proposed dividend	Equity Total
Statement of equity for 2022:						
Equity as at 1 January 2022	67,513	52,920	807,345	289,260	0	1,217,038
Comprehensive income for the period						
Profit for the period	0	0	22,139	0	0	22,139
Fair value adjustment of domicile	0	0	0	0	0	0
Tax on other comprehensive income	0	0	0	0	0	0
Skat vedr. dagsværdiregulering af domicilejendomme	0	0	0	0	0	0
Salg af egne aktier						0
Other comprehensive income during the financial year	0	0	0	0	0	0
Comprehensive income for the period	0	0	22,139	0	0	22,139
Transactions with owners						
Repurchase treasury shares	0	0	-149,560	0	0	-149,560
Capital reduction	-10,338	0	0	0	0	-10,338
Cash injection by existing shareholders	0	0	0	0	0	0
Liabilities with financial institutions converted into Equity	0	0	0	0	0	0
Total transactions with owners	-10,338	0	-149,560	0	0	-159,898
Other adjustments						
Depreciation of revalued value of domiciles	0	0	0	0	0	0
Total other adjustments	0	0	0	0	0	0
Equity as at 30 June 2022	57,175	52,920	679,924	289,260	0	1,079,279

Amounts in DKK 1000s	Share capital	Revaluation reserve	Accumulated profit	Share Premium	Proposed dividend	Equity Total
Statement of equity for 2021:						
Equity as at 1 January 2021	67,513	55,107	660,066	289,260	0	1,071,946
Comprehensive income for the period						
Profit for the period	0	0	145,459	0	0	145,459
Fair value adjustment of domicile	0	-503	0	0	0	-503
Tax on other comprehensive income	0	111	0	0	0	111
Skat vedr. dagsværdiregulering af domicilejendomme	0	0	0	0	0	0
Salg af egne aktier						0
Other comprehensive income during the financial year	0	-392	145,459	0	0	-392
Comprehensive income for the period	0	-392	145,459	0	0	145,067
Comprehensive income for the period	0	0	145,459	0	0	145,459
Transactions with owners						
Repurchase treasury shares	0	0	25	0	0	25
Cash injection by existing shareholders	0	0	0	0	0	0
Liabilities with financial institutions converted into Equity	0	0	0	0	0	0
Total transactions with owners	0	0	25	0	0	25
Other adjustments						
Depreciation of revalued value of domiciles	0	-1,795	1,795	0	0	0
Total other adjustments	0	-1,795	1,795	0	0	0
Equity as at 31 December 2021	67,513	52,920	807,345	289,260	0	1,217,038

Statement of cash flows

Note	Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
	Operating profit (EBIT)	38,819	43,251	82,748
	Adjustment for illiquid operating items, etc.	1072	1268	4,330
	Change in project holdings, net	0	1628	0
	Change in other operating capital	-6,702	775	5,204
	Cash flows concerning primary operations	33,189	46,922	92,282
	Financial income received	0	0	895
	Financial expenses paid	-15,511	-10,152	-29,902
	Paid Corporate Tax	-871	-493	-5,274
	Total cash flow from operating activities	16,807	36,276	57,999
	Cash flow from investing activities			
	Improvements to investment properties	-38,043	-20,966	-25,803
	Sales of investment properties	153,265	6,500	8,026
	Purchase of intangible assets	0	0	0
	Purchases of other property, plant and equipment	0	-105	0
	Acquisition of associates	0	0	0
	Total cash flow from investing activities	115,221	-14,571	-17,777
	Cash flow from financing activities			
	Repurchase Own Shares	-159,898	-25	0
	Proceeds from assumption of liabilities to credit institutions	9,391	0	503,306
	Repayment of liabilities to credit institutions	-109,915	-26,949	-398,859
	Repayment of debt from disposal of assets	0	0	0
	Total cash flow from financing activities	-260,423	-26,974	104,447
	Total cash flow for the period	-128,394	-5,269	144,671
	Liquid assets as at 1 January	167,820	23,151	23,151
	Liquid assets at the end of the period	39,425	17,882	167,820
	Liquid assets at the end of the period			
	Cash and short term deposit	39,425	17,882	167,820
	Liquid assets at the end of the period	39,425	17,882	167,820

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 2021. Reference is made to note 33 to the consolidated financial statements in Park Street Annual report for 2021 for a full description of the accounting policies used.

Changes to accounting policies

Park Street has implemented the changes on IFRS standards and interpretative contributions that enter into force for 2020. None of these changes affected recognition and measurement in 2022.

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 2022 in relation to the Annual report for 2021. For a description of significant accounting assessments and estimates, see note 1 to the consolidated financial statements in the Annual report for 2021.

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

Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
Rental income	59,971	61,760	124,328
Sales of other services	16,797	14,910	33,041
Total sales of services	76,768	76,670	157,369
Interest income, mortgages and instruments of debt	152	300	895
	76,919	76,970	158,264

Note 4 - Operating expenses

Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
Operating expenses, investment properties	20,116	18,395	35,678
Operating expenses, other services	3,200	1,964	5,168
	23,316	20,359	40,846

Note 5 – Financial expenses

Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
Interest expenses, liabilities to credit institutions measured at amortized cost	14,200	9,964	23,968
Other interest costs and fees	658	189	645
Borrowing costs	653	0	1,268
	15,511	10,152	25,881

Note 6 - Adjustment to fair value, net

Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
Fair value adjustment, investment properties	2,638	51,441	128,887
	2,638	51,441	128,887

Note 7 - Realized gains on the sales of investment properties

Amounts in DKK 1000s	1st half of 2022	1st half of 2021	Full year 2021
Sales totals, investment properties	153,265	6,500	6,500
Book value of properties when sold, etc.	-154,000	-5,028	-5,028
	-736	1,472	1,472

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 2022.

Note 9 - Investment properties

Amounts in DKK 1000s	30 June 2022	31 December 2021
Book value as at 1 January	2,615,015	2,462,633
Transfer to/from project holdings	0	0
Cost incurred for improvements	38,043	25,803
Adjustment to fair value, net	2,638	128,887
Acquisition of properties	0	0
Depreciation of fixed assets	0	2,719
Retirement on sale	-154,000	-5,028
Transfer to/from Machinery and equipment	0	0
Total book value	2,501,697	2,615,015

Note 10 – Share Capital

Amounts in DKK 1000s	30 June 2022	31 December 2021
Share capital opening period	67,513	67,513
Share capital Reduction	-10,338	0
Share capital closing period	57,175	67,513

The share capital consists of 57,174,840 shares of DKK 1 (31 December 2021: 67,513,372 shares of DKK 1). No shares have special rights. The shares are fully paid.

Park Street Asset Management Ltd. owns a total of 93.06% (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 2021, 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:

	30 June 2022	31 December 2021
Amounts in DKK 1000s		
Non-current financial liabilities with credit institutions	1,488,364	1,354,054
Current financial liabilities with credit institutions	21,107	50,970
Financial liabilities with credit institutions at 1 January	1,509,471	1,405,024
Repayment of liabilities to credit institutions	-109,915	-398,859
Proceeds from assumption of liabilities to credit institutions	0	503,306
Mortgage and bank debt converted into equity	0	0
Repayment of debt from disposal of assets	0	0
Accrued financial expenses	40,000	0
Financial liabilities with credit institutions end of period	1,439,555	1,509,471
Non-current financial liabilities with credit institutions	1,348,306	1,488,364
Current financial liabilities with credit institutions	91,249	21,107
Total financial liabilities with credit institutions end of period	1,439,555	1,509,471

Note 13 – Subsequent Events

There have been no significant activities or events to report since 30 June 2022.