

Interim Financial Report

// Half Year 2019



Company:

Park Street Nordicom A/S

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Board of Directors:

Andrew John Essex La Trobe, Chairman

Pradeep Patten

Ohene Aku Kwabong

Lars-Andreas Nilsen

Anita Nassar

Per Høpfner

Management:

CEO Pradeep Patten

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 across Denmark.

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Directors' report

Result in the period 1 January – 30 June 2019

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 2019, Park Street Nordicom achieved EBVAT of DKK 40.4 million (1st half of 2018: DKK 41.4 million), which is in line with management expectations for the period.

The EBVAT achieved in the 1st half of 2019 is DKK 1.0 million lower than the corresponding amount achieved in the 1st half of 2018. The slight reduction is primarily due to the increase in overhead costs (DKK 7.0 million) which has been partially compensated by an increase of the gross profit (DKK 5.5 million) and a reduction of the financial expenses (DKK -0.5 million). The overhead costs are higher due to an increase of the costs incurred on consultants and architects with the focus on building a technology and design platform for the future of the company. The initial effect of the streamlining of the operations is an improvement of the gross profit by DKK 5.5 million.

The Group's equity as at 30th June 2019 was positive at DKK 847.2 million, against DKK 810.6 million as at 31 December 2018. The improvement in the Group's equity is due to the profit of the period.

Expectations for 2019

Park Street Nordicom expectations for EBVAT (earnings before value adjustments and tax) at year-end 2019 remain at DKK 95 - 105 million. As indicated in the budget published in the beginning of the year it is expected to generate a profit of approximately DKK 15 - 20 million from redevelopment and sale of assets. Management consider that this profit will be materialized before the end of the year 2019. Profit generated from operations in first half of the year 2019 is in line with the budgeted figures.

The operation of the Group's properties in the first half of 2019 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 2018. Significant portion of this vacancy is concentrated on a potential redevelopment projects in Taastrup, Odense, and within storage assets in Næstved. Significant steps have been taken on the redevelopment project in Taastrup that will ensure its viability generating a future increase in the property value and Net Operating Income.

Property buy and sales

In the 1st half of 2019, Park Street Nordicom acquired the following properties:

- Shopping center in Glostrup
- Residential unit in Østerbro, Copenhagen
- Land plot in Kolding

Organisation and Annual General meeting held on April 25th 2019

The Board of Directors of Park Street Nordicom consists of Andrew La Trobe, Pradeep Patterm, Ohene Aku Kwapong, Anita Nassar, Lars-Andreas Nilsen and Per Høpfner

The number of employees of Park Street Nordicom has increased from 26 by the end of 2018 to 29 in June 2019.

At the Annual general meeting of Park Street Nordicom A/S held on 25th April 2019, all proposals by the Board of Directors were approved.

Reference is also made to the distributed minutes of the ordinary general meeting on 25th April 2019, please refer to:

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

Consolidated financial review

PROFIT FOR 1st HALF OF 2019

As mentioned in the Director's report the EB VAT in the first half of 2019 is DKK 40.4 million (1st half of 2018: DKK 41.4 million). The slight reduction is primarily due to the increase in overhead costs which has been partially compensated by an increase of the gross profit and a reduction of the financial expenses.

Park Street Nordicom's profit is DKK 36.5 million for the 1st half of 2019 compared to DKK 37.2 million in the 1st half of 2018. As indicated in the previous paragraph the decrease in the Profit for the period is caused by a small reduction on the EB VAT compared to the 1st half of 2018.

The gross profit in the 1st half of 2019 is DKK 77.2 million (1st half of 2018: DKK 71.6 million), equivalent to an increase of DKK 5.6 million. The increase in gross profit is primarily due to the rent increase in the second half of 2018 and first half of 2019 across lease contracts and indexation. The gross profit is also positively affected by a reduction of the operating expenses due to more efficient property management.

The Group's overheads were DKK 21.7 million in the 1st half of 2019 against DKK 14.7 million in the 1st half of 2018. As stated in the Director's report the overhead costs are higher due to an increase of the costs incurred on consultants and architects (DKK 5.9 million) with the focus on building a technology and design platform for the future of the company. Additionally, fixed assets depreciation is DKK 1.1 million higher compared to the first half of 2018.

Financial expenses were DKK 15.1 million in the 1st half of 2019 compared to DKK 15.6 million, equivalent to a decrease of DKK 0.5 million as the bank margins and interest rates are lower compared to the previous year.

BALANCE SHEET AS AT 30 JUNE 2019

Park Street Nordicom's balance sheet total as at 30 June 2019 was DKK 2,691.2 million, an increase of DKK 110.5 million on the balance sheet total compared to 31 December 2018. Main reason of the increase has been the acquisitions mentioned in the Director's Report (DKK 101.3 million).

Group's equity at 30 June 2019 was positive by DKK 847.2 million against DKK 810.6 million as at December 31, 2018. The improvement in the Group's equity is due to the profit of the period.

Liabilities to credit institutions were DKK 1,658.9 million as at 30 June 2019 (31 December 2018: DKK 1,590.9 million), consisting of DKK 1,480.0 million (89%) for non-current liabilities and DKK 178.9 million (11%) for current liabilities. In the 1st half of 2019, financial liabilities were increased by DKK 68 million (net). An increase of DKK 95 million is due to long term mortgage financing for one of the newly acquired properties. This increase has been partially compensated with the payment of the amortization of existing loans.

CASH FLOWS FOR THE 1st HALF OF 2019

Cash flows from operating activities for the 1st half of 2019 were DKK 48.1 million (1st half of 2018: DKK 40.4 million), equivalent to an increase of DKK 7.7 million in relation to the same period last year. The increase is due primarily to positive evolution of the operating capital (increase of DKK 7.5 million).

Cash flows from investing activities for the 1st half of 2019 were DKK -105.0 million (1st half of 2018: DKK 48.0 million). Cash flows from investing activities were negative due to the acquisition of three properties as previously mentioned (decrease of DKK -101.3 million). The positive effect in the 1st half of 2018 was due to a cash injection in the share capital of DKK 50.0 million in the 1st half of 2018. The effect on cash flow for the period of improvements to properties was DKK -3.8 million (1st half of 2018: DKK -0.8 million).

Cash flows from financing activities for the 1st half of 2019 were DKK 68.0 million (1st half of 2018: DKK -82.6 million). There is a positive effect of DKK 95.0 million due to the obtention of long-term mortgage financing in one of the newly acquired properties. This effect has been partly compensated by the amortization repayments of existing loans.

The Group's liquid assets amounted to DKK 65.4 million as at 30 June 2019 against DKK 54.3 million as at 31 December 2018.

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 2018 for further details on these assessments, estimates and associated uncertainties. New and changed assessments and estimates in the 1st half of 2019 are discussed in note 1 to the interim report.

Risk factors

As mentioned in the Annual report for 2018, 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 2018 ('Risk factors' section on pages 18-20).

Consolidated key figures and financial ratios

Key figures			
Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
Income statement			
Rental income	75,604	71,649	149,729
Total net sales	91,532	85,375	175,444
Gross profit	77,236	70,150	146,154
Operating Profit (EBIT)	55,539	56,993	117,423
Profit from primary operations	55,539	56,993	142,341
Financial items	-15,137	-15,603	-33,409
Earnings before value adjustments and tax (EBVAT)	40,402	41,390	84,014
Profit for the period	36,533	37,221	108,290
Statement of financial position			
Investment properties	2,409,340	2,257,359	2,304,615
Investments in property, plant and equipment	105,064	1,964	2,650
Balance sheet total	2,691,218	2,501,271	2,580,698
Interest-bearing debt	1,658,925	1,607,961	1,590,916
Total equity	847,185	734,856	810,652
Statement of cash flows			
Cash flows from operations	48,146	40,402	77,201
Cash flows from investment	-105,064	48,036	51,825
Cash flows from financing	68,031	-82,622	-94,668
Other disclosures			
Non-current liabilities as a proportion of total liabilities (%)	87.3	89.2	94.1
Share capital	67,513	67,513	67,513
Share price, end of period (DKK)	5.70	6.90	6.7
Share price change in points	-1.20	1.10	0.9
Number of employees in the Group (average)	29	26	27
Financial ratios			
	1st half of 2019	1st half of 2018	Full year 2018
Return on property portfolio (% p.a.)	6.1	7.5	5.9
Average loan rate (% p.a.)	1.9	1.8	2.0
Return margin on property portfolio (% p.a.)	4.2	5.7	3.9
Return on equity (%)	8.6%	10.1%	13.4%
Equity ratio (%)	31.5%	29.4%	31.4%
Net asset value per share, end of period (DKK)	12.6	10.9	12.0
Earnings per share (DKK), end of period (DKK)	1.1	0.6	1.6
Price/net asset value, end of period	0.5	0.6	0.6
Cash flow per share (DKK)	1.5	1.2	1.2

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 32 to the consolidated financial statements in the Annual report for 2018.

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 2019 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 2019 and of the profit from the Group's activities and cash flows for the period 1 January - 30 June 2019.

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 2019

Management

Pradeep Patten
CEO

Board of Directors

Andrew John Essex La Trobe
Chairman

Per Høpfner
Vice Chairman

Pradeep Patten

Ohene Aku Kwabong

Lars-Andreas Nilsen

Anita Nassar

Income statement

Note	Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
3	Net sales	91,532	85,375	175,444
4	Operating expenses	-14,297	-13,725	-29,291
	Gross profit	77,236	71,650	146,154
	Employee benefit expenses	-10,984	-7,267	-15,171
	Other external expenses	-9,084	-6,849	-9,944
	Depreciation, amortisation and impairment	-1,629	-541	-3,616
	Operating profit (EBIT)	55,539	56,993	117,423
	Financial income	0	0	0
5	Financial expenses	-15,137	-15,603	-33,409
	Earnings before value adjustments (EBVAT)	40,402	41,390	84,014
6	Adjustment to fair value, net	0	0	54,660
	Gains realised on the sale of investment properties	0	0	3,667
	Earnings before special items	40,402	41,390	142,341
7	Tax on profit for the period	-3,868	-4,168	-34,051
	Profit for the period	36,533	37,221	108,290
	Distributed as follows			
	Parent's shareholders	36,533	37,221	108,290
	Profit for the period	36,533	37,221	108,290
	Earnings per share	1.08	1.10	1.61
	Diluted earnings per share	1.08	1.10	1.61

Statement of comprehensive income

Note	Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
	Profit for the period	36,533	37,221	108,290
	Other comprehensive income:			
	<i>Items that cannot be reclassified to the income statement:</i>			
	Fair value adjustment of headquarters properties	0	0	6,061
	Tax on fair value adjustment of headquarters properties	0	0	-1,333
	Other comprehensive income after tax	0	0	4,728
	Comprehensive income for the period	36,533	37,221	113,017
	Distributed as follows			
	Parent's shareholders	36,533	37,221	113,017
	Comprehensive income for the period	36,533	37,221	113,017

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2019	30 June 2018	31 December 2018
ASSETS				
Non-current assets				
Property, plant and equipment				
	Domiciles	185,423	180,923	185,423
8	Investment properties	2,409,340	2,257,359	2,304,614
	Machinery and equipment	1,133	2,371	2,078
		2,595,896	2,440,653	2,492,115
Financial assets				
	Deferred tax assets	179	0	179
	Deposits	392	192	392
		571	192	571
	Total non-current assets	2,596,467	2,440,845	2,492,685
Current assets				
	Mortgages and instruments of debt	8,479	8,752	8,618
	Project holdings	1,628	1,628	1,628
	Receivables	18,361	20,091	20,997
	Prepaid expenses and accrued income	859	4,185	2,460
	Cash and short-term deposits	65,423	25,769	54,310
	Total current assets	94,751	60,426	88,013
	Total assets	2,691,218	2,501,271	2,580,698

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2018	30 June 2018	31 December 2018
LIABILITIES				
Equity				
	Share capital	67,513	67,513	67,513
	Revaluation reserve	47,312	44,147	47,312
	Share Premium	289,260	289,260	289,260
	Accumulated profit	443,100	333,936	406,567
9	Total equity	847,185	734,856	810,652
Liabilities				
Non-current liabilities				
	Deferred tax	120,606	88,172	120,606
11	Credit institutions	1,480,035	1,477,654	1,540,073
	Deposits	9,837	10,591	7,891
		1,610,478	1,576,418	1,668,571
Current liabilities				
	Provisions for liabilities	400	2,000	1,200
11	Credit institutions	178,890	130,306	50,843
	Trade and other payables	4,292	5,386	4,630
	Income tax payable	9,196	6,427	5,328
	Deposits	29,508	30,139	31,088
	Other liabilities	11,269	15,739	8,388
		233,555	189,997	101,476
	Total liabilities	1,844,033	1,766,415	1,770,046
	Total equity and liabilities	2,691,218	2,501,271	2,580,698

Statement of equity

Amounts in DKK 1000s	Share capital	Revaluation reserve	Accumulated profit	Share Premium	Equity Total
Statement of equity for 1st half of 2019					
Equity as at 1 January 2019	67,513	47,312	406,567	289,260	810,652
Comprehensive income for the period					
Profit for the period	0	0	36,533	0	36,533
Comprehensive income for the period	0	0	36,533	0	36,533
Transactions with owners					
Cash injection by existing shareholders	0	0	0	0	0
Liabilities with financial institutions converted into Equity	0	0	0	0	0
Total transactions with owners	0	0	0	0	0
Other adjustments					
Depreciation of revalued value of domiciles	0	0	0	0	0
Total other adjustments	0	0	0	0	0
Equity as at 30 June 2019	67,513	47,312	443,100	289,260	847,185
Statement of equity for 1st half of 2018					
Equity as at 1 January 2018	42,853	44,147	296,715	171,232	554,947
Comprehensive income for the period					
Profit for the period	0	0	37,221	0	37,221
Comprehensive income for the period	0	0	37,221	0	37,221
Transactions with owners					
Cash injection by existing shareholders	8,641	0	0	41,359	50,000
Liabilities with financial institutions converted into Equity	16,019	0	0	76,669	92,688
Total transactions with owners	24,660	0	0	118,028	142,688
Other adjustments					
Depreciation of revalued value of domiciles	0	0	0	0	0
Total other adjustments	0	0	0	0	0
Equity as at 30 June 2018	67,513	44,147	333,936	289,260	734,856

Statement of cash flows

Note	Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
	Operating profit (EBIT)	55,539	56,993	117,423
	Adjustment for illiquid operating items, etc.	1,629	541	3,176
	Change in project holdings, net	0	741	742
	Change in other operating capital	6,115	-1,362	-10,730
	Cash flows concerning primary operations	63,283	56,913	110,610
	Financial income received	0	0	0
	Financial expenses paid	-15,137	-15,603	-33,409
	Paid Corporate Tax	0	-908	0
	Total cash flow from operating activities	48,146	40,402	77,201
	Cash flow from investing activities			
	Improvements to investment properties	-3,751	-839	-2,647
	Sales of investment properties	0	0	11,996
	Purchases of other property, plant and equipment	-101,314	-1,125	-5,325
	Share capital increase (cash injection)	0	50,000	50,000
	Sale of fixed assets	0	0	0
	Acquisition of subsidiaries	0	0	-2,199
	Total cash flow from investing activities	-105,064	48,036	51,825
	Cash flow from financing activities			
	Proceeds from assumption of liabilities to credit institutions	95,000	0	100,000
	Repayment of liabilities to credit institutions	-26,969	-82,622	-194,669
	Total cash flow from financing activities	68,031	-82,622	-94,669
	Total cash flow for the period	11,112	5,816	34,357
	Liquid assets as at 1 January	54,310	19,953	19,953
	Liquid assets at the end of the period	65,422	25,769	54,310
	Liquid assets at the end of the period			
	Cash and short term deposit	65,422	25,769	54,310
	Liquid assets at the end of the period	65,422	25,769	54,310

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 2018. Reference is made to note 32 to the consolidated financial statements in Park Street Nordicom's Annual report for 2018 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 2019. None of these affected recognition and measurement in 2019.

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 2019 in relation to the Annual report for 2018. For a description of significant accounting assessments and estimates, see note 1 to the consolidated financial statements in the Annual report for 2018.

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 2019	1st half of 2018	Full year 2018
Rental income	75,604	71,649	149,729
Sales of other services	15,568	12,229	23,623
Total sales of services	91,172	83,878	173,352
Sales totals, project holdings	0	1,164	1,164
Interest income, mortgages and instruments of debt	361	333	928
	91,532	85,375	175,444

Note 4 - Operating expenses

Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
Operating expenses, investment properties	11,731	6,977	20,847
Cost and expenses for projects sold	0	688	703
Operating expenses, other services	2,565	6,060	7,742
	14,297	13,725	29,291

Note 5 - Financial expenses

Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
Interest expenses, liabilities to credit institutions measured at amortized cost	15,051	15,511	33,213
Other interest costs and fees	86	92	196
	15,137	15,603	33,409

Note 6 - Adjustment to fair value, net

Amounts in DKK 1000s	1st half of 2019	1st half of 2018	Full year 2018
Fair value adjustment, investment properties	0	0	54,660
	0	0	54,660

Note 7 - 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 2019. The estimated effective tax rate for 2018 is 10% as there are significant losses carried forward from previous years.

Note 8 - Investment properties

Amounts in DKK 1000s	30 June 2019	30 June 2018	31 December 2018
Book value as at 1 January	2,304,615	2,255,395	2,255,395
Cost incurred for improvements	3,751	839	2,648
Adjustment to fair value, net	0	0	54,660
Acquisition of properties	101,314	1,125	5,325
Depreciation of fixed assets	-554	-12	-1,417
Transfer to/from Machinery and Equipment	214	0	0
Retirement on sale	0	0	-11,996
Total book value	2,409,340	2,257,359	2,304,615

During 2019 Park Street Nordicom has acquired a shopping center in Glostrup, a land plot adjacent to an already owned property in Kolding and an additional unit in an already existing property located in Copenhagen.

Note 9 – Share Capital

Amounts in DKK 1000s	30 June 2019	30 June 2018	31 December 2018
Share capital opening period	67,513	42,853	42,853
Share capital increase	0	24,660	24,660
Share capital closing period	67,513	67,513	67,513

The share capital consists of 67,513,372 shares of DKK 1 (31 December 2018: 67,513,372 shares of DKK 1). No shares have special rights. The shares are fully paid.

Park Street Asset Management Ltd. and Park Street NordAc Sarl 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 10 - 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 11 – Credit Institutions

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

	30 June 2019	31 December 2018
Amounts in DKK 1000s		
Non-current financial liabilities with credit institutions	1,540,073	1,501,353
Current financial liabilities with credit institutions	50,843	281,918
Financial liabilities with credit institutions at 1 January	1,590,916	1,783,271
Repayment of liabilities to credit institutions	-26,991	-194,668
Proceeds from assumption of liabilities to credit institutions	95,000	100,000
Mortgage and bank debt converted into equity	0	-92,688
Cancellation of debt from disposal of assets	0	-7,577
Accrued financial expenses	0	2,578
Financial liabilities with credit institutions end of period	1,658,925	1,590,916
Non-current financial liabilities with credit institutions	1,480,035	1,540,073
Current financial liabilities with credit institutions	178,890	50,843
Total financial liabilities with credit institutions end of period	1,658,925	1,590,916

Park Street Nordicom has obtained mortgage financing amounting 95 million DKK for one of the newly acquired properties in the portfolio. The maturity of the loan is 20 years.

Note 12 – Subsequent Events

As part of the strategy to develop a Real Estate Platform with Technology as one of its core pillar a partnership agreement has been established with a company that is developing an advanced AI (Artificial Intelligence) based system that allows organizations to capture, curate and analyse data which will help the Company to increase efficiency in the operations and simplify the processes.

From the balance sheet date until the date of presentation of this interim report no additional significant events have occurred that have a significant influence on the assessment of the interim report.