

Interim Financial Report

Half Year 2023



Company:

Park Street A/S
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Board of Directors:

Anita Nassar, Chairman

Pradeep Pattem

Ohene Aku Kwabong

Claes Peter Rading

Management:

CEO Pradeep Pattem

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 2023

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 2023 is DKK 21.8 million as compared to DKK 23.3 million for the same period last year. Net sales were at DKK 83.4 million (DKK 76.9 million for the same period last year). The reduction in EBVAT was primarily driven by an increase in financial expenses offset by a decrease in operating and external expenses.

The Group's equity as of 30 June 2023 was positive at DKK 1,143 million, against DKK 1,087 million as of 31 December 2022. The marginal increase is primarily due to the progress of Pulse N towards completion, and associated increase in valuation, offset by lowered valuations across several regional retail assets.

Expectations for 2023

Park Street expectations for EBVAT (earnings before value adjustments and tax) at year-end 2023 are at DKK 45-50 million.

Park Street has made positive progress with signing of 36 new leases worth over DKK 5.5 million for 4,700 sqm in the first half of 2023. Some of these leases require capex and refurbishment works which are expected to be completed during H2 2023 and will start generating top line cash-flows 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 45 to DKK 50 million compared to an earlier guidance of DKK 55 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 operational in 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 28th 2023.

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 2022 and 31 at the end of June 2023.

At the Annual general meeting of Park Street A/S held on 28 April 2023, all proposals by the Board of Directors were approved. Reference is also made to the distributed minutes of the ordinary general meeting on 28 April 2023, please refer to:

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

Consolidated financial review

PROFIT FOR THE 1st HALF OF 2023

As mentioned in the Director's report the EBVAT in the first half of 2023 is DKK 21.8 million (1st half of 2022: DKK 23.3 million). Net sales were increased to DKK 83.4 million as compared to DKK 76.9 million in the 1st half of 2022. 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 7.0 million) offset by operating expenses (-DKK 3.4 million) and other external expenses (-DKK 2.2 million). The company's long term debt facility resulted in higher interest payments.

Park Street's Profit for the Period (after tax and valuation adjustments) is DKK 1.2 million for the 1st half of 2023 (1st half of 2022: DKK 22.1 million). This is equivalent to a 0.04 earnings per share. The investment properties valuations adjustment for the half year was -DKK 18.6 million (compared to DKK 2.6 million in H1 2022). 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 2023

Park Street's balance sheet total as of 30 June 2023 was DKK 2,821 million (DKK 2,807 million as on 31st December 2022). The marginal increase is primarily due to the progress of Pulse N towards completion, and associated increase in valuation, offset by lowered valuations across several regional retail assets.

Group's equity as of 30 June 2023 was positive at DKK 1,143 million. Net asset value increased to 20.0 per share as compared to 18.9 per share in the 1st half of 2022.

Liabilities to credit institutions were DKK 1,421 million as at 30 June 2023 (31 December 2022: DKK 1,403 million). A significant proportion of the total liabilities are non-current at 95.1%. The company continues to maintain a healthy equity ratio of 40.5%.

CASH FLOWS FOR THE 1st HALF OF 2023

Cash flows from operating activities for the 1st half of 2023 were DKK 21.0 million (1st half of 2022: DKK 16.8 million). The increase is due to higher operating profit (DKK 44.2 as compared to DKK 38.8 in the same period last year).

Cash flows from investing activities for the 1st half of 2023 were -DKK 36.0 million (1st half of 2022: DKK 115.2 million). They were significantly lower as compared to last year due to DKK 153 million sale of investment properties in the last year, offset of DKK 36 million spent on improvements to investment properties across the portfolio in the 1st half of 2023.

Cash flows from financing activities for the 1st half of 2023 were DKK 17.8 million (1st half of 2022: DKK -260.4 million). The higher cash flows in the previous year were primarily driven by a DKK 159.9 million share buyback and DKK 109.9m repayment of liabilities to credit institutions last year.

The Group's liquid assets amounted to DKK 37.3 million as of 30 June 2023.

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 2022 for further details on these assessments, estimates and associated uncertainties. New and changed assessments and estimates in the 1st half of 2023 are discussed in note 1 to the interim report.

Risk factors

As mentioned in the Annual report for 2022, 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 2022 ('Risk factors' section).

Consolidated key figures and financial ratios

Key figures			
Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
Income statement			
Rental income	62,543	59,971	136,348
Total net sales	83,447	76,919	153,281
Gross profit	56,735	53,603	104,675
Profit from primary operations	20,103	25,211	74,499
Financial items	-22,491	-15,511	-29,932
Earnings before value adjustments and tax (EBVAT)	21,757	23,308	42,898
Profit for the period	18,102	22,139	54,980
Statement of financial position			
Investment properties	2,554,284	2,501,697	2,521,581
Investments in property, plant and equipment	36,011	38,043	-15,061
Balance sheet total	2,831,902	2,808,045	2,807,465
Interest-bearing debt	1,420,745	1,439,555	1,402,935
Total equity	1,143,129	1,079,279	1,087,024
Statement of cash flows			
Cash flows from operations	21,007	16,807	40,219
Cash flows from investment	-36,011	115,221	116,508
Cash flows from financing	17,810	-260,423	-290,015
Other disclosures			
Non-current liabilities as a proportion of total liabilities (%)	94.2	91.9	95.7
Share capital	57,175	57,175	57,175
Share price, end of period (DKK)	10.60	14.70	13.90
Share price change in points	-3.30	0.60	0.80
Number of employees in the Group (average)	31	29	27

Financial ratios			
	1st half of 2023	1st half of 2022	Full year 2022
Return on property portfolio (% p.a.)	4.1	4.0	3.9
Average loan rate (% p.a.)	3.1	2.1	2.1
Return margin on property portfolio (% p.a.)	1.1	1.9	1.8
Return on equity (%)	0.2%	4.1%	5.1%
Equity ratio (%)	40.5%	38.4%	38.7%
Net asset value per share, end of period (DKK)	20.0	18.9	19.0
Earnings per share (DKK), end of period (DKK)	0.0	0.8	1.1
Price/net asset value, end of period	0.5	0.8	0.3
Cash flow per share (DKK)	0.7	0.6	0.7

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 2022.

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 2023 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 2023 and of the profit from the Group's activities and cash flows for the period 1 January - 30 June 2023.

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, 24 August 2023

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 2023	1st half of 2022	Full year 2022
3	Net sales	83,447	76,919	153,281
4	Operating expenses	-26,713	-23,316	-48,606
	Gross profit	56,735	53,603	104,675
	Employee benefit expenses	-8,836	-8,469	-17,231
	Other external expenses	-3,067	-5,243	-10,936
	Depreciation, amortisation and impairment	-584	-1,072	-3,678
	Operating profit (EBIT)	44,247	38,819	72,830
	Financial income	0	0	0
5	Financial expenses	-22,491	-15,511	-29,932
	Earnings before value adjustments (EBVAT)	21,757	23,308	42,897
6	Adjustment to fair value, net	-18,587	2,638	36,066
7	Gains realised on the sale of investment properties	0	-736	-4,466
	Profit before tax	3,169	25,211	74,498
8	Tax on profit for the period	-2,000	-3,072	-19,518
	Profit for the period	1,169	22,139	54,981
	Distributed as follows			
	Parent's shareholders	1,169	22,139	54,981
	Profit for the period	1,169	22,139	54,981
	Earnings per share	0.04	0.77	1.00
	Diluted earnings per share	0.04	0.77	1.00

Statement of comprehensive income

Note	Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
	Profit for the period	1,169	22,139	54,981
	Other comprehensive income:			
	<i>Items that cannot be reclassified to the income statement:</i>			
	Fair value adjustment of headquarters properties	0	0	11,252
	Tax on fair value adjustment of headquarters properties	0	0	-2,420
	Other comprehensive income after tax	0	0	8,832
	Comprehensive income for the period	1,169	22,139	63,812
	Distributed as follows			
	Parent's shareholders	1,169	22,139	63,812
	Comprehensive income for the period	1,169	22,139	63,812

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2023	30 June 2022	31 December 2022
ASSETS				
Non-current assets				
Intangible assets				
	Software	83	987	446
	Capitalised leasing costs	532	0	625
		616	987	1,071
Property, plant and equipment				
	Domiciles	205,231	194,000	203,462
9	Investment properties	2,539,004	2,501,697	2,521,581
	Machinery and equipment	546	372	507
		2,744,782	2,696,069	2,725,550
Financial assets				
	Investment in associates	0	2,029	2,029
	Deposits	161	186	161
		161	2,215	2,190
	Total non-current assets	2,745,559	2,699,271	2,728,811
Current assets				
	Mortgages and instruments of debt	7,412	7,586	7,412
	Project holdings	0	0	
	Receivables	27,047	51,009	28,594
	Income tax receivable	2,282	5,866	5,507
	Prepaid expenses and accrued income	2,340	4,888	2,609
	Cash and short-term deposits	37,336	39,425	34,532
	Total current assets	76,418	108,774	78,654
	Total assets	2,821,977	2,808,045	2,807,465

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2023	30 June 2022	31 December 2022
LIABILITIES				
Equity				
	Share capital	57,175	57,175	57,175
	Revaluation reserve	7,478	-3,774	59,961
	Share Premium	289,260	289,260	289,260
	Accumulated profit	789,216	736,618	680,628
10	Total equity	1,143,129	1,079,279	1,087,024
Liabilities				
Non-current liabilities				
	Deferred tax	200,857	232,087	254,025
12	Credit institutions	1,351,086	1,348,306	1,382,643
	Deposits	28,943	7,554	10,224
		1,580,887	1,587,947	1,646,891
Current liabilities				
	Provisions for liabilities	400	400	400
12	Credit institutions	69,658	91,249	20,293
	Trade and other payables	-1,763	5,424	19,336
	Income tax payable	1,728	4,329	
	Deposits	13,126	28,451	27,693
	Other liabilities	14,811	10,966	5,827
		97,961	140,821	73,549
	Total liabilities	1,678,848	1,728,767	1,720,440
	Total equity and liabilities	2,821,977	2,808,045	2,807,464

Statement of equity

Amounts in DKK 1000s	Share capital	Revaluation reserve	Accumulated profit	Share Premium	Proposed dividend	Equity Total
Statement of equity for 2023:						
Equity as at 1 January 2023	57,175	59,961	680,628	289,260	0	1,087,024
Comprehensive income for the period						
Profit for the period	0	0	1,169	0	0	1,169
Fair value adjustment of domicile	0	0	1,654	0	0	1,654
Other comprehensive income during the financial year	0	0	1,654	0	0	1,654
Comprehensive income for the period	0	0	2,823	0	0	2,823
Transactions with owners						
Repurchase treasury shares	0	0	0	0	0	0
Capital reduction	0	0	0	0	0	0
Cash injection by existing shareholders	0	0	0	0	0	0
Total transactions with owners	0	0	0	0	0	0
Other adjustments						
Depreciation of revalued value of domiciles						
Total other adjustments	0	0	0	0	0	0
Equity as at 30 June 2023	57,175	59,961	683,451	289,260	0	1,089,847

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	807,344	289,260	0	1,217,037
Comprehensive income for the period						
Profit for the period	0	0	54,981	0	0	54,981
Fair value adjustment of domicile	0	11,252	0	0	0	11,252
Tax on other comprehensive income	0	-2,420	0	0	0	-2,420
Other comprehensive income during the financial year	0	8,832	54,981	0	0	63,813
Comprehensive income for the period	0	8,832	54,981	0	0	63,813
Comprehensive income for the period	0	0	54,981	0	0	54,981
Transactions with owners						
Repurchase treasury shares	0	0	-183,488	0	0	-183,488
Cash injection by existing shareholders	-10,338	0	0	0	0	-10,338
Liabilities with financial institutions converted into Equity	0	0	0	0	0	0
Total transactions with owners	-10,338	0	-183,488	0	0	-193,826
Other adjustments						
Depreciation of revalued value of domiciles	0	-1,790	1,790	0	0	0
Total other adjustments	0	-1,790	1,790	0	0	0
Equity as at 31 December 2022	57,175	59,961	680,628	289,260	0	1,087,024

Statement of cash flows

Note	Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
	Operating profit (EBIT)	44,247	38,819	72,830
	Adjustment for illiquid operating items, etc.	584	1,072	3,678
	Change in project holdings, net	0	0	0
	Change in other operating capital	-1,037	-6,702	-4,617
	Cash flows concerning primary operations	43,794	33,189	71,892
	Financial income received	0	0	0
	Financial expenses paid	-22,491	-15,511	-29,932
	Paid Corporate Tax	-296	-871	-1,742
	Total cash flow from operating activities	21,007	16,807	40,218
	Cash flow from investing activities			
	Improvements to investment properties	-36,011	-38,043	-99,024
	Sales of investment properties	0	153,265	216,202
	Purchase of intangible assets	0	0	-670
	Purchases of other property, plant and equipment	0	0	0
	Acquisition of associates	0	0	0
	Total cash flow from investing activities	-36,011	115,221	116,508
	Cash flow from financing activities			
	Repurchase Own Shares	0	-159,898	-183,479
	Proceeds from assumption of liabilities to credit institutions	43,000	9,391	67,994
	Repayment of liabilities to credit institutions	-21,417	-109,915	-174,530
	Repayment of debt from disposal of assets	-3,773	0	0
	Total cash flow from financing activities	17,810	-260,423	-290,015
	Total cash flow for the period	2,806	-128,394	-133,289
	Liquid assets as at 1 January	34,531	167,820	167,820
	Liquid assets at the end of the period	37,337	39,425	34,531
	Liquid assets at the end of the period			
	Cash and short term deposit	37,336	39,425	34,531
	Liquid assets at the end of the period	37,336	39,425	34,531

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 2022. Reference is made to note 33 to the consolidated financial statements in Park Street Annual report for 2022 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 2023.

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 2023 in relation to the Annual report for 2022. For a description of significant accounting assessments and estimates, see note 1 to the consolidated financial statements in the Annual report for 2022.

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 2023	1st half of 2022	Full year 2022
Rental income	62,543	59,971	136,348
Sales of other services	20,905	16,797	16,478
Total sales of services	83,447	76,768	152,826
Interest income, mortgages and instruments of debt	0	152	455
	83,447	76,919	153,281

Note 4 - Operating expenses

Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
Operating expenses, investment properties	23,149	20,116	41,630
Operating expenses, other services	3,563	3,200	6,976
	26,713	23,316	48,606

Note 5 – Financial expenses

Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
Interest expenses, liabilities to credit institutions measured at amortized cost	22,480	14,200	28,388
Other interest costs and fees	24	658	852
Borrowing costs	-13	653	691
	22,491	15,511	29,932

Note 6 - Adjustment to fair value, net

Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
Fair value adjustment, investment properties	-18,587	2,638	36,066
	-18,587	2,638	36,066

Note 7 - Realized gains on the sales of investment properties

Amounts in DKK 1000s	1st half of 2023	1st half of 2022	Full year 2022
Sales totals, investment properties	0	153,265	110,772
Book value of properties when sold, etc.	0	-154,000	-115,238
	0	-736	-4,466

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 2023.

Note 9 - Investment properties

Amounts in DKK 1000s	30 June 2023	31 December 2022
Book value as at 1 January	2,521,580	2,615,814
Transfer to/from project holdings	0	0
Cost incurred for improvements	36,011	98,638
Adjustment to fair value, net	-18,587	36,066
Acquisition of properties	0	0
Depreciation of fixed assets	0	0
Retirement on sale	0	-228,938
Transfer to/from Machinery and equipment	0	0
Total book value	2,539,004	2,521,580

Note 10 – Share Capital

Amounts in DKK 1000s	30 June 2023	31 December 2022
Share capital opening period	57,175	67,513
Share capital Reduction	0	-10,338
Share capital closing period	57,175	57,175

The share capital consists of 57,175,572 shares of DKK 1 (31 December 2022: 57,175,572 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 2022, 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 2023	31 December 2022
Amounts in DKK 1000s		
Non-current financial liabilities with credit institutions	1,382,643	1,488,364
Current financial liabilities with credit institutions	20,293	21,107
Financial liabilities with credit institutions at 1 January	1,402,935	1,509,471
Repayment of liabilities to credit institutions	(11,474)	(174,530)
Proceeds from assumption of liabilities to credit institutions	43,000	67,994
Mortgage and bank debt converted into equity	-	
Repayment of debt from disposal of assets	(3,773)	
Accrued financial expenses	-9,944	-
Financial liabilities with credit institutions end of period	1,420,745	1,402,935
Non-current financial liabilities with credit institutions	1,351,086	1,382,643
Current financial liabilities with credit institutions	69,658	20,293
Total financial liabilities with credit institutions end of period	1,420,745	1,402,935

Note 13 – Subsequent Events

There has been an agreement to sell a property (Stenbukken, Aalborg). There have been no other significant activities or events to report since 30 June 2023.