

Interim Financial Report

Half Year 2021



Company:

Park Street A/S
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Board of Directors:

Anita Nassar, Chairman
Andrew John Essex La Trobe
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 2021

Park Street 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 2021, Park Street Nordicom achieved EBVAT of DKK 33.1 million (1st half of 2020: DKK 36.2 million).

The EBVAT achieved in the 1st half of 2021 is DKK 3.1 million lower than the corresponding amount achieved in the 1st half of 2020. The reduction is primarily caused by the reduction of gross profit (DKK -9.9 million) due to a lower revenue on a hotel operated by the Group and slight increase in vacancies and reduction in number of investment properties (6 properties sold). This reduction in profit has been partially compensated by a reduction of overhead costs (DKK -2.2 million) and financial expenses (DKK -4.6 million). The reduction in overhead costs is caused by a reduction of other external costs (DKK -2.2 million)

The Group's equity as at 30th June 2021 was positive at DKK 1,154.8 million, against DKK 1,071.9 million as at 31 December 2020. The improvement in the Group's equity is due to the profit of the period.

Expectations for 2021

Park Street expectations for EBVAT (earnings before value adjustments and tax) at year-end 2021 is at DKK 69 - 75 million.

Park Street has made some progress with new leases across 3 key properties which will start generating positive top line impact in second half of 2021, and is expecting to continue its intensive marketing initiatives for further reduction in vacancies. While there is progress with hotel revenues compared to previous 2 quarters, it still is well below the steady state revenues of pre-covid. There is an expected further improvement in the second half of the year. The range for EBVAT expectations is refined to a tighter range of DKK 69 to DKK 75 million compared to an earlier guidance of DKK 68.6 to 85.6 million.

As outlined in the Strategy document (published Jan 2021), Park Street is taking steps towards initiating Pulse N project and optimising bank financing.

Property buy and sales

In the 1st half of 2021, Park Street sold the following properties:

- Sale of a residential unit in Ballerup
- Sale of a land plot in Naestved

Organisation and Annual General meeting held on April 22nd 2021

The Board of Directors of Park Street consists of Andrew La Trobe, Pradeep Patten, Ohene Aku Kwabong, Anita Nassar and Claes Peter Rading.

The number of employees of Park Street is 38 at the end of 2020 and the same at the end of June 2021.

At the Annual general meeting of Park Street Nordicom A/S held on 22nd April 2021, all proposals by the Board of Directors were approved.

Reference is also made to the distributed minutes of the ordinary general meeting on 22nd April 2021, please refer to:

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

Consolidated financial review

PROFIT FOR 1st HALF OF 2021

As mentioned in the Director's report the EB VAT in the first half of 2021 is DKK 33.1 million (1st half of 2020: DKK 36.2 million). The reduction is primarily caused by the reduction of gross profit (DKK -15.3 million) due to a lower revenue on a hotel operated by the Group and slight increase in vacancies and reduction in number of investment properties (6 properties sold). This reduction in profit has been partially compensated by a reduction of overhead costs (DKK -2.2 million) and financial expenses (DKK -4.6 million). The reduction in overhead costs is caused by a reduction of other external costs (DKK -2.2 million)

Park Street's profit is DKK 82.9 million for the 1st half of 2021 compared to DKK 63.3 million in the 1st half of 2020. The increase is primarily driven by the fair value adjustment of 11 investment properties (DKK 51.4 million). The review was primarily focussed on the properties where specific changes have occurred on leases – new leases signed or termination of existing leases. This review of valuations also incorporated specific market inputs directly related to our portfolio.

The gross profit in the 1st half of 2021 is DKK 56.6 million (1st half of 2020: DKK 66.5 million), equivalent to a decrease of DKK 9.9 million due to lower revenue on a hotel operated by the Group and a slight increase in the vacant units as well as the reduced number of properties.

The Group's overheads were DKK 13.4 million in the 1st half of 2021 against DKK 15.5 million in the 1st half of 2020. As stated in the Director's report the overhead costs are lower due to a reduction of other external costs (DKK -2.2 million) caused by a reduction on external advisors expenses.

Financial expenses were DKK 10.2 million in the 1st half of 2021 compared to DKK 14.8 million, equivalent to a decrease of DKK 4.6 million primarily driven by the reduction of debt during 2020 (DKK 228.3 million).

BALANCE SHEET AS AT 30 JUNE 2021

Park Street's balance sheet total as at 30 June 2021 was DKK 2,785.6 million, an increase of DKK 62.5 million on the balance sheet total compared to 31 December 2020. The primary drivers for the increase, are the profit of the period and the fair value adjustment to investment properties.

Group's equity at 30 June 2021 was positive by DKK 1,154.8 million against DKK 1,071.9 million as at December 31, 2020. The improvement in the Group's equity is due to the profit of the period.

Liabilities to credit institutions were DKK 1,378.1 million as at 30 June 2021 (31 December 2020: DKK 1,405 million), consisting of DKK 1,326.9 million (96%) for non-current liabilities and DKK 51.2 million (4%) for current liabilities. In the 1st half of 2021, financial liabilities decreased by DKK 26.9 million (net). Decrease is due to amortization repayments of existing loans (DKK 26.9 million).

CASH FLOWS FOR THE 1st HALF OF 2021

Cash flows from operating activities for the 1st half of 2021 were DKK 36.3 million (1st half of 2020: DKK 28.0 million), equivalent to an increase of DKK 8.3 million in relation to the same period last year. The increase is due to reduced financial expenses and evolution of the operating capital.

Cash flows from investing activities for the 1st half of 2021 were DKK -14.6 million (1st half of 2020: DKK 148.9 million). Cash flows from investing activities were negative due to improvements made to investment properties (DKK 21.0 million). The improvements are primarily made across 3 properties, all of which have new leases taking into effect in the second half of 2021. The positive effect is due to the sale of 2 properties (DKK 6.5 million).

Cash flows from financing activities for the 1st half of 2021 were DKK -26.9 million (1st half of 2020: DKK -201.7 million). The decrease is due to amortization repayments of existing loans.

The Group's liquid assets amounted to DKK 17.9 million as at 30 June 2021 against DKK 23.2 million as at 31 December 2020.

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 2020 for further details on these assessments, estimates and associated uncertainties. New and changed assessments and estimates in the 1st half of 2021 are discussed in note 1 to the interim report.

Risk factors

As mentioned in the Annual report for 2020, 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 2020 ('Risk factors' section).

Consolidated key figures and financial ratios

Key figures			
	1st half of 2021	1st half of 2020	Full year 2020
Amounts in DKK 1000s			
Income statement			
Rental income	61,760	70,973	126,903
Total net sales	76,970	92,236	172,669
Gross profit	56,611	66,505	124,979
Profit from primary operations	86,011	68,996	187,759
Financial items	-10,152	-14,769	-25,757
Earnings before value adjustments and tax (EBVAT)	33,099	36,187	69,813
Profit for the period	82,853	63,319	145,321
Statement of financial position			
Investment properties	2,530,012	2,360,399	2,462,633
Investments in property, plant and equipment	21,071	34,692	51,636
Balance sheet total	2,785,563	2,631,357	2,723,066
Interest-bearing debt	1,378,075	1,431,708	1,405,024
Total equity	1,154,774	994,452	1,071,946
Statement of cash flows			
Cash flows from operations	36,276	27,985	61,965
Cash flows from investment	-14,571	148,875	137,919
Cash flows from financing	-26,974	-201,656	-238,341
Other disclosures			
Non-current liabilities as a proportion of total liabilities (%)	93.5	94.1	94.1
Share capital	67,513	67,513	67,513
Share price, end of period (DKK)	14.25	8.20	10.00
Share price change in points	4.25	1.55	3.35
Number of employees in the Group (average)	35	27	26
Financial ratios			
	1st half of 2021	1st half of 2020	Full year 2020
Return on property portfolio (% p.a.)	4.4	5.3	4.7
Average loan rate (% p.a.)	1.4	1.9	1.8
Return margin on property portfolio (% p.a.)	2.9	3.3	2.9
Return on equity (%)	14.3%	12.7%	13.6%
Equity ratio (%)	41.5%	37.8%	39.4%
Net asset value per share, end of period (DKK)	17.1	14.8	15.9
Earnings per share (DKK), end of period (DKK)	2.5	1.9	2.2
Price/net asset value, end of period	0.8	0.6	0.6
Cash flow per share (DKK)	1.1	0.8	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 2020.

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 2021 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 at 30 June 2021 and of the profit from the Group's activities and cash flows for the period 1 January - 30 June 2021.

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, 26 August 2021

Management

Pradeep Patten
CEO

Board of Directors

Anita Nassar
Chairman

Pradeep Patten

Ohene Aku Kwabong

Andrew John Essex La Trobe

Claes Peter Rading

Income statement

Note	Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
3	Net sales	76,970	92,236	172,669
4	Operating expenses	-20,359	-25,731	-47,690
	Gross profit	56,611	66,505	124,979
	Employee benefit expenses	-9,150	-9,011	-17,977
	Other external expenses	-2,942	-5,151	-8,540
	Depreciation, amortisation and impairment	-1,268	-1,387	-2,891
	Operating profit (EBIT)	43,251	50,956	95,570
	Financial income	0	0	0
5	Financial expenses	-10,152	-14,769	-25,757
	Earnings before value adjustments (EBVAT)	33,099	36,187	69,813
6	Adjustment to fair value, net	51,441	-5,502	79,463
7	Gains realised on the sale of investment properties	1,472	38,311	38,483
	Profit before tax	86,011	68,996	187,759
8	Tax on profit for the period	-3,158	-5,676	-42,438
	Profit for the period	82,853	63,319	145,321
	Distributed as follows			
	Parent's shareholders	82,853	63,319	145,321
	Profit for the period	82,853	63,319	145,321
	Earnings per share	2.46	1.88	2.19
	Diluted earnings per share	2.46	1.88	2.19

Statement of comprehensive income

Note	Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
	Profit for the period	82,853	63,319	145,321
	Other comprehensive income:			
	<i>Items that cannot be reclassified to the income statement:</i>			
	Fair value adjustment of headquarters properties	0	0	7,041
	Tax on fair value adjustment of headquarters properties	0	0	-1,549
	Other comprehensive income after tax	0	0	5,492
	Comprehensive income for the period	82,853	63,319	150,813
	Distributed as follows			
	Parent's shareholders	82,853	63,319	150,813
	Comprehensive income for the period	82,853	63,319	150,813

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2021	30 June 2020	31 December 2020
ASSETS				
Non-current assets				
Intangible assets				
	Software	2,768	2,776	3,671
		2,768	2,776	3,671
Property, plant and equipment				
	Domiciles	196,298	190,820	196,298
9	Investment properties	2,530,012	2,360,399	2,462,633
	Machinery and equipment	628	6,006	792
		2,726,938	2,557,225	2,659,723
Financial assets				
	Investment in associates	2,029	2,029	2,029
	Deferred tax assets	0	0	0
	Deposits	212	392	279
		2,241	2,421	2,308
	Total non-current assets	2,731,947	2,562,422	2,665,703
Current assets				
	Mortgages and instruments of debt	7,838	8,185	8,000
	Project holdings	0	1,628	0
	Receivables	19,684	16,750	17,202
	Income tax receivable	4,831	559	4,403
	Prepaid expenses and accrued income	3,381	5,004	4,609
	Cash and short-term deposits	17,882	36,809	23,151
	Total current assets	53,616	68,935	57,364
	Total assets	2,785,563	2,631,357	2,723,066

Statement of financial position

Note	Amounts in DKK 1000s	30 June 2021	30 June 2020	31 December 2020
LIABILITIES				
Equity				
	Share capital	67,513	67,513	67,513
	Revaluation reserve	55,107	51,177	55,107
	Share Premium	289,260	289,260	289,260
	Accumulated profit	742,894	586,502	660,066
10	Total equity	1,154,774	994,452	1,071,946
Liabilities				
Non-current liabilities				
	Deferred tax	191,733	152,430	191,733
12	Credit institutions	1,326,850	1,379,556	1,354,054
	Deposits	6,937	7,678	7,769
		1,525,520	1,539,664	1,553,556
Current liabilities				
	Provisions for liabilities	400	400	400
12	Credit institutions	51,225	52,152	50,970
	Trade and other payables	11,786	6,616	3,988
	Income tax payable	7,707	5,744	4,549
	Deposits	27,639	28,471	24,732
	Other liabilities	6,511	3,858	12,926
		105,269	97,241	97,565
	Total liabilities	1,630,789	1,636,905	1,651,121
	Total equity and liabilities	2,785,563	2,631,357	2,723,066

Statement of equity

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	55,106	660,067	289,260	0	1,071,946
Comprehensive income for the period						
Profit for the period	0	0	82,853	0	0	82,853
Comprehensive income for the period	0	0	82,853	0	0	82,853
Transactions with owners						
Repurchase own 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	0	0	0	0	0
Total other adjustments	0	0	0	0	0	0
Equity as at 30 June 2021	67,513	55,106	742,895	289,260	0	1,154,774
Statement of equity for 2020:						
Equity as at 1 January 2020	67,513	51,177	523,183	289,260	0	931,133
Comprehensive income for the period						
Profit for the period	0	0	145,321	0	0	145,321
Fair value adjustment of domicile	0	7,041	0	0	0	7,041
Tax on other comprehensive income	0	-1,549	0	0	0	-1,549
Other comprehensive income during the financial year	0	5,492	0	0	0	5,492
Comprehensive income for the period	0	5,492	145,321	0	0	150,813
Transactions with owners						
Repurchase own shares	0	0	-10,000	0	0	-10,000
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	-10,000	0	0	-10,000
Other adjustments						
Depreciation of revalued value of domiciles	0	-1,563	1,563	0	0	0
Total other adjustments	0	-1,563	1,563	0	0	0
Equity as at 31 December 2020	67,513	55,106	660,067	289,260	0	1,071,946

Statement of cash flows

Note	Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
	Operating profit (EBIT)	43,251	50,956	95,570
	Adjustment for illiquid operating items, etc.	1,268	1,387	2,891
	Change in other operating capital	775	-9,342	-6,380
	Cash flows concerning primary operations	46,922	43,001	92,080
	Financial income received	0	0	0
	Financial expenses paid	-10,152	-14,769	-25,757
	Paid Corporate Tax	-493	-247	-4,358
	Total cash flow from operating activities	36,276	27,985	61,965
	Cash flow from investing activities			
	Improvements to investment properties	-20,966	-31,399	-36,991
	Sales of investment properties	6,500	185,005	192,805
	Purchase of intangible assets	0	-1,439	-3,249
	Purchases of other property, plant and equipment	-105	-3,293	-14,645
	Acquisition of associates	0	0	0
	Total cash flow from investing activities	-14,571	148,875	137,919
	Cash flow from financing activities			
	Repurchase Own Shares	-25	0	-10,000
	Proceeds from assumption of liabilities to credit institutions	0	0	0
	Repayment of liabilities to credit institutions	-26,949	-124,146	-150,831
	Repayment of debt from disposal of assets	0	-77,510	-77,510
	Total cash flow from financing activities	-26,974	-201,656	-238,341
	Total cash flow for the period	-5,269	-24,796	-38,455
	Liquid assets as at 1 January	23,151	61,606	61,606
	Liquid assets at the end of the period	17,882	36,809	23,151
	Liquid assets at the end of the period			
	Cash and short term deposit	17,882	36,809	23,151
	Liquid assets at the end of the period	17,882	36,809	23,151

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 2020. Reference is made to note 33 to the consolidated financial statements in Park Street Annual report for 2020 for a full description of the accounting policies used.

Changes to accounting policies

Park Street Nordicom 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 2021.

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 2021 in relation to the Annual report for 2020. For a description of significant accounting assessments and estimates, see note 1 to the consolidated financial statements in the Annual report for 2020.

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 2021	1st half of 2020	Full year 2020
Rental income	61,760	70,973	126,903
Sales of other services	14,910	20,952	45,179
Total sales of services	76,670	91,925	172,082
Interest income, mortgages and instruments of debt	300	311	587
	76,970	92,236	172,669

Note 4 - Operating expenses

Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
Operating expenses, investment properties	18,395	23,964	43,263
Operating expenses, other services	1,964	1,767	4,428
	20,359	25,731	47,690

Note 5 – Financial expenses

Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
Interest expenses, liabilities to credit institutions measured at amort	9,964	13,897	24,585
Other interest costs and fees	189	0	296
Borrowing costs	0	872	875
	10,152	14,769	25,757

Note 6 - Adjustment to fair value, net

Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
Fair value adjustment, investment properties	51,441	-5,502	79,463
	51,441	-5,502	79,463

Note 7 - Realized gains on the sales of investment properties

Amounts in DKK 1000s	1st half of 2021	1st half of 2020	Full year 2020
Sales totals, investment properties	6,500	185,005	192,805
Book value of properties when sold, etc.	-5,028	-146,694	-154,322
	1,472	38,311	38,483

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 2021.

Note 9 - Investment properties

Amounts in DKK 1000s	30 June 2021	30 June 2020	31 December 2020
Book value as at 1 January	2,462,633	2,477,996	2,477,996
Transfer to/from project holdings	0	0	1,628
Cost incurred for improvements	20,966	31,399	36,991
Adjustment to fair value, net	51,441	-5,502	79,463
Acquisition of properties	0	3,200	14,645
Depreciation of fixed assets	0	0	1,015
Retirement on sale	-5,028	-146,694	-154,322
Transfer to/from Machinery and equipment	0	0	5,216
Total book value	2,530,012	2,360,399	2,462,633

Note 10 – Share Capital

Amounts in DKK 1000s	30 June 2021	30 June 2020	31 December 2020
Share capital opening period	67,513	67,513	67,513
Share capital increase	0	0	0
Share capital closing period	67,513	67,513	67,513

The share capital consists of 67,513,372 shares of DKK 1 (31 December 2020: 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 11 - Contingent liabilities and assets

There have been no significant changes in contingent liabilities or assets since the Annual report for 2020, 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:

Note 12 - Credit Institutions	30 June 2021	31 December 2020
Amounts in DKK 1000s		
Non-current financial liabilities with credit institutions	1,354,054	1,478,691
Current financial liabilities with credit institutions	50,970	154,673
Financial liabilities with credit institutions at 1 January	1,405,024	1,633,364
Repayment of liabilities to credit institutions	-26,949	-150,831
Proceeds from assumption of liabilities to credit institutions	0	0
Mortgage and bank debt converted into equity	0	0
Repayment of debt from disposal of assets	0	-77,510
Accrued financial expenses	0	0
Financial liabilities with credit institutions end of period	1,378,075	1,405,024
Non-current financial liabilities with credit institutions	1,326,850	1,354,054
Current financial liabilities with credit institutions	51,225	50,970
Total financial liabilities with credit institutions end of period	1,378,075	1,405,024

Note 13 – Subsequent Events

As outlined in the Strategy 2021 (published in Jan 2021), Park Street is actively pursuing refinancing and sale of properties. Towards this, the Company is in exclusive discussions with a credible counterpart to do financing across multiple properties towards replacing current bank debt due in 2022, and for development financing to initiate of Pulse N project. The completion of such financing is subject currently active due diligence and negotiations with its associated uncertainties.

Park Street has also concluded the works related to initiating new leases across 3 properties including Pulse O. The Pulse O project has been successfully launched with all available rooms being fully let within 8 weeks of launch. The other 2 commercial properties now have new long term leases with highly reputed tenants.

